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ASX Code | **LCY**

## Legacy Iron Ore: Undervalued “play”, not lost on Indian and Chinese iron ore & steel groups

By Andrew McCrea

### Capital Structure

Sector	Materials
Share Price (A\$)	0.14
Fully Paid Ordinary Shares (m)	233.1
Opt (ex \$0.223, exp 07/01/12) (m)	45.1
Piggy Back Opt (ex \$0.223, exp 7/1/13) (m)	28.0
Opt (ex \$0.15, exp 31/12/12) (m)	14.0
Opt (ex \$0.10, exp 31/12/12) (m)	14.0
Market Capitalisation (Undil) (\$m)	32.6
Approx Cash (A\$m)	5.8

### Directors & Management

Timothy Turner	Non Exec Chairman
Sharon Heng	Managing Director
Tao Han	Exec Director
Ben Donovan	Company Secretary

### Major Shareholders

Sharon Kia Le Heng	19.0%
Wealth Forever Ltd	10.0%
Zorich Ltd	5.7%
HSBC Custody Nom Aust Ltd	4.4%
SHKIA Holdings Pty Ltd	4.0%

### Analyst

Andrew McCrea & Guy Le Page

### Share Price Performance



Legacy Iron Ore has the potential to develop into a significant iron ore player in light of the growing resource at Mt Bevan and developments at the corporate level.

With low strip ratios, coarse grind size, low silica and an average concentrate grade of 69.8% Fe, Legacy’s Mt Bevan is beckoning a joint venture partner – with attractive project development parameters.

Importantly, the project is located close to road, rail and an existing deep water port, mitigating the need for excessive investment in infrastructure, notably port facilities. There is potential for early cash flows from DSO hematite.

All this is not lost on Indian and Chinese iron ore and steel groups. NMDC, India’s largest iron ore group and looking to lock in iron ore supplies, has inked an MOU with Legacy to acquire 50% equity in the Company. This would enable Legacy to unlock and monetise the value inherent at Mt Bevan and gain large cash infusion.

Tellingly, the current JORC Inferred Resource at Mt Bevan is 617 million tonnes of iron at 32.1% (Fe). This is from drilling over only 4km of the 11km strike of the main iron ore target.

This Resource could be increased to 1.5 billion tonnes by the end of calendar year 2011 from next phase drilling over the remaining strike of this is target. This does not include the Exploration Target of 250 – 350 million tonnes for Mt Alexander, and the totally unexplored Eastern BIF which extends for some 20km within the project area.

On an EV/Resource basis, Legacy is undervalued relative to its peers at A\$0.025 per tonne compared to a peer average value of A\$0.75 per tonne. Throw in the potentially transformative NMDC transaction and likely upgrade in resource by the end of 2011 and the undervaluation has short term and longer term catalysts for re-rating of Legacy’s share price.

Taking a line through neighbouring Jupiter Mines valuation of A\$828 million (stripping out its non iron ore asset) for its Mt Ida and Mt Mason valuations, the mispricing in valuation of Legacy at A\$32.6 million becomes more acute.

The undervaluation is good news for Legacy investors – however at some stage market forces will bring this valuation up in line with intrinsic future valuation of Legacy’s project and potential.

Clearly, as the Legacy story starts to percolate the current valuation is unlikely to last.

For the full report, and valuation, please contact our office by emailing: [action@proactiveinvestors.com.au](mailto:action@proactiveinvestors.com.au)