

## LEGEND INTERNATIONAL HOLDINGS, INC. (OTCBB: LGDI.OB)

**Price (May 6)**

\$4.25

**52-Week Range**

\$2.85-\$0.75

**% Below High**

28 %

**% Above Low**

173 %

**Shares O/S**

177.1 million

**Market Cap**

\$753 million

**Average Daily Volume**

50-day: 287,200

**Year-End**

December 31

All figures in U.S. dollars



Data Source: www.BigCharts.com

**Note:** eResearch is providing this Information Report on Legend International Holdings, Inc. while we prepare our initiating coverage report.

### THE COMPANY

Legend International Holdings, Inc. (“Legend” or the “Company”) is an exploration stage company incorporated in the State of Delaware and headquartered in Melbourne, Australia. Its primary focus is on the exploration and development of mineral properties in the Georgina and Murray Basins in Australia’s Queensland and Northern Territory where the Company’s exploration licences cover 5.2 million acres.

### OVERVIEW

- Company focused on exploring and developing phosphate rock (a key component in fertilizer) in northwestern Australia
- Potential to capitalize on recent boom in agricultural commodities, particularly fertilizer, driven by increased demand for grain from the newly affluent classes particularly in Brazil, China and India and to acreage lost to biofuel crops
- Price of phosphate concentrate has risen from \$50/tonne (2006) to \$350 - \$400/tonne, making Legend’s highly prospective targets economically lucrative.
- Currently in the process of verifying the existing data and proving historical indicated and inferred resources on the flagship Lady Annie and Lady Jane properties, for which a field sampling and drilling program will begin in mid 2008
- Initial plan calls for a ten million tonne per year rock mine site; a 5 million tonne per year phosphate rock concentrate beneficiation plant; a 300 km slurry pipeline from Lady Annie to the Port of Karumba; the development of a drying facility, plus loading and berthing areas at the Port of Karumba; and transfers from shallow draught barges out to larger vessels moored off the coast in the Karumba Roadstead waters ready to ship product to Asia
- A private placement in December 2007 raised \$15 million
- Directors and management, which control approximately 48% of the shares outstanding, have extensive experience in minerals exploration and development and the construction of large projects

**Analysts**

Kirsten Marion, B.A., B.Comm., CMA  
Bob Weir, B.Sc., B.Comm, CFA

## BACKGROUND

Legend was incorporated in the State of Delaware on January 5, 2001 under the name Sundew International, Inc. and, on March 13, 2003, it filed for an Amendment to its Certificate of Incorporation to change its name to “Legend International Holdings, Inc.”. The Company developed a new plan of operations subsequent to a change of management in November 2004, which is to engage in mineral exploration and development activities.

In November 2004, as part of this change in direction for the corporation, Renika Pty Ltd (“Renika”), an Australian corporation, acquired an 88% interest in Legend. Concurrently, Joseph Gutnick was appointed President, Chief Executive Officer and a Director, and Peter Lee was appointed Secretary. The Renika position has since been diluted and, based on 177.07 million shares issued and outstanding, the three largest shareholders are:

Renika Pty. Ltd.	63.775 million shares	36.0%
Atticus Capital LP	22.815 million shares	12.9%
Chabad House of Caulfield	19.901 million shares	11.2%

Note: See “Shareholders” for further information on these shareholders.

In November 2007, Legend acquired a number of phosphate exploration interests in the State of Queensland in Australia. On November 2, 2007, they entered into an agreement with Iron Dwyfken Pty Ltd to acquire the Lady Annie, Lady Jane and Thornton project areas in the Georgina Basin and, effective November 7, 2007, they entered into an agreement with Ansett Resources & Industries Pty Ltd to acquire the D Tree project area, also in the Georgina Basin.

On December 7, 2007, the Company entered into a farm-in and joint venture agreement with King Eagle Resources Pty Limited which Legend can earn an 80% interest in phosphate on three tenement blocks: Quita Creek, Highland Plains, and Lily and Sherrin Creek. To do so Legend must spend \$3 million on phosphate exploration over five years. However, Legend has no rights to any other minerals on the three tenement blocks.

Effective December 12, 2007, Legend entered into a Subscription Agreement with funds managed by Atticus Capital LP, whereby the Company issued to Atticus, via a private placement, 18,750,000 shares of common stock at a price of US\$0.80 per share for an aggregate purchase price of US\$15,000,000. There were no warrants involved in the transaction.

The capital raise was to fund the completion of a pre-feasibility study on historic phosphate deposits on the Company’s D-Tree, Lady Annie, Lady Jane and Thornton tenements in the Mt. Isa region of Queensland.

## SHAREHOLDERS

Renika Pty. Ltd. is a private company, controlled by Joseph Gutnick, his wife, and members of their family.

Atticus Capital LP is a leading investment management firm, with in excess of US\$20 billion of assets under management. The firm is headquartered in New York with an office in London. Atticus invests in global securities markets on behalf of its clients.

Chabad House of Caulfield Pty. Ltd., a private corporation, is the trustee of the Heichal Menachem Community Centre Fund, a charitable organization. Joseph Gutnick and Stera Gutnick are directors of Chabad House but disclaim any beneficial interest in the shares of common stock owned by Chabad House.

## STRATEGY

Legend believes that the outlook for the price of rock phosphate is positive due to underlying industry fundamentals. It is focusing its attention on drilling programs to establish reserves, mining engineering, and metallurgical and economic studies, construction of a pipeline, beneficiation plant (see \* below), and port facility, all of which is anticipated to lead to shipping product to Asian markets by the end of Q4/2009.

Legend's strategic plan calls for the identification of mineral properties where it can obtain secure title to exploration, development and mining interests. It is currently focusing on several prospective phosphate properties in the Georgina Basin, which include Lady Annie, Lady Jane, D-Tree and Thornton. These properties have 1,463 million tonnes, averaging 16.52% phosphate, of historical indicated and inferred resources. The break-down between indicated and inferred is not known at this time.

\* In a beneficiation plant phosphate gets separated from the sand and clay also contained in slurry, through a two-step process: washing followed by screening. Slurry particles under 0.04 inches are then deslimed (run through a hydrocyclone to remove super small particles) resulting in waste clay and side sand particles. The small sand particles are called flotation feed. Flotation is a process whereby chemicals, which are flotation reagent and also make phosphate hydrophobic, separate the phosphate from the sand. The phosphate is then shipped as concentrate to ultimately be converted into fertilizer.

### Market Environment

The relentless rise in agricultural prices shows how all markets are connected. The high cost of oil has encouraged a politically subsidized ethanol boom; this, in turn, has led to record corn acreage in the United States. Big economic strides in the developing world, particularly Brazil, China and India are also having a profound effect on the agricultural sector. As hundreds of millions of new laborers aspire to a middle-class lifestyle, meat consumption rapidly rises. Meat is grain-intensive since cows and pigs have to be fed, and that puts an even bigger demand on crop acreage. Furthermore, newly prosperous populations are demanding more textiles goods, particularly cotton. All of this requires more fertilizer. This has been reflected in the recent meteoric rise in the market price of phosphates with the rock phosphate benchmark Moroccan export price increasing to US\$350-400 per tonne fob for contracts settling in Q2/2008. This effectively doubles the US\$200 per tonne December 2007 price and is a staggering increase from the US\$50 per tonne earlier in 2007.

## KEY PROPERTIES

### 1. The Georgian Basin

In Queensland, Legend's holdings are historical phosphate deposits located in the Mt. Isa district, along the margin of the Georgina Basin, which is host to major base metal and phosphate deposits.

**Figure 1. Lady Annie Grainstone Phosphorite**



*Source: Company*

The Lady Annie, Lady Jane, D-Tree & Thorntonia phosphate deposits are located approximately 130 kilometres north-west of Mt. Isa (located in north-west Queensland) in the Georgina Basin. The historically published mineralized material estimates lie within the same geological rock unit and their size and tonnages are as follows:

<b>Deposit</b>	<b>Classification</b>	<b>Estimated Tonnes (Millions)</b>	<b>% P<sub>2</sub>O<sub>5</sub></b>
D-Tree	Non-reserve mineralized material*	450	15.9
Lady Annie	Non-reserve mineralized material	293	16.6
Lady Jane	Non-reserve mineralized material	193	17.6
Thorntonia	Non-reserve mineralized material	47	18.1
Lily Creek	Non-reserve mineralized material	191	14.9
Quita Creek	Non-reserve mineralized material	30	7.42
Sherrin Creek	Non-reserve mineralized material	175	16.5
Highland Plains	Non-reserve mineralized material	84	13.4

\*Non-reserve mineralized material does not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries and other material factors establishes legal and economic feasibility.

*Source: The Company*

A detailed field sampling and drilling program, whereby a number of twin holes will be drilled across representative samples through the deposit zone, will begin mid 2008 to revalidate the historical deposit estimates.

**Figure 2: Georgina Basin Phosphates Resources**

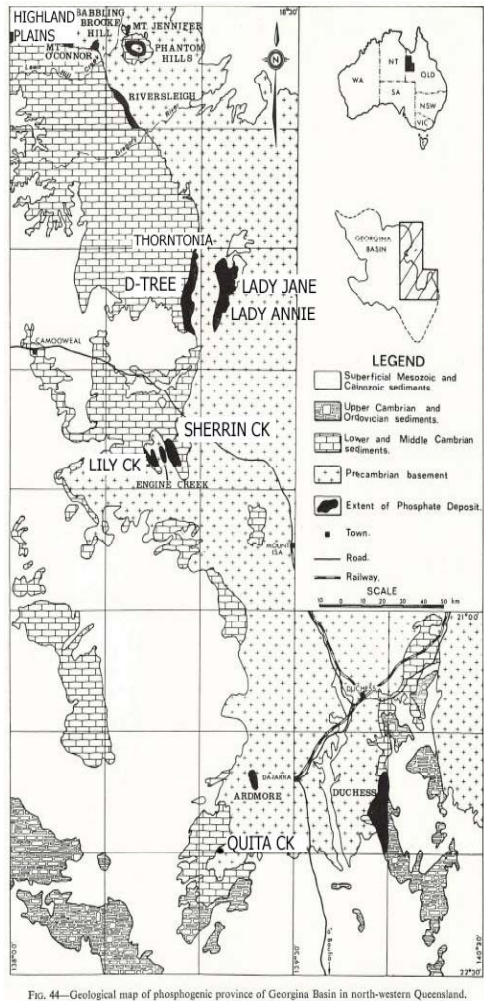
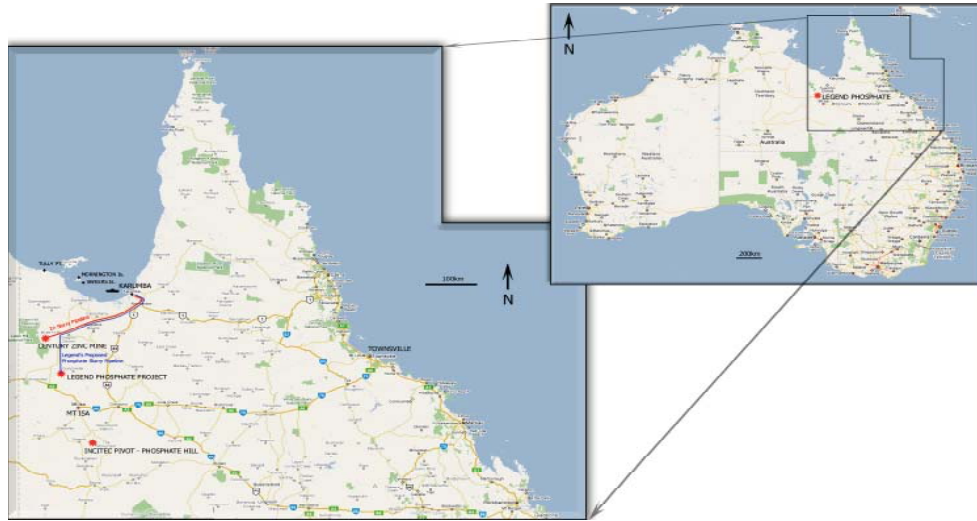


FIG. 44—Geological map of phosphogenic province of Georgina Basin in north-western Queensland.

Source: Company

## 2. Access



Commercial airline service to Mt. Isa provides access to the Queensland project areas. It is approximately 96 kilometres by road from Mt. Isa via the Barkly Highway; however, a helicopter is often used due to rugged terrain. Mt. Isa has substantial infrastructure, accommodation and other facilities. In the dry season (April to November), four-wheel drive vehicles can be used on dirt roads.

## 3. Geology

The Georgina Basin hosts a number of phosphorate deposits near Mt. Isa. In particular, the Beetle Creek Formation and Thornton Limestone contain three key phosphatic lithologies: pelletal, microspherite, and replacement-types. The Lady Annie, Lady Jane, D-Tree & Thornton phosphate deposits lie within the Beetle Creek Formation and its lateral facies equivalents.

The Inca Formation is the youngest unit, composed of laminated siltstones and shales and conformably overlies Thornton Limestone. The Thornton Limestone is a dolomitic limestone with increasing chert bands toward top. It is the lateral facies equivalent to the Beetle Creek Formation, with which it inter-tongues. The Beetle Creek Formation hosts the phosphate deposits, composed predominately of inter-bedded coarse-to-fine grained phosphorites, siltstone, claystone, chert and some discrete carbonate lenses. Locally, karst-like surfaces are filled with chalky high-grade phosphate that appears to replace the underlying limestone. This unit conformably and gradationally overlies Mt. Hendry Formation which is a discontinuous conglomerate and sandstone.

All the deposits formed under coastal, shallow marine conditions. These Cambrian sediments are covered by up to 71m of Mesozoic claystone and sandstone and Cainozoic alluvium and eluvium. Coarse to medium grained skeletal-ovulitic grainstone and packstone phosphorites are thought to have formed through reworking, transport and accumulation grains. Phosphatic microspherite are thought to have formed from the suspension of very fine grained detrital material or precipitation from the water column in shallow supra-tidal areas. The replacement phosphates are thought to have occurred due to post-depositional phosphate replacement of carbonate, such as found at D-Tree.

## VIABILITY

An initial scoping study on Lady Annie/Lady Jane was recently completed by International Group British Sulphur (CRU International) which demonstrated that the project is economically viable with total capital expenditures of US\$826.6 million and revenues at market prices of US\$100/t fob on 5 million tonnes per year of phosphate rock concentrate.

Legend recently entered into a long-term off-take and supply agreement for a minimum of 3 million tonnes per annum of concentrated rock phosphate from Lady Annie with Indian Farmers Fertiliser Cooperative Limited (“IFFCO”), which is India’s largest fertilizer enterprise, a cooperative with over 50 million farmers associated with it, and primarily engaged in production and marketing of nitrogenous and phosphate fertilizers in India.

## OPERATING PLAN

### Q2/2008

- Complete exploration permitting
- Continue mine permitting process
- Continue work on Pre-Feasibility study
- Begin land procurement for pipeline, drying facility, and port

### Q3/2008

- Begin drilling to establish measured and indicated Joint Ore Reserves Compliant (JORC) technical report (JORC is the Australian equivalent to National Instrument 43-101)
- Begin metallurgical testing and evaluation
- Complete Pre-Feasibility study
- Begin Definitive Feasibility study

### Q4/2008

- Complete drilling to measured/indicated JORC
- Begin resource, reserves estimates

### Q1/2009

- Complete metallurgical testing and evaluation
- Complete Definitive Feasibility study
- Begin procurement of construction materials
- Begin 300km slurry pipeline construction
- Begin beneficiation plant construction
- Begin port facility construction

### Q2/2009

- Complete reserve and resource estimates
- Finalize mine permitting
- Complete procurement of construction materials

### Q3/2009

- Complete land procurement for pipeline

### Q4/2009

- Complete pipeline construction
- Complete beneficiation plant construction
- Begin mining and stockpiling
- Ship product

## NOTES

## ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

### **eResearch analysts on this report:**

**Kirsten Marion, B.A., B.Comm., CMA:** Kirsten Marion has spent 15 years working in various capacities for both public and private enterprise. Her duties have included being chief financial officer and director of financial services for a multi-site acute care facility, and a contract consultant in assorted accounting roles for various entities. She received her Certified Management Accountant designation in 1986.

**Bob Weir, B. Comm, B.Sc., CFA.** Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

## eRESEARCH ANALYST GROUP

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<b>Strong Buy:</b>	Expected total return within the next 12 months is at least 40%.
<b>Buy:</b>	Expected total return within the next 12 months is between 10% and 40%.
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<b>Hold:</b>	Expected total return within the next 12 months is between 0% and 10%.
<b>Sell:</b>	Expected total return within the next 12 months is negative.

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A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

<b>High Risk:</b>	<i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends. <i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
<b>Medium Risk:</b>	<i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend. <i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.
<b>Low Risk:</b>	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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Legend International Holdings, Inc. paid eResearch a fee of US\$20,000+GST to conduct research on the Company on an Annual Continual Basis.

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