



**Breakaway
Research**

October 2015

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Company Information

ASX Code	LEG
Share Price (6 Oct 2015)	A\$0.01
Ordinary Shares	2,034m
Options	150m
Market Cap – undiluted	A\$20.34m
Cash (6 Oct 2015)	~A\$7.4m
Liquid Investments	–
Receivables (6 Oct 2015)	A\$6.0m
Enterprise Value	A\$6.94m

Directors and Management

Non-Exec Chairman	Michael Atkins
Managing Director	Mark Wilson
Technical Director	Derek Waterfield
Company Secretary	Dennis Wilkins

Company Details

Address	Level 1, 8 Kings Park Road West Perth WA 6005
Phone	+618 9212 0600
Web	www.legendmining.com.au

Top Shareholders

Creasy Group	28.57%
Chester Nominees (M. Wilson)	3.93%
Castle Bailey P/L, /Motte & Bailey P/L	3.59%
Mikado Corporation P/L	2.63%
Top 20	51.89%
Directors and Management	4.21%

1 Year Price Chart



Source: IRESS

Legend Mining (LEG)

Cashed up and with the Right Address

Recommendation: Speculative BUY

Key Points

- **The Rockford Project comprises a tenement package that is highly prospective for Nova-Bollinger style nickel-copper mineralisation**
- **Covers 100km strike length of the key Fraser Zone of the Albany-Fraser Orogen in Western Australia, the host to Nova-Bollinger**
- **Prospectivity reinforced by work carried out by the project vendors**
- **High quality project-wide geophysical and geochemical database**
- **Well-funded, with ~\$10.4 million in cash and liquid investments plus a \$3 million receivable.**
- **Electro-magnetic surveying to define drill targets now underway**
- **Highly leveraged to exploration success**

In the 70% owned 2,939km² Rockford Project, Legend has a quality tenement package, considered highly prospective for Nova-Bollinger style nickel-copper sulphide mineralisation. The Project is located over the Fraser Zone, the same tectonic package that hosts the 13.1Mt Nova-Bollinger Project which is located some 150km to the south-west. Project-wide early stage exploration carried out by the Creasy Group (the project vendors) has highlighted the prospectivity of the tenements.

This previous work has also resulted in a comprehensive and high quality geophysical and geochemical database, which has allowed Legend to progress straight into advanced exploration, potentially saving \$1.2 million and two to three years in early stage work. The Company is now undertaking electro-magnetic surveying over three key areas to define bedrock conductors for subsequent reverse circulation and/or diamond drilling.

With an enterprise value of ~\$7 million Legend is well leveraged to exploration success – this is a similar position that Sirius Resources was in when the Nova discovery was made in 2012. Nova and the subsequent Bollinger discovery took Sirius' share price from \$0.05 to a peak of \$5.00.

Being cashed up will allow Legend to carry out effective exploration, without activities being compromised by a restricted cash position.

Given the above, and the quality personnel, we rate Legend as a SPECULATIVE BUY, with price movers being positive exploration results.

Company Overview

Legend Mining Limited is an Australian based junior explorer focussing activities on nickel-copper sulphide exploration in the Fraser Range area of Western Australia. The key project is Rockford, located over the highly prospective Fraser Zone of the Albany-Fraser Orogen, some 300km east of Kalgoorlie, which the Company recently acquired a 70% stake in from the Creasy Group.



Investment Thesis

Fraser Zone Ni-Cu sulphide project

Highly Prospective Tenement Package

Legend Mining Limited (ASX: LEG, “Legend” or “the Company”) has recently acquired a 70% interest in the Rockford Project from the Creasy Group, located over the Fraser Zone of the Albany-Fraser Orogen in Western Australia, considered highly prospective for intrusive related Ni-Cu massive sulphide, as well as Tropicana-style gold mineralisation.

Same rocks as Nova-Bollinger

Same Host Rocks as Nova -Bollinger

The Fraser Zone is host to the 13.1Mt Nova-Bollinger Project, discovered by Sirius Resources in July 2012. This project is now being developed by new owners Independence Group (ASX: IGO), an extremely rapid turnaround from discovery to development. This highlights the quality of Nova-Bollinger and hence the prospectivity of the Fraser Zone, given that deposits of this type commonly occur in clusters.

Relatively under-explored

Under-Explored Belt...

The Fraser Zone (and for that matter the entire Albany-Fraser Orogen) is relatively under-explored – the Nova-Bollinger discovery occurred at the peak of exploration activity post GFC, with the exploration industry suffering a severe downturn since, which has resulted in exploration in this relatively remote region being less intensive than it otherwise would have been.

Prospectivity confirmed by work to date

...Has Produced Enticing Results to Date...

However the work that has been carried out by other companies over the region has produced some encouraging results, demonstrating the prospectivity for further Ni-Cu sulphide discoveries.

...Including Over the Rockford Project

The Creasy Group has carried out detailed early stage exploration work over the entire Rockford Project area, which has returned very encouraging results that are now being used for target prioritisation by Legend.

Quality data package saves time and money

Quality Data Package...

This work has resulted in the development of a comprehensive and quality database, including detailed project wide geophysics and geochemical data

...Saves Time and Cash

A key advantage of the database is that it will save time and money – Legend estimates that it would take at least \$1.2 million and two to three years to recreate this data – this also means that the Company can now progress to direct drill targeting using electromagnetic (“EM”) surveying.

Cash and liquid investment position will allow Legend to concentrate on effective exploration

Cashed Up

One key with Legend is that they are cashed up – they have around \$10.4 million in cash and liquid investments (including ~\$7.4 million in cash), plus a \$3 million receivable due by the end of 2016

Can Concentrate on Exploration

The cash position allows the Company to concentrate on the job at hand – finding orebodies – without being distracted by having to rattle the tin. This will also allow them



to plan the most effective exploration, without having to compromise activities due to a restricted cash position.

Strong, Committed and Incentivised Team

The Board and Management have extensive experience in Western Australia, and have been involved in discoveries. In addition Directors and Management have holdings in the Company, and thus will be motivated to produce strong returns for shareholders.

Experienced personnel with skin in the game

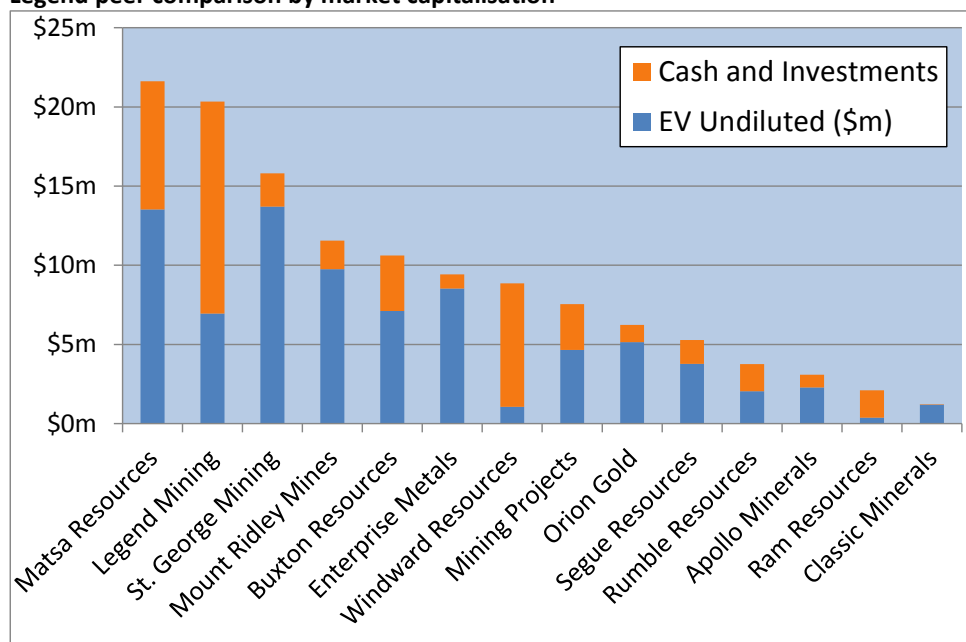
Peer Comparison

Legend is one of a number of ASX-listed junior nickel explorers, most of whom are concentrating activities on exploration for Proterozoic intrusive related mineralisation in the Fraser Range area with a few, for example St. George Mining (ASX: SGQ) concentrating exploration on Archaean komatiite-hosted mineralisation, such as that found in the Agnew-Wiluna Belt and Kambalda area of the Yilgarn Craton. The table below compares the undiluted enterprise value and cash and investments – given none have any significant debt the sum of the two represents the undiluted market capitalisation.

Legend is one of a number of ASX-listed junior nickel explorers, most of whom are operating in the Fraser Range

We have considered cash as that held on June 30, 2015, and added or subtracted significant movements as subsequently announced, and in the case of Legend included the \$3 million receivable. We have generally not taken into account depletion due to subsequent normal expenditure. Investments are those as highlighted by companies in presentations, and largely include holdings in listed companies. We have not taken into consideration the potential value of non-nickel exploration projects.

Legend peer comparison by market capitalisation



Source: IRESS, company reports

The cash position gives Legend a key advantage

What can be seen is that Legend has an enterprise value of around \$7 million, broadly in line with a number of the other explorers, and has cash and liquid investments in the order of \$13.4 million, more than sufficient to fund upcoming exploration programmes, and giving the Company a significant advantage.

The Company is well leveraged to exploration success

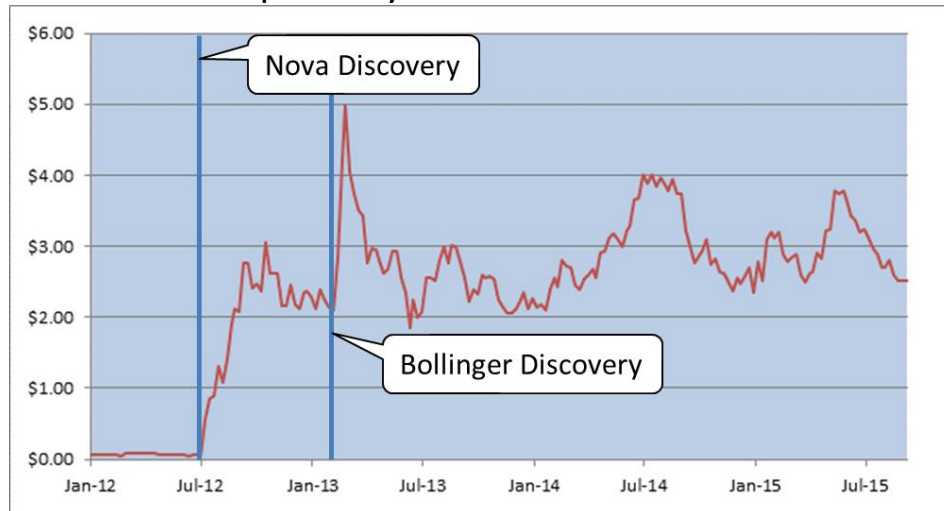
The Company is well leveraged to exploration success. A commonly cited case history on what can happen with a discovery here is Sirius Resources. At the time of the Nova discovery in July 2012, Sirius Resources had a share price of \$0.05 and a market



capitalisation of around \$9 million, with \$1.5 million in the bank.

Between the initial discovery and friendly takeover by Independence Group (ASX: IGO) in 2015, Sirius reached a peak of \$5.00 following the Bollinger discovery in February 2013, and generally traded between \$2.50 and \$4.00, as shown in the graph below. The takeover valuation was A\$1.8 billion, or \$4.38/share.

Sirius Resources share price history



A good case history is Sirius Resources - \$0.05 to \$5.00 per share on discovery

Source: IRESS

Risks

As in any resources stock there are a number of risks involved – the ones pertinent to Legend's current situation are given below.

Exploration risk is the key risk

- **Exploration** – This is the key risk for any junior explorer. However this is partly mitigated given the prospectivity of the tenements as demonstrated by work thus far, and the experience of the personnel involved in the project.
- **Funding** – The Company is not hampered by lack of funding, with current cash and liquid investments in the order of \$10.4 million, more than sufficient to fund activities for a few years. The Company also has a receivable of \$3 million due on or before December 15, 2016 from the sale of its Cameroon Iron Ore Project.
- **Permitting and Sovereign Risk** – Given the known mining jurisdiction, and with the majority of tenements granted, we consider these as low risk in the case of Legend.



Project and Activities Review

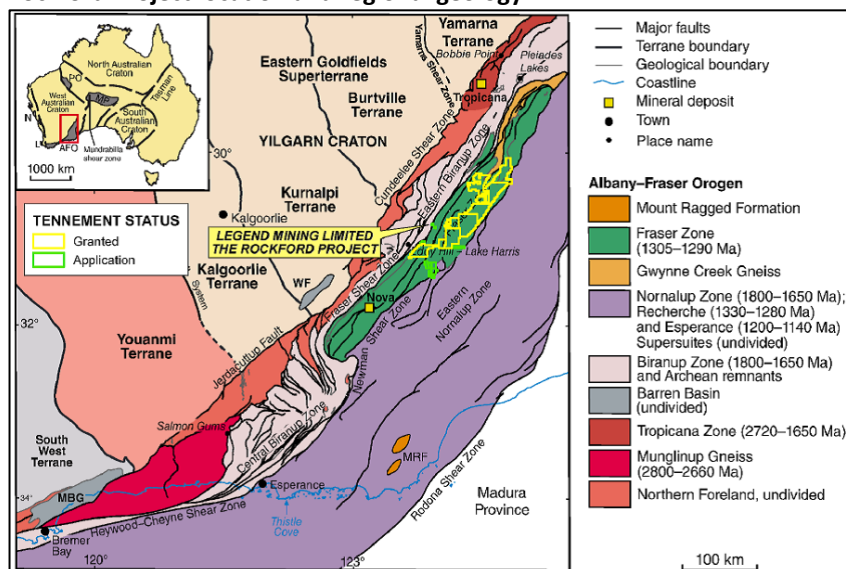
Rockford Project – LEG 70%

Introduction and Tenure

Legend's focus is on Ni-Cu in the Fraser Range

Legend's focus is on the Rockford Project, considered highly prospective for Nova-Bollinger style nickel-copper mineralisation. The Project, comprising eight granted exploration tenements and two applications covering 2,939km² is centred approximately 300km east of Kalgoorlie, and 150km northeast of Independence Group's Nova-Bollinger Project in the Fraser Range of Western Australia.

Rockford Project location and regional geology



Source: Legend Mining

The 70% stake in the Project was acquired from the Creasy Group, with completion in September 2015.

The 70% stake in the Rockford Project was acquired from the Creasy Group

The terms of the acquisition are:

- \$2.5 million cash payment,
- 71.5 million Legend shares at a deemed price of \$0.007 (\$500,500), and,
- 150 million five year Legend options with an exercise price of \$0.04.

Legend is to sole fund exploration and free carry Creasy's 30% interest through to the signing of Mining Venture Agreements.

Geology and Mineralisation

The Project covers 100km strike length of the key Fraser Zone of the Albany-Fraser Orogen

The Rockford Project covers some 100km strike length the Fraser Zone, a unit within the Meso-Proterozoic Albany-Fraser Orogen, a mobile belt which fringes the Archaean Yilgarn Craton to the west. Key units include ultramafic, mafic and felsic intrusives, intruding into older metamorphosed sediments and volcanics.

The belt has key similarities to the Circum-Superior Belt in Canada and to the deposits hosted therein. In addition the Fraser Zone and adjacent units has aspects necessary for the formation of layered intrusive related Ni-Cu-PGE mineralisation.

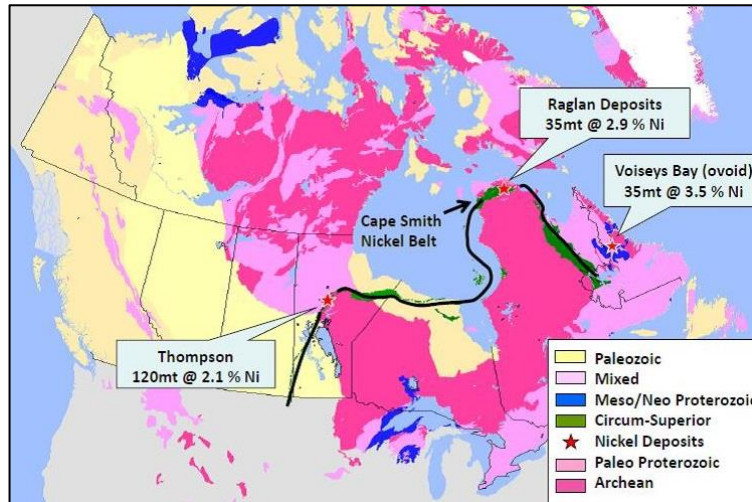
- Meso-Proterozoic in age, and part of a global network of similarly aged mobile belts
- 1300Ma ultramafic, mafic and felsic intrusives – mafic and ultramafic intrusives are the source for the nickel and copper



- This is of a similar age to the 1350-1290Ma age Nain Plutonic Suite which hosts Voiseys Bay
- Intruded through crustal meta-sediments or sedimentary derived gneisses (“paragneiss”), which are required as a sulphur source for the formation of nickel and copper sulphides

Circum-Superior Belt, Canada

The belt has key similarities to the Circum-Superior Belt in Canada – a well-endowed nickel province

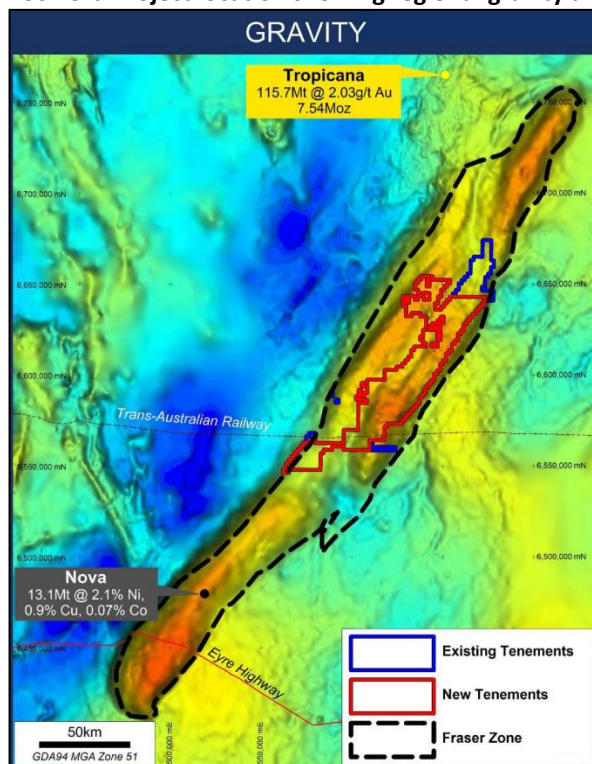


Source: Sirius Resources Presentation

The Fraser Zone is considered the most prospective zone within the Albany-Fraser Orogen for Ni-Cu-PGE mineralisation and hosts the 13.1Mt Nova-Bollinger deposit, discovered by Sirius in 2012-13. The zone is characterised by relatively intense structure and a strong gravity signature, probably reflecting large volumes of metagabbroic intrusives, which comprise sheets ranging from a few centimetres to 100’s of metres in thickness intruding into the granulite facies sedimentary derived gneisses. It is the high volume of intrusives, reflecting a high magma flux that gives this zone its prospectivity.

Rockford Project location showing regional gravity and major mineralisation

The Fraser Zone’s prospectivity is due to the high volumes of gabbroic intrusives



Source: Legend Mining



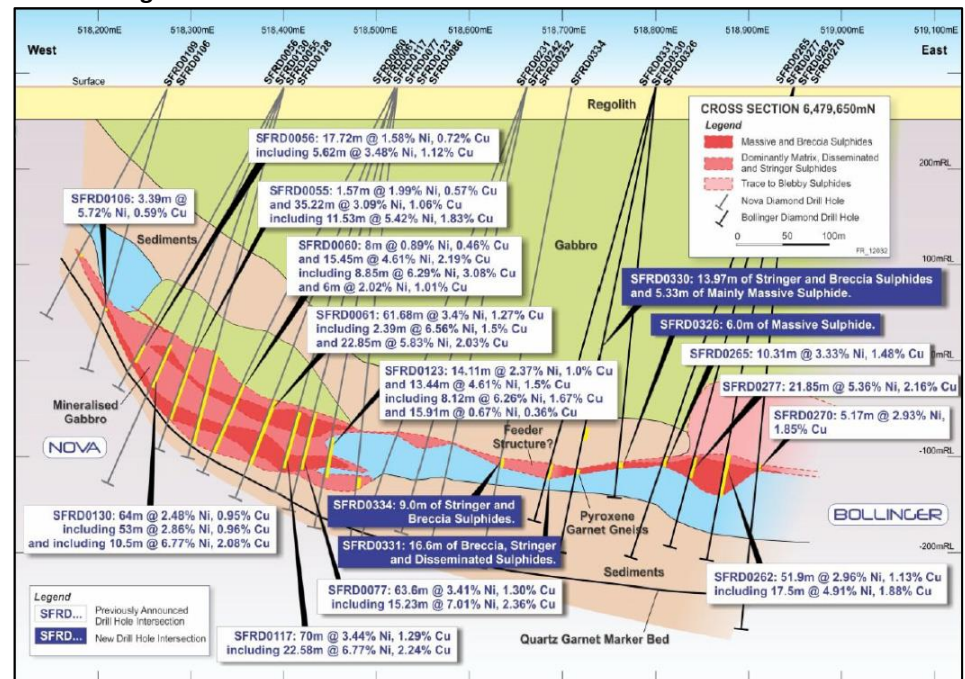
The Fraser Zone is interpreted as reflecting a mid to deep crustal level “hot spot”, characterised by repeated upwelling of gabbroic magmas from a mantle source. The original tectonic setting may have been an intercontinental rift or distal back-arc basin.

The western part of the Nornalup Zone to the east, which is less structurally disrupted and lacks the strong gravity signature, also contains lesser volumes of the prospective 1300Ma intrusives.

Legend is targeting mineralisation similar to Independence Group’s Nova-Bollinger Project, discovered in 2012

The targeted mineralisation style is like that at Nova-Bollinger – massive sulphide mineralisation located at the base of a gabbroic to picritic or noritic cumulate intrusive sill. Nova Bollinger contains what are interpreted as two separate sills (Nova and Bollinger) connected by a feeder structure. It is interpreted that Nova is the lower and Bollinger the upper sill.

Nova-Bollinger cross section



Source: Newexco website, extracted October 3, 2015

The parent magmas are nickel and copper (and variably PGE) rich and it is the addition of sulphur, and subsequent separation of an immiscible sulphide phase which will result in mineralisation. In most deposits it is understood that the sulphur is assimilated from the country rocks that the magmas are intruded or extruded into, hence the composition of these country rocks is an important factor in mineralisation.

Nickel, copper and iron are strongly chalcophile, and will therefore preferentially partition into the sulphide phase in a mixed silicate/sulphide melt, with sulphur saturation causing sulphides to form immiscible droplets within the melt.

Given the right kinematics (and this is a key to the development of economic mineralisation), the sulphide liquid will then settle to the bottom of the sill to form the massive sulphide deposits. The massive sulphide will be overlain by “net-textured” sulphide, with sulphides forming the matrix to the silicate mineral cumulate, with lower grade blebby and disseminated mineralisation above.

The primary nickel mineral is pentlandite ((Fe, Ni)₉S₈), with the primary copper mineral being chalcopyrite (CuFeS₂). Pyrrhotite (Fe_(1-x)S), and to a lesser extent pyrite (FeS) are the main gangue sulphides.



Exploration Methods

Key exploration tools for nickel sulphide mineralisation include surface geochemistry, and more importantly geophysics. In covered areas, such as Legend's tenements, surface geochemistry is not a viable option, with aircore drilling required for bedrock geochemistry and geological mapping.

Given the target style is commonly deep, geochemical anomalies (particularly nickel and copper) may indicate proximity to a system (including feeder zones), however it is the geophysics, including magnetics and more critically EM surveying that will provide the drill targets. In addition advances in the EM technique over recent years have significantly increased the power of this vital tool, allowing it to "look" deeper.

Exploration History

The Albany-Fraser Orogen is highly prospective, however is underexplored given its relative remoteness, and until the discoveries of Tropicana and Nova-Bollinger, a paucity of known discoveries. These discoveries have given more recent impetus to exploration in the region; however, given the downturn in the industry this has not been as intense as may have been expected.

Given the amount of cover (generally 20-120m) and the relative remoteness the area covered by the Rockford Project has only seen minimal exploration until acquired by the Creasy Group.

Subsequently to acquiring the ground in 2007 the Creasy Group has undertaken comprehensive early stage exploration activities, including:

- Project wide detailed airborne magnetics at 50m line spacing
- Ground gravity over a 800/400m x 100m grid, comprising 35,600 stations
- Project wide soil and calcrete sampling over a 800m x 400m grid
- Limited aircore drilling, generally over magnetic lows (these are actually magnetic highs with remanence)
- Petrology on selected bottom of hole aircore samples.

This work has resulted in a quality database (which would cost around \$1.2 million and take a few years to replicate), with some positive results. These include outcomes from the petrology work – this has identified gabbros, norites, cumulate textures and some olivine bearing units, all positive indicators for nickel mineralisation.

The soil and calcrete has identified some gold anomalism – however, given the depth of cover, surface geochemistry is not considered an effective exploration tool for nickel.

Upcoming Work

Work to date by Legend has included an integration and interpretation of the datasets acquired with the tenement package. This work has resulted in the identification and ranking of three key target areas, which Legend will now follow up with high power moving loop electro-magnetic ("MLEM") surveys. The aim of the MLEM surveying will be to identify bedrock conductors related to mafic/ultramafic intrusives, which will then be tested by reverse circulation ("RC") and/or diamond drilling.

The interpretation has included modelling of the gravity and magnetic datasets to identify areas with intrusives – a key ingredient for the style of mineralisation.

Initial targets to be tested are briefly explained below.

Although highly prospective, the Albany-Fraser Orogen is relatively underexplored

The Project comes with a comprehensive geophysical and geochemical database

This gives Legend a 2-3 year, \$1.2 million head start

Legend has identified three key target areas from the database



Immediate plans are to carry out EM surveying over the three areas, to identify drill targets, which will be followed by RC and diamond drilling

Area A

Area A includes two remanently magnetised discrete magnetic lows, with petrology of the bottom of hole aircore samples identifying a range of cumulate textured rocks, including gabbro, norite and gabbro-norite closely associated with the magnetic lows. The MLEM survey is planned to test the magnetic lows and associated intrusives

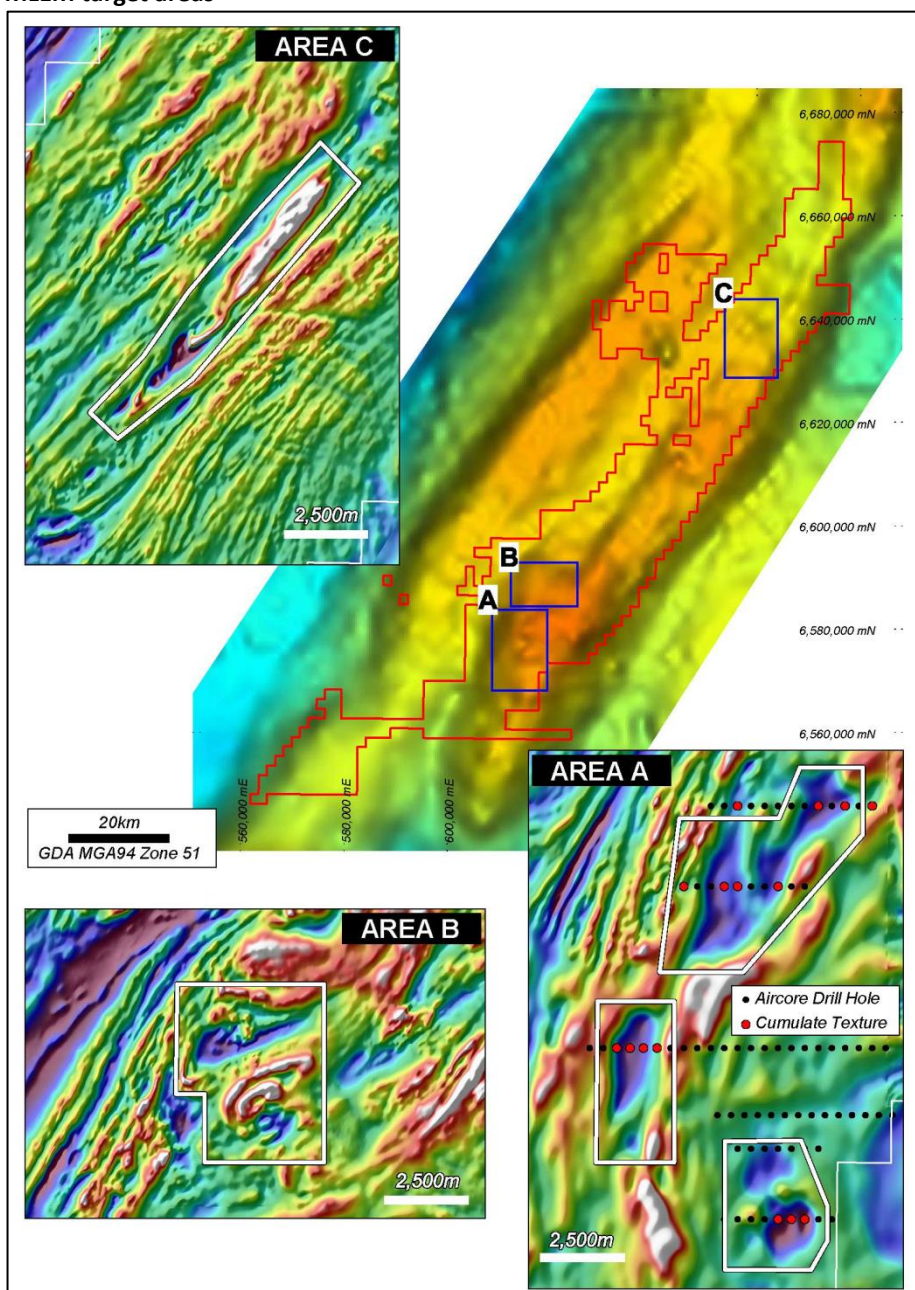
Area B

Again, Area B contains two remanently magnetized magnetic lows in a structurally complex area. These lows are associated with broad gravity highs, which may represent mafic/ultramafic intrusive bodies, and which will be tested by the MLEM survey

Area C

Area C includes a 10km long intense magnetic feature, associated with the hinge zone of a tightly folded sequence, and a moderate gravity response. The MLEM survey is planned to test both the high and low parts of the magnetic feature.

MLEM target areas



Source: Legend Mining



Corporate

Sale of Ngovayang Iron Ore Project – Cameroon

The sale of Legend’s Ngovayang Iron Ore Project in the Cameroon, announced in November 2013, was completed in August 2014. Under the terms of the sale to a wholly owned subsidiary of Jindal Steel and Power (“Jindal”), payment is due in three tranches:

- \$6 million on completion (payment made)
- \$6 million in July 2015 – this has been renegotiated with \$3 million being paid in July 2015, and \$3 million due on or before December 15, 2016
- \$5.5 million on the execution of a Mining Convention between Jindal and the Cameroon Government. (This has been renegotiated to payment upon first commercial shipment of ore from the project).

Cash and Investments

The Company’s listed investments are given below. Values are as of the time of writing; however we have rounded the total to \$3 million for the purposes of calculating enterprise value.

~\$3 million in listed investments, ~\$7.4 million in cash plus a \$3 million receivable

Company	Code	Holding	Last Price	Value	Notes
Independence Group	IGO	990,000	\$2.84	\$2,811,900	
S2 Resources	-	750,000	\$0.12 est	\$90,000	Not listed yet – est. value
Artemis Resources	ARV	60,000,000	\$0.001	\$60,000	
Nemex Resources	NXR	3,300,000	\$0.05	\$165,000	
Total				\$3,126,600	\$3m used in EV calcs

Source: Company reports, Breakaway analysis, IRESS, prices as of COB October 6, 2015

The independence Group and soon to be listed S2 Resources came out of the takeover of Sirius Resources by Independence Group, which also recently provided \$780,000 in cash from Legend’s original 1.5 million share holding in Sirius, with current cash estimated at \$7.4 million. This includes the payment of \$2.5 million for the Rockford Project and the recent receipt of \$3 million from Jindal for the Cameroon project.

Breakaway’s View

In the Rockford Project, Legend has real estate in the best street in the Fraser Range. In our view the potential has been demonstrated by the exploration carried out to date (and not to mention the Nova-Bollinger discovery further south in the Fraser Zone), and there is good potential for further major discoveries.

One key advantage is the previous exploration carried out by the Creasy Group. The data provided with the Project will possibly save around 2-3 years in early stage exploration, and allows Legend to advance straight into drill targeting and drilling, thus bringing forward any potential discovery.

Another key advantage is that Legend is well funded – the experienced principals will be able to concentrate on the job at hand, and plan and conduct exploration activities in a logical way, and not around cash reserves.

This is not to say that the first drill hole will result in a discovery! It would be ideal if it did, but exploration is a patience game, and investors should treat it as such. Sirius took three years to jag Nova-Bollinger (however that did include early stage work that Legend doesn’t need to undertake), and not all intrusives in these belts will be mineralised.

With the Company now commencing field work we would expect to start to see steady news flow. As such we rate Legend as a SPECULATIVE BUY, with price movers being exploration results.

We rate Legend as a SPECULATIVE BUY



Directors and Management

Non-Executive Chairman **Michael Atkins**

Mr Atkins is a Fellow of the Institute of Chartered Accountants in Australia and was a founding partner of a national Chartered Accounting practice from 1979 to 1987. Since 1987 he has been involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa.

He was Managing Director of Claremont Petroleum NL and Beach Petroleum NL during 1990 and 1991 during their reconstruction, and then remained as a Non-Executive Director until 1995. He was also founding Executive Chairman of Gallery Gold NL in 1998, and remained a Non-Executive Director until 2000.

He is currently Director, Corporate Finance at Paterson's Securities Limited and Chairman of Azumah Resources Limited.

Managing Director **Mark Wilson**

Mr Wilson is a Member of the Institution of Engineers, Australia and a Chartered Professional Engineer with an Associateship in Civil Engineering from Curtin University in Western Australia. He has an extensive business background, mainly in corporate management and project engineering.

This has included site management of remote construction projects, ten years of commercial construction as a founding proprietor of a Perth based company and the past sixteen years in executive, non-executive, consulting and owner roles in resource focused companies. He served as a Director of Duketon Goldfields NL in 1995/1996 and of Cambrian Resources NL (Servicepoint Ltd) from 1999 to 2003.

Technical Director **Derek Waterfield**

Mr Waterfield is a Member of the Australian Institute of Geoscientists and a graduate of the University of Queensland (B.Sc. Hons). He has over 25 years' experience in gold, base metals, iron ore, nickel and uranium exploration throughout Australia and Cameroon.

He started his career with CRA Exploration Pty Ltd and has held senior exploration leadership positions with Normandy Mining and Newmont Australia, and led the team that discovered the Moolart Well gold deposit in the Duketon Belt 350km north of Kalgoorlie. He was Exploration Manager at Legend Mining for five years managing Legend's WA and Cameroon projects. More recently he has been Exploration Manager for Enterprise Metals Ltd, responsible for gold, iron ore, uranium and base metal exploration in WA.

Company Secretary **Dennis Wilkins**

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry.

Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

He is currently non-executive Director of Australian listed company Key Petroleum Limited, non-executive Director of Duketon Mining Limited.

Extracted from Company website – October 3, 2015



Analyst Verification

We, Grant Craighead and Mark Gordon, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Legend Mining and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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