

Busy on the ground

Highlights

Legend International (LGDI) has been busy on the ground developing its phosphate assets in the Georgina basin. During that time discussions have continued with interested parties to form a strategic partnership.

- Paradise South permitting** – The EIS for the Paradise South project covering mining, beneficiation, supporting infrastructure and transport has been submitted to the Queensland Department of Resource Management for assessment. The statutory timeframe indicates that an Environmental Authority could be granted Q1 CY2012 which would subsequently lead to the granting of the Paradise South Mine Lease. This will be the final of the three mining leases LGDI require for the Georgina Basin Phosphate Project
- D-Tree** - Testing of a number of drill core samples from the D-Tree deposit is being carried out to determine the relationships between the mined ore and expected P₂O₅ recoveries. Initial results indicate efficient coarse silica removal without needing to crush the ore and excellent flotation concentration of phosphate. These results appear similar to what was found for Paradise South ore and will ensure the Mt Isa fertiliser plant has sufficient resources to operate far beyond the current 29 year horizon.
- Search for a strategic partner** – Discussions are continuing with interested parties to form a potential strategic partnership. Given the size of the project, quality of the assets, volatile nature of the markets and the growing profile and price of fertilisers we expect this process will take a while longer. However, we are confident the strong board and management of LGDI will complete a transaction in the best interest of shareholders.
- The phosphate market** – has tightened considerably over the last few months despite the massive Saudi Arabian operation, Ma'aden, getting its first shipment of DAP away (about 2 years late). Moroccan phosphate rock prices are currently pushing \$200/t and DAP is quoted over \$650/t on an FOB US Gulf basis.
- Fundamentals** - Supporting the current market is US fertiliser major, Mosaic having a court injunction hindering the expansion of their main Florida mine. It should also be noted that the Indian Agriculture Minister believes that India needs to take measures to secure supplies of imported fertilisers potentially through investing in fertiliser companies abroad.
- We expect LGDI's share price to recover as milestones such as increased reserves, partnerships, EA and mining leases are met. The climbing price of phosphate has yet to be factored in. **Accordingly we retain our Speculative BUY recommendation with a price target of US\$1.48 per share.**

Year End December 30	2013F	2014F	2015F	2016F	2017F	2018F
Reported NPAT (\$m)	(44.4)	128.8	122.3	(43.8)	176.1	249.7
Recurrent NPAT (\$m)	(44.4)	128.8	122.3	(44.8)	174.1	246.7
Recurrent EPS (cents)	(19.4)	56.2	53.4	(19.5)	76.0	107.6
EPS Growth (%)	na	na	na	na	na	na
PER (x)	(2.2)	0.7	0.8	(2.2)	0.6	0.4
EBITDA (\$m)	(2.6)	368.6	413.3	187.9	468.3	542.8
EV/EBITDA (x)	na	na	na	na	na	na
Capex (\$m)	750.6	479.1	259.7	0.0	0.0	0.0
Free Cashflow	(777.8)	(187.3)	50.8	83.5	380.6	470.2
FCFPS (cents)	(339.3)	(81.7)	22.2	36.4	166.1	205.1
PFCF (x)	(0.1)	(0.5)	1.9	1.2	0.3	0.2
DPS (cents)	0.0	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0	0.0

17 August 2011

12mth Rating

SPECULATIVE BUY

Price	US\$	0.45
Exchange/Code	OTC BB	LGDI
Shares o/s	m	226.41
Free Float	%	31
Market Cap.	US\$m	101.9
Net Debt (Cash)	US\$m	-6
Net Debt/Equity	%	na
3m Av. D. T'over	US\$m	0.04
52wk High/Low	US\$	1.19/0.37

Valuation:

Methodology	DCF
Net Asset Value	Expanded Case
US\$m	335
US\$/share	1.48

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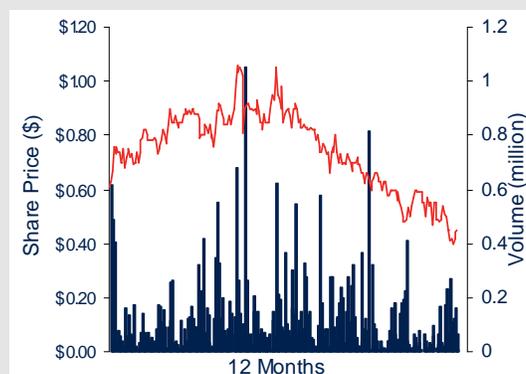
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LGDI is listed on the US OTC Bulletin Board. We caution that the top 5 shareholders makes up a significant proportion of the combined market capitalisation and at present the share has relatively low market liquidity. LGDI holds a high-value portfolio of phosphate tenements around the Georgina Basin. The company has progressed plans to increase reserves and become a high value fertiliser producer in the medium term. Ongoing news-flow together with the potential for a secondary listing and further funding initiatives could be expected to improve liquidity

12 Month Share Price Performance

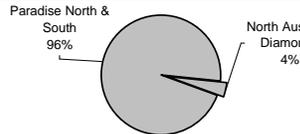


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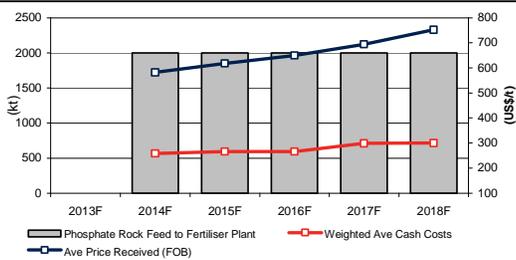
Legend International Ltd	OTC:BB	\$0.45	
Valuation of the Expanded Case			
	A\$m	A\$/sh	
Paradise North & South	342	1.51	
North Australia Diamonds	14	0.06	
Diamond Holdings	4	0.02	
Corporate Costs	(28)	(0.12)	
Cash	6	0.03	
Debt	(3)	(0.01)	

Total @ 10% Discount Rate	335	1.48
Price Target		1.48

Valuation Summary of Operating Assets



Paradise Projects Production Summary



Reserves & Resources

Resource	Proven & Probable	Mt	P ₂ O ₅
Paradise South			
Reserves	Proven & Probable	55	33%
Resource	Historic Non JORC	293	17%
Paradise North			
Resource	Historic Non JORC	193	18%
D-Tree			
Resource	Inferred	305	15%
Resource	Historic Non JORC	339	16%

Directors

Name	Position
Joseph Gutnick	President & CEO
Dr. U.S. Awasthi	Non-Executive Director
Dr. Allan Trench	Non-Executive Director
Dr. David Tyrwhitt	Non-Executive Director
Mr. Henery Herzog	Non-Executive Director
Mr. Manish Gupta	Non-Executive Director

Substantial Shareholders

Shareholder	Shares (m)	(%)
Renika Pty Ltd	48.8	21.2
IFFCO	34.3	15.2
Attara Capital LP	30.8	13.6
Soros Fund Management	23.4	10.4
Chabad House of Caulfield	19.9	8.8

Year End Dec 31

Commodity Assumptions	2010A	2011F	2012F	2013F	2014F	2015F
A\$:US\$	0.93	1.05	1.03	0.94	0.92	0.91
DAP/MAP (US\$/t FOB)	410	617	527	511	545	579
Phosphate Rock (US\$/t FOB)		178.88	158.19	153.34	163.50	173.67
Ammonia (US\$/t FOB)		491.79	515.88	541.16	567.68	595.50
Alumium Floride (US\$/t FOB)		1100.00	1250.00	1392.10	1480.70	1572.90

Production Summary

	2010A	2011F	2012F	2013F	2014F	2015F
Production (kt) Feed for Phosphorus Acid Plant						
Paradise North & South					2000	2000
Total Production					2000	2000

Cost Summary (US\$/t)

Paradise North & South	295.65	305.61
Alumium Fluoride Credit	37.02	39.32

Weighted Ave Cash Costs with AIF3 Credit

Ave Price Received (FOB)	582.02	618.22
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Profit & Loss (US\$m)

	2010A	2011F	2012F	2013F	2014F	2015F
Sales Revenue	0.00	0.00	0.00	0.00	744.98	791.32
Other Income	2.9	2.3	0.3	0.7	5.4	16.5
Operating Costs	0.0	0.0	0.0	0.0	378.4	391.2
Exploration Exp.	25.7	5.2	0.0	0.0	0.0	0.0
Corporate/Admin	13.8	8.8	3.2	3.3	3.3	3.4
EBITDA	(36.5)	(11.7)	(2.9)	(2.6)	368.6	413.3
Depn & Amort	1.4	1.4	0.0	36.3	107.7	135.8
EBIT	(37.9)	(13.1)	(2.9)	(38.9)	260.9	277.5
MRRT	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.2	24.6	76.9	102.8
Operating Profit	(37.9)	(13.1)	(3.1)	(63.5)	184.0	174.7
Tax expense	0.0	0.0	(0.9)	(19.0)	55.2	52.4
Minorities	(3.8)	(3.8)	0.0	0.0	0.0	0.0
Abnormals	0.0	0.0	0.0	0.0	0.0	0.0
NPAT	(34.1)	(9.3)	(2.1)	(44.4)	128.8	122.3
Normalised NPAT	(34.8)	(8.7)	(2.1)	(44.4)	128.8	122.3

Cash Flow (US\$m)

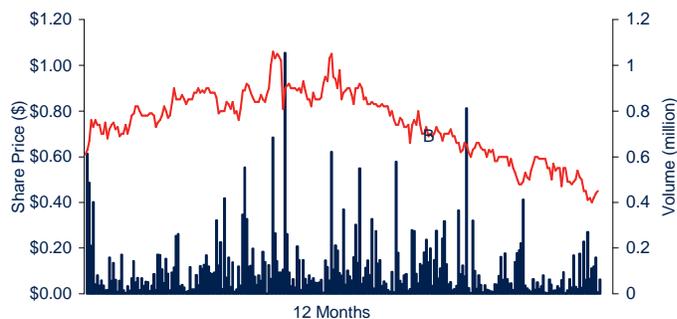
	2010A	2011F	2012F	2013F	2014F	2015F
Adjusted Net Profit	(34.1)	(9.3)	(2.1)	(44.4)	128.8	122.3
+ Interest/Tax/Expl Exp	25.7	5.2	(0.7)	5.6	132.1	155.2
- Interest/Tax/Expl Inc	25.7	11.2	(0.7)	5.6	132.1	155.2
+ Depn/Amort	1.4	1.4	0.0	36.3	107.7	135.8
+/- Other	(2.8)	(2.4)	0.0	0.0	0.0	0.0
Operating Cashflow	(35.5)	(16.2)	(2.1)	(8.1)	236.5	258.1
- Capex (+asset sales)	6.4	2.1	362.6	750.6	479.1	259.7
- Working Capital Increase	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow	(42.0)	(18.3)	(364.7)	(758.7)	(242.5)	(1.6)
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0	0.0
+ Equity raised	2.5	0.0	0.0	0.0	0.0	0.0
+ Debt drawdown (repaid)	2.4	(0.2)	362.4	765.3	478.8	167.9
Net Change in Cash	(47.5)	(18.6)	(2.4)	6.6	236.3	166.3
Cash at End Period	25.2	6.6	4.2	10.8	247.1	413.4
Net Cash/(LT Debt)	25.2	3.8	1.6	(369.1)	(973.9)	(1105.7)

Balance Sheet (US\$m)

	2010A	2011F	2012F	2013F	2014F	2015F
Cash/Bullion	25.2	6.6	4.2	10.8	247.1	413.4
Total Assets	79.0	66.8	425.1	1146.0	1790.8	2120.6
Total Debt	0.0	2.8	437.7	1356.2	1930.8	2134.2
Total Liabilities	5.3	-6.8	353.6	1118.9	1635.0	1842.4
Shareholders Funds	73.6	73.6	71.5	27.1	155.9	278.2

Ratios

Net Debt/Equity (%)	-34.2	-5.1	-2.3	1364.3	624.7	397.5
Interest Cover (x)	na	na	-17.0	-1.6	3.4	2.7
Return on Equity (%)	na	na	na	na	82.6	44.0



Date	Type	Target Price	Share Price	Recommendation	Return
15 Apr 11	Research Note	1.05	0.73	B	
	Current Share Price		0.45		-38.4%

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