



**Legend International Holdings**

ACN 82 120 855 352

EXPLORATION LICENCE 7970

COX PROJECT

NORTHERN TERRITORY

FINAL REPORT

FOR THE PERIOD

23 JULY 2000 TO 22 JULY 2010

BY

A. RAZA

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## TENEMENT REPORT INDEX

<b>TENEMENT HOLDER:</b>	Legend International Holdings Inc.
<b>TENEMENT MANAGER:</b>	Legend International Holdings Inc.
<b>PROJECT:</b>	COX PROJECT
<b>TENEMENT:</b>	EL7970
<b>JOINT REPORT PERIOD:</b>	23 JULY 2000 TO 22 JULY 2010
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## SUMMARY OF EXPLORATION ACTIVITIES

This final report collates exploration activities conducted over the tenement EL7970 from the grant date 23 July 2000 to the expiry of 10 years term on 23 July 2010. The Legend International Holdings held and managed this title for last one year (2009-2010) of its tenure. During this time it was a part of Cox Project. However, its pre- 2009 ownership/management history is complex. Gravity Diamonds Ltd on behalf of Diamond Mines Australia conducted all of the diamond exploration work on the tenement. At that time, the EL was part of Arnold River tenements and one of the members in the Hodgson Diamonds Project.

A review of the historic data was carried out during 2001-2002 which indicated that there are unresolved chromite and diamond occurrences in an area of Bukalara Sandstone on EL7970. The surface sampling had identified macrodiamonds, microdiamonds and other indicator minerals occurrences and clusters. On this basis, a Falcon® airborne gravity gradiometer survey was completed over prospective areas within EL7970 and adjacent tenements to the east during 2003-2004.

Interpretation and generation of exploration targets from the Falcon® data was completed in late 2004, with 12 target areas defined for follow-up work. Helicopter-supported program to field test the targets was undertaken in late 2005. Eleven target areas were field inspected and sampled where appropriate. A total of 4 gravel samples and 3 loam samples were collected within EL7970. Field inspection downgraded the kimberlite potential for number of the Falcon® targets although some anomalies required further assessment. Two of collected samples yielded chromite while another sample reported macrodiamond. Interpretation of microprobe data from the recovered indicator minerals indicated that some of the recovered grains are of probable kimberlitic origin.

During 2006-2007, the positive sample results were followed-up in order to gain a better understanding of the overall indicator mineral distribution within the tenement. A total of 16 gravel samples and 1 loam sample were collected.

Of the 17 samples collected, 13 yielded chromite, with one of the chromite samples also reported macrodiamond. In contrast to the historic sampling results, the fairly consistent recovery of chromites within the EL7970 encouraged to complete tenement-wide regional sampling program.

A further 30 gravel samples and 7 loam samples were collected during July-October 2007 from Cox022 and Cox02 targets drainage areas.

Of the 37 samples collected, 16 reported chromite, with one of chromite positive samples also yielded macrodiamond. These results were continued to be at odd with the historic data and strongly suggested presence of series of kimberlite intrusions in the area.

During the year 2008-2009, a detail assessment of last 8 years of exploration work was carried out with the intention of following-up encouraging results with the initial round of drilling. However, the changing global financial situation resulted in curtailing of all exploration activities and sale of EL to the Legend International Holdings in 2009.

After acquiring the EL, Legend carried out helicopter supported reconnaissance survey to access ground conditions, collation and assessment of last 9 years of exploration data and target generation.

## **INTRODUCTION**

The EL7970 was granted to the Ashton Mining Limited on 22 July 2000. Ashton Mining Limited was taken over by the Rio Tinto Limited in the 4<sup>th</sup> quarter of 2000. As a consequence of takeover, Rio Tinto Exploration Pty Ltd acquired control of all of the Ashton's granted tenements and tenement application around Australia.

During 2002, Rio Tinto entered into negotiation with Gravity Capital Limited ("Gravity", now named Gravity Diamond Limited) concerning the deployment of the FALCON<sup>®</sup> airborne gravity gradiometer system over Rio Tinto's diamond tenements in northern Australia.

During 2003 BHP Billiton and Gravity concluded an agreement for the Australian deployment of the FALCON<sup>®</sup> System (ASX announcement 01/07/2003) and then Gravity formed a farmin joint venture, through its 40%-owned associated company, Diamond Mines Australia Pty Ltd (DMA) with Rio Tinto Exploration, concerning the diamond and base metal exploration over a large number of Rio Tinto controlled tenements in the Northern Territory (ASX announcement 25/07/2003). EL7970 forms part of the DMA's interest in any discovery while Gravity is managing all exploration for DMA. On the basis of these agreements, Gravity (on behalf of DMA) commenced diamond exploration in the Northern Territory during July 2003.

In 2009, Legend International Holdings (Legend) became a new owner of EL7970 and instigated a comprehensive data compilation exercise. The aim was to prioritize known and generate new targets for the forthcoming field season.

The finalization of the sale agreement between the Legend and Gravity was delayed due to the third party joint venture owner (Rio Tinto) failing to handover data and contracts in a timely manner. This delay coupled with prolonged rainy season during 2009-2010 hampered all effort to carry out any field based exploration work.

## **TENEMENT STATUS**

The EL 7970 has been held and managed by the Legend International Holdings Inc. after acquiring from Gravity Diamonds in 2009. It was granted on the 23 July 2000 to Ashton Mining Limited. Several applications for renewal were completed and granted over the title, which highlights the significant interest in the diamond potential of this tenement. The tenement expired on 23 July 2010 after the full 10-year licence term. The Department has placed a 'Reserve for Occupation' over the area covered by EL7970 and invited Legend to lodge an application over that ground, which Legend has since completed and submitted.

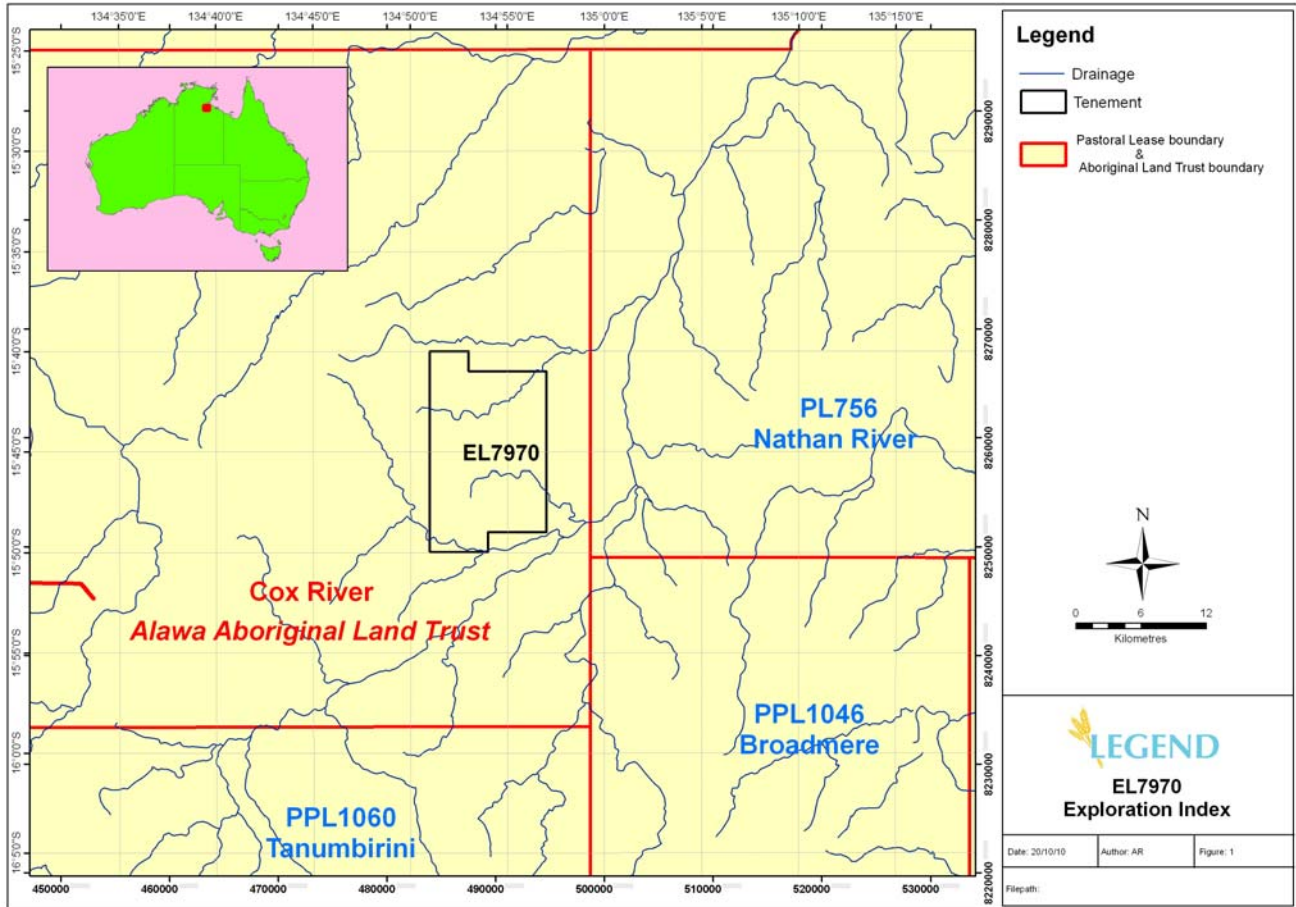


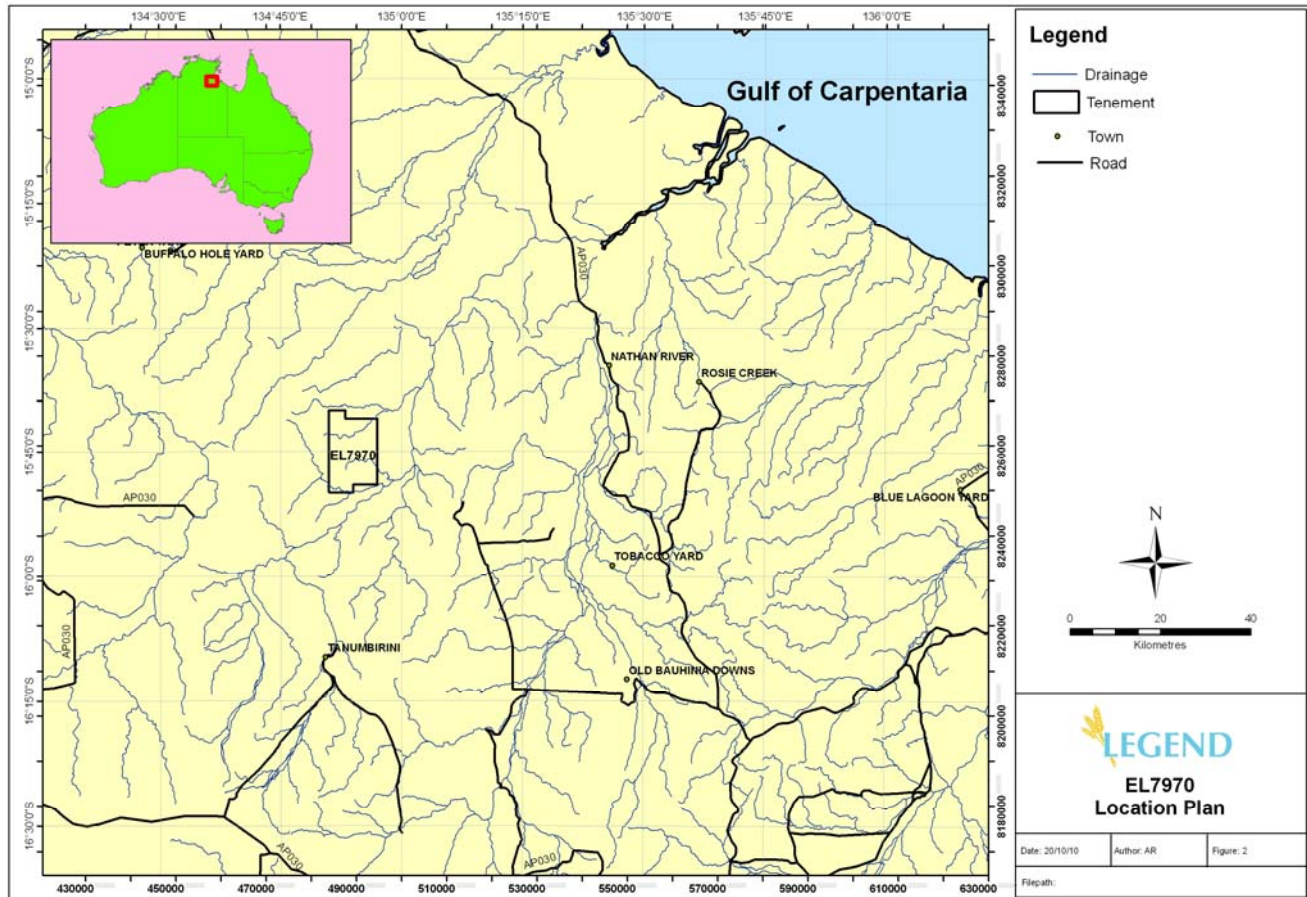
Figure 1: Exploration Index

## LOCATION AND ACCESS

The EL7970 is situated about 600 km southeast of Darwin, and about 130 km west of Borroloola. The tenement can be accessed from Darwin along the Stuart Highway to Daly Waters, then along the Carpentaria Highway to the Broadmere Station turn off. Dirt roads and station tracks service the project area.

The tenement overlies Alawa (Cox River) Aboriginal Trust Land (freehold) and is subject to Cox River JV and ALARA Deed of Exploration with the owners.

The project area is remote; if travelling by vehicle, sufficient fuel and supplies should be carried while operating in this region.



**Figure 2:** Location Plan

## GEOLOGY

### REGIONAL GEOLOGY

All the known economic diamond deposits and other significantly diamondiferous occurrences in Australia are located within the North Australian Craton (NAC), which also hosts some of the largest ore deposits of base metal, gold and uranium. The NAC covers the Kimberley region of northern WA, the northern two thirds of the NT and the north-western part of Queensland.

The NAC is surrounded in the south and southwest by the Musgrave and Paterson Orogens, and its eastern boundary is marked by the Tasman Line separating it from the Terra Australis Orogen. The NAC formed about 1850Ma ago during the Barramundi Orogeny by the amalgamation of Archean and early Paleoproterozoic rocks. The younger Late Paleoproterozoic to Phanerozoic igneous and sedimentary rocks conceal large parts of the NAC; as such the Archean rocks of the NAC are scarcely exposed and are limited to the Rum Jungle and Nanambu Complexes of Pine Creek Orogen and Billabong Complex of the Tanami Region.

The McArthur Basin is one of many basins developed above the NAC between 1800-1500Ma. The sediments of the basin consist of unmetamorphosed and mildly deformed rocks of carbonate, siliciclastic and



interbedded volcanics deposited in a shallow intracratonic setting. The sedimentary sequences of the southern McArthur Basin has been divided into four groups, from oldest to youngest, the Tawallah, McArthur, Nathan and Roper Groups. The boundaries of these groups are punctuated by regional unconformities (NTGS Geological Map Series- Mount Young SE53-15 & Hodgson Downs SD 53-14).

The McArthur Basin is overlain by the remnants of the Cambrian Bukalara Sandstone and the Cretaceous sediments of the Dunmarra Basin.

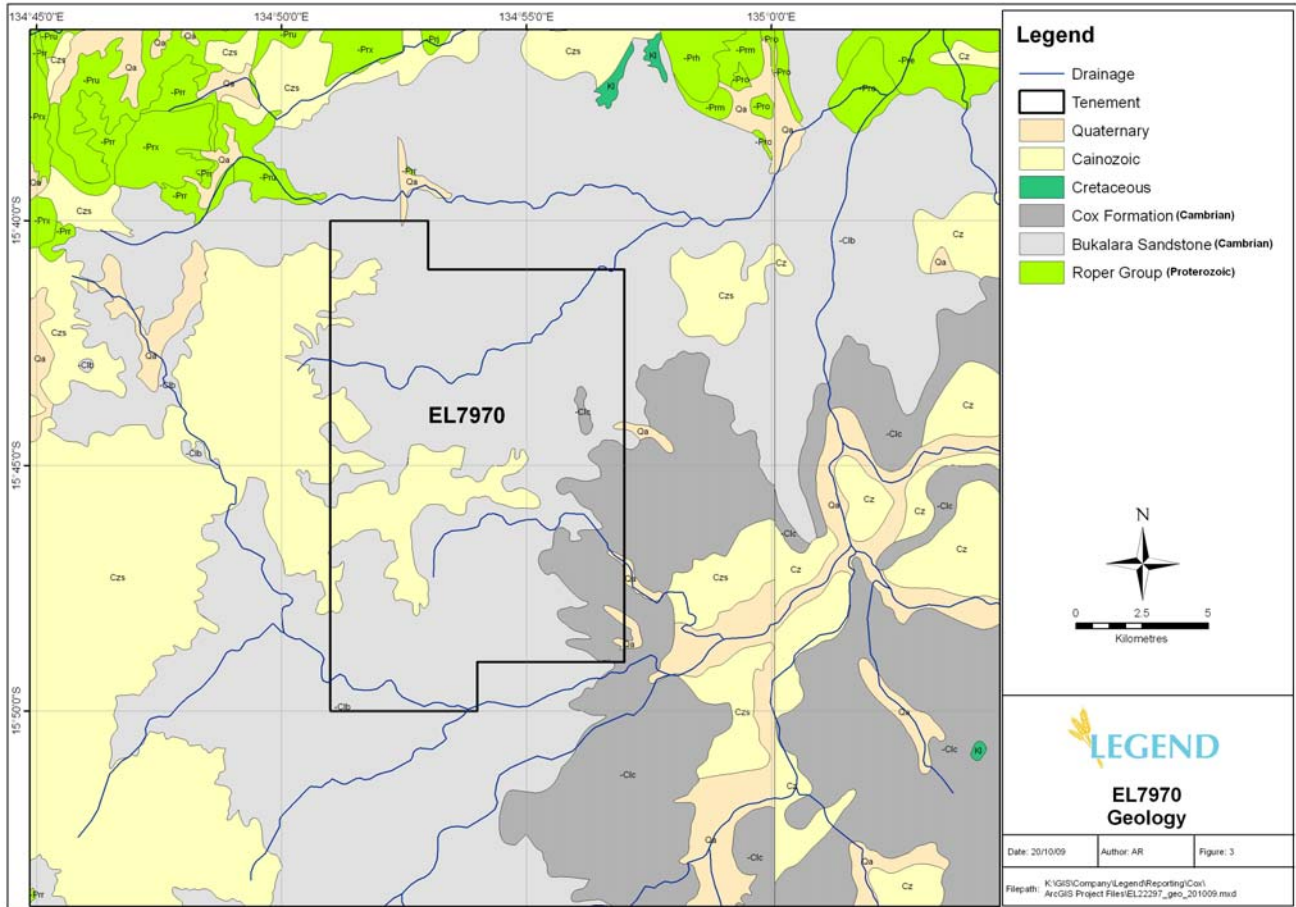
There is a widespread distribution of Cainozoic sandy soil, laterite and alluvium along drainage systems.

The major structural elements of the basin include the north-trending Batten Fault Zone and its northern equivalent the Walker Fault Zone separated by the east-trending Urapunga Fault Zone (Pietsch, Rawlings, Creaser, Kruse, Ahmad, Ferenczi, and Findhammer 1991). The spatial association between the major structures and base metal deposits in the McArthur Basin suggests that these fault zones provided an important control on mineralization. The McArthur Basin hosts large lead-zinc-silver and copper deposits and several occurrences of small uranium and base metal mineralization. A number of varying size economical and sub-economical diamond bearing kimberlite pipes has been discovered in the basin. They are part of the sporadic volcanic activity occurring in the post-Cambrian period in the NAC.

The large time span for the intrusion of diamondiferous rocks, 367 Ma (Devonian age) for the Merlin kimberlite field, 179 Ma (Jurassic age) for the Timber Creek kimberlite field, and the 22 Ma (Miocene age) lamproite field in the Ellendale (West Kimberley) area, makes the NAC very prospective for diamond exploration. It is expected that kimberlites would occur in the central parts of the NAC and lamproites would be favoured in the marginal areas and in cross cutting Proterozoic mobile zones. Kimberlites and lamproites of the NAC tend to occur along major northwest and northeast trending structures. These structures can be seen in the gravity data crossing the NAC and have a strike length of many hundreds of kilometres. These structures are interpreted to be fundamental fractures in the NAC and are potential channel ways for diamondiferous intrusives.

The lease lies in the Proterozoic McArthur Basin. The Roper Group succession represents Proterozoic section of the Project's geology. Resting unconformably above the Proterozoic succession are flat lying units of Cambrian Bukalara and Cox Formations and Cretaceous sediments of Dunmarra Basin.





**Figure 3:** Regional Geology

**EXPLORATION**

Two small, low grade kimberlitic dykes (Packsaddle and Blackjack) were discovered by Stockdale during the late 1980’s in a region northeast of the current tenement holding. These small dykes contain diamonds with low grades and shed kimberlitic chromite into adjoining drainage.

Surface sampling by CRAE and Ashton was completed over majority of the project area during the 1980’s with some follow-up infill sampling during the 1990’s. This sampling identified widespread macrodiamonds, microdiamonds and indicator minerals, mainly chromite grains. The geochemistry of the chromite suggested that they are derived from both kimberlitic and non-kimberlitic sources. Following two areas have been focus of exploration by CRAE/RTE and Ashton:

- Mantangula Creek, the drainage within a nearby tenement to the east of EL7970 returned microdiamonds and abundant kimberlitic chromite. Ashton carried out a bulk sampling program on the southern portions of this creek.
- A region located along the eastern margin of the Arnold River tenement block (EL 7970) containing kimberlitic chromite. CRAE followed-up 15 airborne magnetic anomalies in the area during the 1980’s

but ground magnetic traverses concluded that all anomalies had source within the regolith. No source rock has been identified to explain presence of indicator minerals.

No kimberlites were discovered by Rio Tinto or Ashton in the Cox Group region, and the source of the anomalous indicator mineral grains remained unknown.

## Exploration by Gravity Diamonds

Following description of exploration work has been taken from Gravity Diamonds Hodgson Diamonds Project Annual Reports for 2004 to 2009, submitted to the Department.

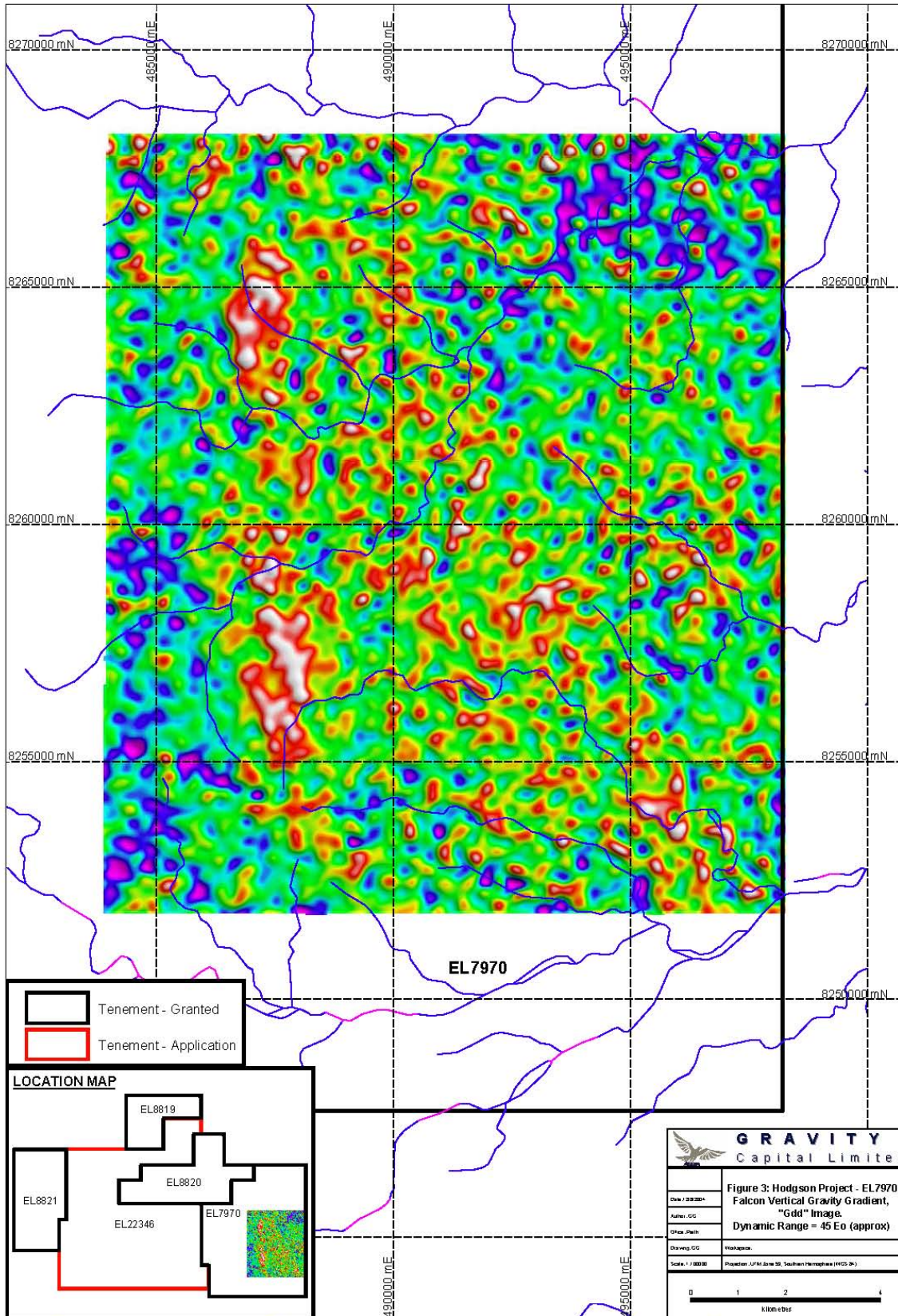
### 2000-2003

A farmin agreement covering much of the Rio Tinto-controlled diamond exploration tenements in northern Australia was finalised in July 2003 between Rio Tinto and DMA. The diamond exploration program was conducted by Gravity (managing the project on behalf of DMA).

During the initial years of term a comprehensive review of historic diamond exploration geophysical and sampling data from Arnold River tenements region was carried out. Past surface sampling in the region had identified macrodiamonds, microdiamonds and other indicator minerals. It was concluded that Arnold River tenements are prospective for commercial sources of diamonds. Historic gravel sampling indicated that there are unresolved chromite and diamond occurrences in an area of Bukalara Sandstone on EL7970.

### 2003-2004

Based on the past encouraging results, a Falcon® airborne gravity gradiometer survey was planned and acquired in August-September, 2003. Field survey work was done by Fugro Airborne Surveys under a contract with BHP Billiton, with whom Gravity Capital had the Falcon® deployment agreement. The survey was flown on east-west oriented lines, 100m apart at a mean terrain clearance of 80m. The survey covered an area of ~240km<sup>2</sup> along the eastern boundary of EL7970. Data was processed by BHP Billiton Operations Group and delivered to Gravity Capital in November 2003. The Falcon® survey digital data and acquisition/processing report have been lodged with the Department during 2005. Final images of the data are provided below in Figure 4a and 4b.







## 2004-2005

Detailed interpretation, anomaly ranking and exploration targeting from the Falcon® data was completed in late 2004. 12 target areas were identified for follow up work. Statutory requirements for field access and approval for work program were completed in February 2005.

## 2005-2006

During the 2005 field season, a helicopter-supported program to field test the targets was conducted. 11 anomalies were field inspected and sampled where appropriate. The field inspection downgraded the kimberlite potential for a number of Falcon® targets although some anomalies required further assessment. A total of 7 samples, comprising 4 gravel and 3 loam were collected. Sample 159817 was collected to confirm historic chromite positive anomaly.

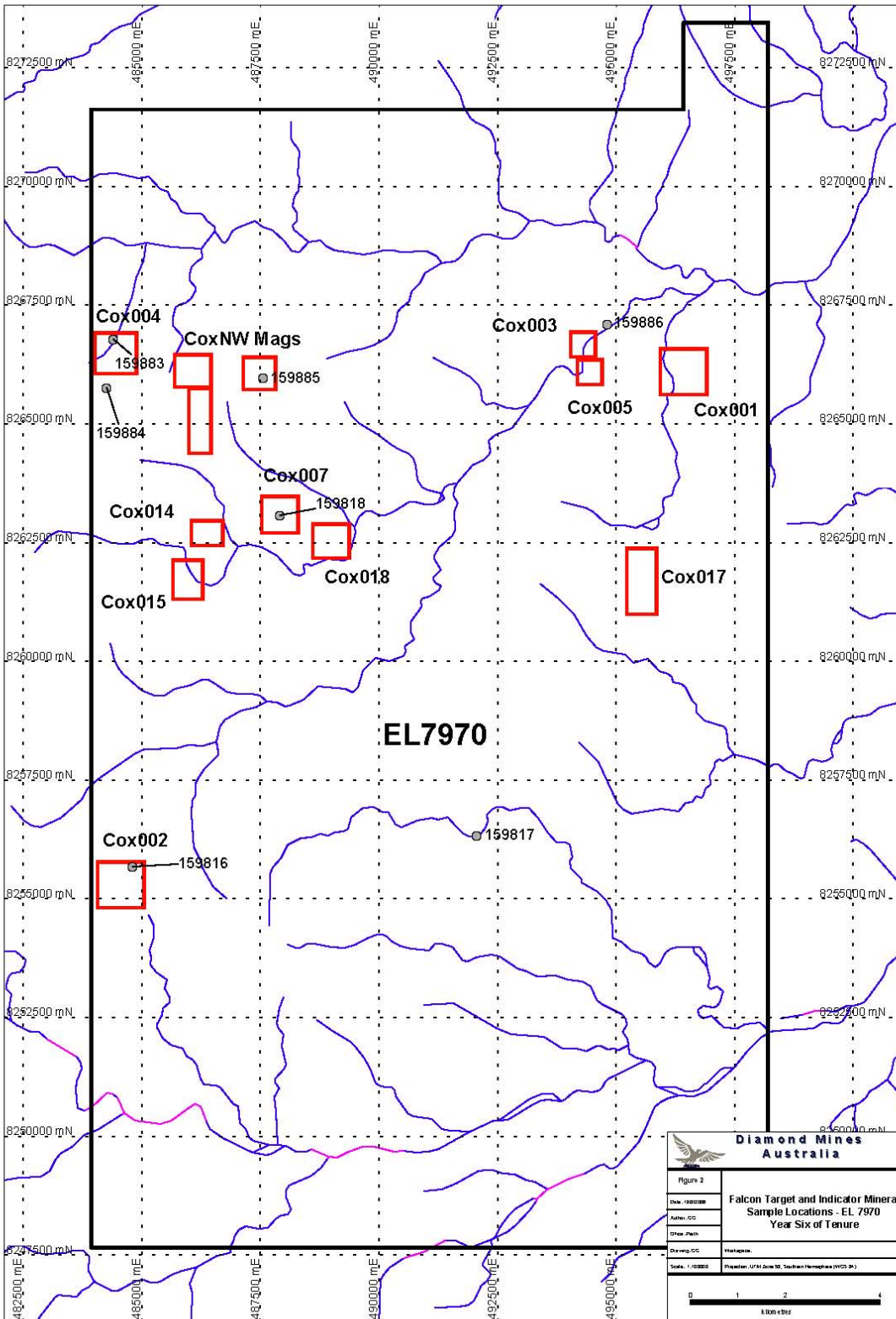
Each sample weighed approximately 40kg consisting of -1.6mm fraction of material. All Samples were processed at Diotech Laboratories in Perth on micro DMS plant for recovery of kimberlite indicator minerals (KIM). -1.2mm to +0.3mm fraction of DMS concentrate was searched for KIM.

Detail of Falcon anomalies are provided in Table 1 and are shown on Figure 5. A summary of collected gravel and loam samples and their laboratory results are given in Table 2. Sample locations are illustrated on Figure 6.

**Table 1:** Falcon targets selected for follow-up

<b>ANOMALY/ WORK AREA</b>	<b>TYPE</b>	<b>EASTING</b>	<b>NORTHING</b>	<b>AMPLITUDE</b>	<b>SIZE</b>	<b>PRIORITY</b>
Cox001	Gravity	496402	8266098	-20	300 x 300	A
Cox002	Gravity	484543	8255301	-21	300 x 250	A
Cox003	Gravity	494329	8266698	-18	300 x 300	BC
Cox004	Gravity	484436	8266496	-25	270 x 260	B
Cox005	Gravity	494456	8266097	-20	300 x 220	BC
Cox007	Gravity	487926	8263102	-20	220 x 400	BC
Cox014	Gravity	486362	8262701	-17	330 x 220	C
Cox015	Gravity	485976	8261692	-18	240 x 200	BC
Cox017	Magnetic	495470	8262170	NA	100 x 100	B
Cox018	Magnetic	489070	8262580	NA	300 x 300	BC
Cox NW MAGS	Magnetic			NA	NA	<b>B</b>

Of the 7 samples processed, 159816 and 159817 samples yielded 6 and 26 chromite grains respectively, while sample 159886 reported a macrodiamond. Recovered indicator mineral grains were probed at the University of Western Australia to determine their crustal or mantle affinity. The probe data indicated that some of the grains are probable kimberlitic origin. Details of analytical procedure and results have been previously reported in Gravity Diamonds Ltd, Hodgson Diamonds Project Annual Report 2005-2006.



**Figure 5:** Falcon® gravity survey anomalies and sample locations collected during 2005-2006

**Table 2: Indicator mineral sample and result details**

SAMPLE	TYPE	ANOMALY/WORK AREA	EASTING (WG84)	NORTHING (WG84)	COLLECTION	DIAMOND	CHROMITE
159816	Gravel	Cox002	484805	8255680	27/10/2005	0	6
59817	Gravel	Cox022	492071	8256327	27/10/2005	0	26
159818	Loam	Cox007	487919	8263079	27/10/2005	0	0
159883	Gravel	Cox004	484394	8266785	26/10/2005	0	0
159884	Loam	Cox004S	484267	8265754	26/10/2005	0	0
159885	Loam	CoxNW Mag	487564	8265968	26/10/2005	0	0
159886	Gravel	Cox003/005	494815	8267104	26/10/2005	1	0

**2006-2007**

The 2006-2007 exploration program was focused primarily on the follow up of positive sample results achieved during the last year, to gain a better understanding of the overall indicator mineral distribution within the tenement. A total of 16 gravel samples and 1 loam sample were collected during November 2006. Each sample weighed approximately 50Kg of -1.6mm material. All Samples were processed at Diotech Laboratories in Perth on micro DMS plant for recovery of KIM. -1.2mm to +0.3mm fraction of DMS concentrate was searched for KIM. Recovered indicator mineral grains were microprobe at the University of Western Australia.

**Table 3: Indicator mineral sample and result details**

SAMPLE	TYPE	EASTING WGS84	NORTHING WGS84	COLLECTION	DIAMOND	CHROMITE
159565	Gravel	491428	8256706	22/09/2006	0	66
159566	Gravel	491550	8256385	22/09/2006	0	0
159567	Gravel	489379	8259269	23/09/2006	0	22
159568	Gravel	489225	8259301	23/09/2006	0	9
159569	Gravel	489559	8253214	23/09/2006	0	0
159570	Gravel	490088	8254206	23/09/2006	0	0
166465	Gravel	492169	8256842	22/09/2006	0	1
166466	Gravel	491863	8256218	22/09/2006	0	1
166467	Gravel	493450	8255183	23/09/2006	0	1
166468	Gravel	493833	8255402	23/09/2006	0	1
166469	Gravel	491829	8253647	23/09/2006	0	1
166470	Gravel	488925	8256297	23/09/2006	0	2
166471	Gravel	485527	8252933	24/09/2006	0	3
166472	Gravel	483944	8257467	24/09/2006	0	7
166473	Loam	484548	8255301	24/09/2006	0	14
166474	Gravel	486094	8256595	24/09/2006	0	0
166475	Gravel	485801	8256923	24/09/2006	1	4



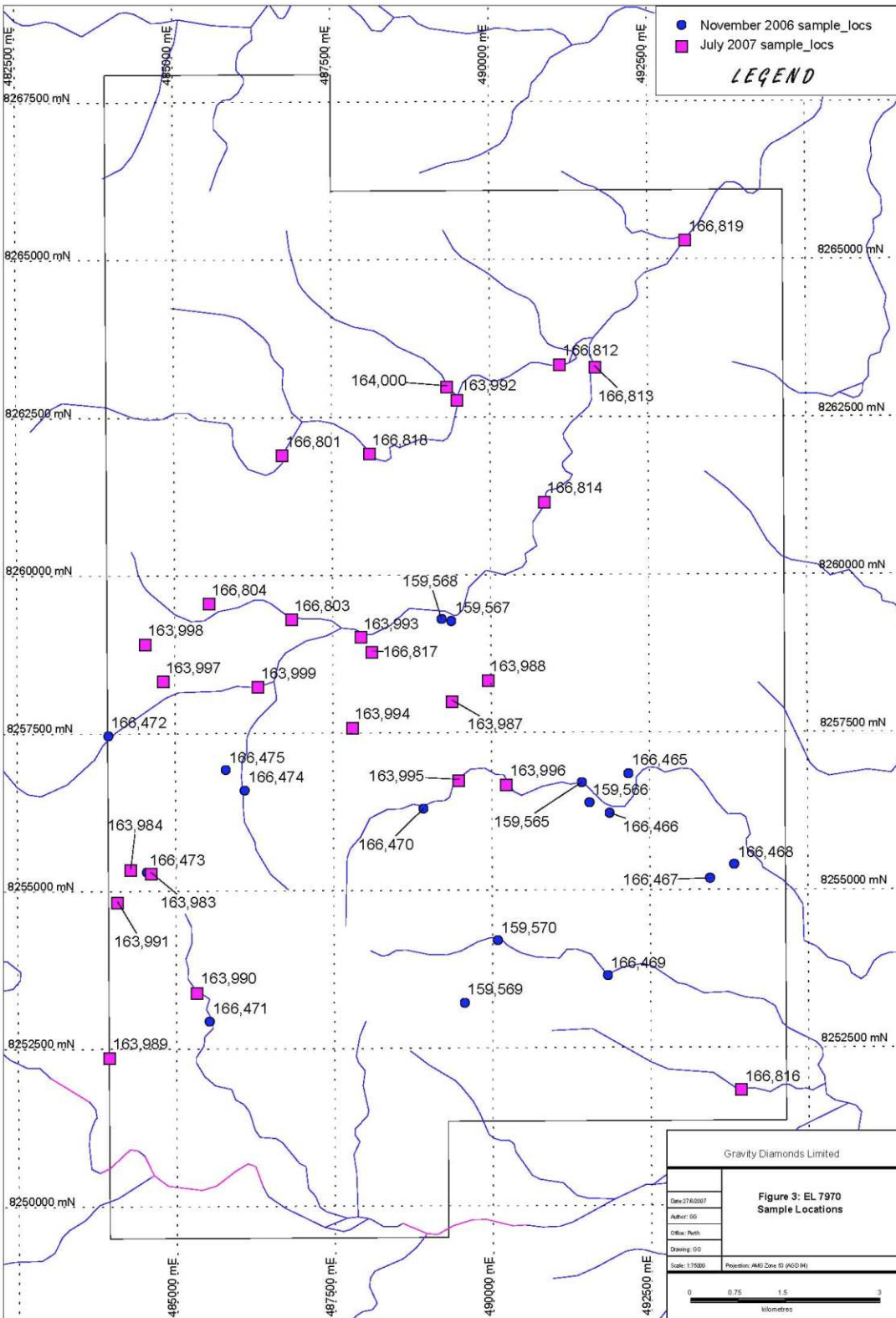


Figure 6: Sample locations collected during November 2006 and July 2007.

Of the 17 samples collected, 13 samples reported chromite, with one of the chromite positive samples also reported a macrodiamond. Of the 13 positive samples, 5 returned single chromite grain only. Distribution of positive results indicates at least two discrete source areas. The single loam sample which was collected in the vicinity of Cox002 Falcon® anomaly yielded 14 chromite grains.

Details of sample collected and their laboratory results during year 7 of tenure are given in Table 3. Sample locations are shown on Figure 6. Digital data, along with detailed analytical results have been previously reported in Gravity Diamonds Ltd, Hodgson Diamonds Project Annual Report 2006-2007.

### **2007-2008**

The fairly consistent recovery of chromite grains which was at odd with the historic sampling results, prompted tenement-wide regional sampling program. During the first round of second phase of sampling program, 19 gravel and 7 loam samples were collected. With the availability of vehicular access gained by partly constructing new and partly restoring the existed track from the Broadmere Station to the tenement, further several round of follow-up sampling completed primarily in the Cox002 and Cox022 drainage areas. Additional 11 gravel samples were collected.

All samples were collected in a similar standard fashion, each weighing 40-50 kg of sieved -1.6 mm material obtained from the best trap site available in the target drainage. Samples were processed at Diatech Laboratories in Perth on micro DMS plant for recovery of KIM. -1.2mm to +0.3mm fraction of DMS concentrate was searched for KIM. Recovered indicator mineral grains were microprobe at the University of Western Australia.

Of the 37 samples collected, 16 reported chromite, with one of the chromite positive samples also returned macrodiamond. Of these, several samples returned numbers of chromite grains. The increased abundance of chromite grains is not fortuitous; rather it may indicate some proximity to the source. The distribution of positive results point to two discrete source areas located within Cox002 and Cox022 drainage areas.

Information about sample type, location and their laboratory results is provided in Table 4. Sample locations are shown on Figure 7. Digital data, along with detailed analytical results have been previously reported in Gravity Diamonds Ltd, Hodgson Diamonds Project Annual Report 2007-2008.

### **2008-2009**

Work carried out during the year 9 of the tenure was detail re-evaluation of past all years of exploration and geophysical data, with the intention to follow-up encouraging results with the initial round of drilling. Due to the impact of weakening global financial situation, plans for the future exploration were curtailed. In late 2009, Legend became the beneficial owner of the tenement EL7970, by way of a sale agreement between Legend International Holdings, Ashton Mining Ltd and Rio Tinto Exploration.

**Table 4: Indicator mineral sample and result details**

SAMPLE	TYPE	EASTING WGS84	NORTHING WGS84	COLLECTION	DIAMOND	CHROMITE
163983	Loam	484611	8255305	13/07/2007	0	0
163984	Gravel	484290	8255352	13/07/2007	0	3
163987	Loam	489382	8258016	13/07/2007	0	0
163988	Loam	489954	8258343	13/07/2007	0	0
163989	Gravel	483938	8252373	13/07/2007	0	2
163990	Gravel	485330	8253408	14/07/2007	0	2
163991	Loam	484077	8254842	14/07/2007	0	0
163992	Gravel	489481	8262791	15/07/2007	0	0
163993	Gravel	487943	8259039	13/07/2007	0	5
163994	Loam	487801	8257602	14/07/2007	0	0
163995	Gravel	489482	8256758	14/07/2007	0	21
163996	Gravel	490232	8256693	14/07/2007	0	5
163997	Gravel	484815	8258349	14/07/2007	0	2
163998	Loam	484535	8258935	15/07/2007	0	0
163999	Gravel	486314	8258259	15/07/2007	0	2
164000	Gravel	489327	82622995	15/07/2007	0	0
166801	Gravel	486714	8261917	15/07/2007	0	0
166803	Gravel	486854	8259318	15/07/2007	0	0
166804	Loam	485545	8259580	15/07/2007	0	0
166812	Gravel	491105	8263346	17/07/2007	0	1
166813	Gravel	491662	8263307	17/07/2007	0	17
166814	Gravel	490860	8261169	17/07/2007	1	10
166816	Gravel	493925	8251847	17/07/2007	0	0
166817	Gravel	488121	8258796	17/07/2007	0	0
166818	Gravel	488093	8261945	17/07/2007	0	0
166819	Gravel	493097	8265316	17/07/2007	0	0
166822	Gravel	488447	8256252		0	4
166823	Gravel	487993	8256047		0	10
166830	Gravel	487977	8256165		0	5
166831	Gravel	484574	8255279		0	0
166832	Gravel	484108	8259239		0	0
200009	Gravel	487748	8254791		0	0
200010	Gravel	487818	8255725		0	6
200011	Gravel	488864	8256214		0	0
200012	Gravel	487456	8256153		0	0
200013	Gravel	487537	8256048		0	0
200014	Gravel	485086	8256497		0	13

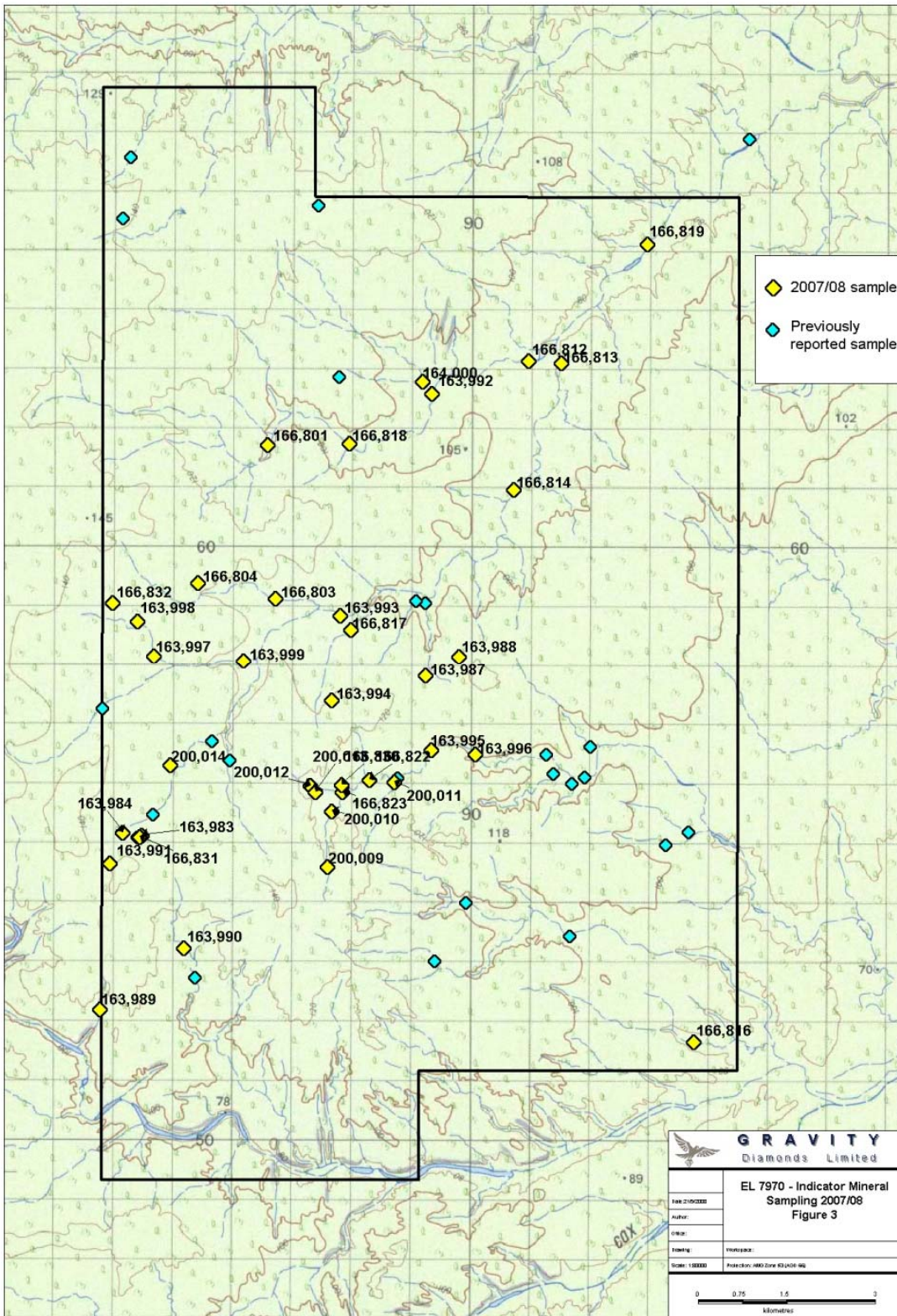


Figure 7: Sample locations collected during 2007-2008  
Final Report 2010



## Exploration by Legend

### 2009-2010

During the period 5<sup>th</sup> of August 2009 to 4<sup>th</sup> of August 2010, EL7970 was placed in the Legend's Cox Project. A comprehensive open file review of the entire Cox Project was conducted as part of a target generation exercise and to better understand the regional mineralisation trends. Data acquired from Gravity Diamonds was also incorporated into this review process.

Historical indicator mineral data provided by Gravity Diamonds for their northern Australia prospects for the years 2004-2007, was supplied to consultant geochemist Dr. Wayne Taylor for re-evaluation of diamond potential. The data amounted to 1,233 SEM analyses of Cr-Spinel, 35 electron microprobe/laser ICPMS analyses of Cr-Spinel, and two laser ICPMS analyses of pyrope garnet. For the purpose of interpretation, fourteen "project areas" were assigned on the basis of location and/or catchment area. Results of this study have been summarized in the Legend International Holdings, Cox Project Annual Report 2009-2010.

Only filed based activity in EL7970 was helicopter supported reconnaissance survey to assess ground condition. Other intended exploration work such as ground gravity and drilling program was put on hold due to the prolonged rainy weather.

## CONCLUSION & FUTURE WORK PROGRAM

EL7970 has been a focus of extensive diamond exploration over its 10 years term. The exploration work carried out comprises acquisition and interpretation of Falcon<sup>®</sup> airborne gravity gradiometer survey, processing of 61 gravel and loam samples for KIM and geochemical analysis of recovered KIM. The results obtained are encouraging and have upgraded the potential of the tenement for commercial source of diamonds.

EL 7970 remains an important part of the Legend's exploration program being conducted in the Northern Territory. Legend is fully intended to carry out next phase of exploration work which will include ground gravity survey of identified targets and drilling. On Legend's request, the Department has placed a 'Reserve for Occupation' over the area covered by EL7970. Lately, the Department has invited Legend to lodge an application over that ground, which Legend has since completed and submitted.

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