



Landore Resources

30th September 2009

Landore Resources: nickel, iron, gold and lithium mineral explorer advances closer to production

Canada-focussed AIM-listed Landore Resources (LND) has weathered the recent tidal waves in the capital and commodities markets very well, thanks to its diversified portfolio of iron, nickel, gold and other exploration assets, its experienced board, and its strong shareholder base. This powerful combination has allowed the company to maintain the pace of its exploration programme, advancing some of its assets further down the road towards ultimate production. And as the work moves forward, the potential resource within its acreage continues to increase. We take a look at the Landore portfolio, its recent progress, and tentatively wonder where it might be headed.

THE FORMULA: NATURAL RESOURCES + FINANCIAL RESOURCES + HUMAN RESOURCES

Landore Resources is focussed exclusively on Canada. The combination of political stability, infrastructure, favourable geology and a strong mining tradition make it an attractive place to do business; similar considerations attract oil and gas companies to North America. Whilst the more northern parts of Canada certainly pose challenges regarding access and weather conditions, Landore's operations are mostly located where potential production would be relatively straightforward to achieve; many of the company's peers worldwide do not enjoy such advantages.

As an example, the company has recently been focussing a good deal of its attention on its very prospective Junior Lake property, which is described in more detail below. This is only some 7 miles from the Canadian National Railway, which provides direct access to the port of Thunder Bay on Lake Superior. But the portfolio is broad, and the company has a number of targets at which to aim.

Any young mining company is primarily dependent upon the strength of its acreage – but it also needs its operations to be adequately funded, and typically so over a sustained period of zero income, a combination which is notoriously challenging. Landore seems well-positioned on these two vital factors, as well as on another key ingredient: human resources. The company has two very experienced and successful executives at the helm: William Humphries, the chairman, has over 35 years experience in mining and civil engineering, and the CEO/FD is his longstanding colleague Richard Prickett; they were respectively the managing director and chairman of Brancote Holdings plc, which merged with Meridian Gold seven years ago.

The combination of the Landore team, and the acreage, has proven an attractive investment opportunity which has enabled the company to plough ahead with its exploration programme. As the chairman quite recently said: "We are fortunate, in these difficult times, to have a strong and supportive group of shareholders" – William Humphries, 23 April 2009.

Price: 18p

Market Cap: £32.7m

1 Year Share Price Graph



Share Information

Code: LND

Listing: LSE, AIM

| 52 week | High | Low |
|---------|-------|------|
| | 18.25 | 6.25 |

Sector: General Mining - Nickel

Website: www.landore.com

Company Synopsis:

Landore Resources Limited is an AIM listed holding company for its 100% owned reporting subsidiary Landore Resources Canada Inc. Landore Canada is engaged in mineral exploration and development, with the present focus of its operations being mineral exploration in Ontario, Quebec and New Brunswick, Canada. Landore Canada's principal properties are the "Junior Lake Property" and the "Miminiska Lake Property", both located in the Thunder Bay Mining District, Ontario, Canada. Landore Canada is also the owner of other properties in Canada and Nevada in the US containing gold and base metal drill intersections. The Group's objective is to become a successful mineral explorer and create capital growth for Shareholders through the discovery of economic mineral deposits.

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We now take a closer look at the Landore portfolio, beginning with its Junior Lake property in Ontario

JUNIOR LAKE PROPERTY: HOST TO NUMEROUS METAL DEPOSITS AND OCCURANCES

Landore's Junior Lake property, located 235 kilometres NNE of Thunder Bay, initially gained the attention of investors because of two substantial nickel deposits, but in addition large quantities of iron have more recently been confirmed there by the company. Various other deposits are also believed to exist within the acreage, which the company has been steadily expanding and which currently extends some 35 kilometres in an east to west direction; some of these contain copper, cobalt, gold and PGE (the 'Platinum Group Elements').

The announcement in October 2008 that Landore had a large magnetite iron deposit at the western end of Junior Lake took the market rather by surprise. Whilst the presence of a banded iron deposit there had been known for some 50 years, the company announced that there were strong magnetic anomalies over a strike length greater than 3.8 kilometres, and that Landore's trenching and drilling had given promise that the resource may be many times larger than the historic estimates. Further work, including 16 trenches and 22 drill-holes, has been conducted during 2009 and results are awaited. Whilst the potential scale of this deposit is unknown, it is now believed to potentially extend for at least 5 kilometres.

The availability of abundant water resources nearby, together with the planned hydroelectric plant only 20 kilometres away and the proximity of the railway has excited the company and its investors. Much of the infrastructure at Thunder Bay, which was used to ship iron ore from the Steep Rock Iron Mines to the iron mills of North America, is still in place, and these factors are of great significance in potential commercialisation of this asset, for which investors will be eagerly awaiting resource estimates.

Investor attention had previously been focussed upon two substantial nickel deposits, VW and B4-7 which are the subject of a substantial ongoing exploration and quantification programme. These nickel deposits are very close to each other, separated by just 3 kilometres, and aligned on an east-west axis; both are open along strike and toward each other. Landore described the area between them on 30 June 2009 as "highly prospective" and 8 exploration holes, covering 1500 metres, has recently been probing its potential. Results are awaited. How closely these two deposits approach each other remains to be established; there would appear to be scope for some significant upgrade of the resource estimates, because both are open. These are sulphide deposits, which are becoming increasingly hard to find in the industry and are relatively cheap to process; these two also have the important advantage of being close to surface, potentially allowing straightforward open-cast mining rather than expensive tunnelling. And in the event of mining, which is clearly the goal, their closeness offers very significant operational advantages.

The VW deposit is the company's most advanced project; further drilling on the western end towards B4-7, and a resource upgrade, are being undertaken; the resource is also open to the east, and down dip. The March 2008 resource estimate (Canadian National Instrument 43-101 standard) was for 22,407 tonnes Nickel Equivalent.

The exploration of B4-7 is a more recent development, and the May 2008 estimate (JORC compliant) was of 28,900 tonnes of Nickel Equivalent, all in the inferred category. More drilling began earlier in 2009 to advance the resource to 'Indicated' status, and to further test two hanging wall mineralised zones. The company believes that, based upon an earlier airborne survey, the deposit may continue a further 500 metres to the west; this possible extension is currently being drilled. The combined existing estimate of the VW and B4-7 deposits is 51,300 tonnes of Nickel Equivalent, with unknown – but potentially material - upside from horizontal and vertical extensions.

There are other potential targets within the Junior Lake property, which have been identified through a combination of aeromagnetic work and surface studies. These include the highly prospective Carrot Top Zone and the Grassy Pond Zone, which



are both known to contain nickel, copper and PGE; Landore's maps also indicate the presence of various metals including gold and nickel around the eastern and western ends of Toronto Lake, which is situated at the eastern end of the Junior Lake property. Whether these could be economically mined is unknown, but the company has recently said that drilling campaigns completed to date "show the Carrot Top Zone to have the potential to develop into a resource".

WEST GRAHAM PROPERTY: NICKEL AND COPPER

This property is located 17 kilometres from Sudbury, on the Southern rim of the Sudbury Intrusive Complex and contains the historic 'Conwest' nickel and copper deposit. It is currently believed that the mineralisation in this part of Canada is partly the result of a large ancient meteorite impact, which brought various metals close to surface. A four-year exploration programme commenced in November 2005 on this asset; this is being done by First Nickel Inc. who are required to spend C\$6 million over 4 years in order to acquire a 70% interest which can potentially be increased to 85% subject to certain conditions.

Whilst the work is not yet completed, the deposit – which is near surface and adjacent to First Nickel's Lockerby Mine – has been stated to contain "in excess of 84 million pounds of nickel and 58 million pounds of copper" as Indicated Resources (Landore Resources, 4 September 2009). If the mining of this asset were economic, the 15% to 30% Landore share would clearly have considerable potential value. First Nickel are completing various bench and metallurgical tests, and investigating alternative processing and treatment options.

LESSARD PROPERTY: COPPER, SILVER AND ZINC

This asset, located some 107 kilometres north of the mining town of Chibougamau in Quebec, has been sporadically investigated since 1958. Landore conducted a successful drilling campaign in 2006, in order to confirm the previous drilling results, and this was supplemented with airborne work which suggested potential strike extensions and new targets.

Further drilling was done in 2008 to provide data for a resource estimate, and to target possible strike extensions of the existing deposit. A 43-101 compliant Resource estimate was published in September 2008; the Inferred estimate is 740,000 tonnes at 1.88% copper, 3.50% zinc, 38.62 grams/ton silver and 0.84 grams/ton gold. We note that these grades are slightly better than a 1975 non-compliant estimate done by Selco Mining Corporation, and that the estimated copper content is some 13900 tonnes and for zinc some 25900 tonnes. Significantly, the Lessard deposit remains open down dip, and further exploration work on the property is planned.

MIMINSKA/FROND/WOTTAM PROPERTY: GOLD

Landore Resources actively progressed these gold deposits between 2003 and 2005, conducting four drilling campaigns on two potential shoots within a known 800 metre strike length; the company's activities were subsequently focussed on the Junior Lake and Lessard properties, but the strong gold price has persuaded the company that the time is now right to restart exploration, potentially in the second half of 2009.

These gold assets are located in northern Ontario, and are said to be "hosted in iron formation in similar setting to the Musselwhite gold deposit which has so far produced 2.17 million ounces with reserves currently estimated at over 1.77 million ounces" (Landore Resources, 23 April 2009)



The company's 2003-2005 drilling gave some high grades: 132.1 g/t over 0.5 metres, 40.2 g/t over 2.4 metres, and three other intersections of 9.7 to 9.8 g/t. These gold deposits have for some time been living under the shadow of other assets outlined above; we feel this might be about to change.

ROOT LAKE PROPERTY: LITHIUM

Landore gave the market another surprise on 15 September 2009, outlining a lithium deposit in Ontario some 300 kilometres north-west of Thunder Bay. Root Lake hosts the McCombe Pegmatite which was discovered in 1956 and estimated shortly afterwards to contain 2.297 million tonnes of lithium (this estimate is not 43-101 compliant). Whilst this seemed an attractive discovery in the mid 1950s, by the end of that decade demand for lithium had fallen and the resource was not developed. Interest in lithium has greatly increased recently, because of its use in rechargeable batteries – particularly for electric and hybrid cars. More details of the potential of this asset will no doubt be released during the coming months.

FINANCIALS AND SUMMARY

Many, if not most, mining companies have been battered and bruised by the double whammy of financial chaos and the collapse of many metal prices. As 2009 has progressed, some degree of relative normality seems to be returning. The value of Landore shares fell somewhat during the market mayhem - but nothing like that experienced by many other companies, and has since recovered. This is probably a combination of substantial operational progress, the strength of the shareholder base, and the absence of short-term speculator interest; the company maintains a fairly low profile.

Landore Resources, like all mining operations which are not in production, currently loses money; the first half of 2009 revealed a loss of £2.01m, which was in line with company expectation and a welcome improvement on the equivalent period in 2008; administrative expenses were reduced by a useful 27%. Finding additional funding by means of placing has so far not been a problem for the company; its major shareholders include the Consolidated Press Group of Australia.

The best litmus test of the investment potential of Landore is perhaps the combination of the relative strength in the share price in very difficult times, and the variety and extent of the metals now known to exist within its acreage. The current estimate of the nickel at Junior Lake is 51,300 tonnes of nickel equivalent, though this excludes the potential extensions mentioned above. If this figure were to move closer to some 100,000 tonnes, the in-ground value of the nickel would, at current prices, be of the order of £1 billion. The nickel price is still markedly lower than it was, but some of its dramatic fall has recently been reversed. When the potential value of the iron is taken into account, and the recently-announced lithium, the in-ground gross value of the resources in the Landore portfolio is clearly substantial, and towers over the market capitalisation, which stands at £ 28.7m.

How could the potential value of the portfolio be realised? Continuing to prove-up the assets is clearly a priority.

There are various ways in which production might then be achieved: for example, selling assets to an established mining company, perhaps the iron or the VW/B4-7 nickel deposits, would seem a possibility. Another would be to join forces with an industry partner in some way; the next twelve months or so may prove defining for the company. The author holds shares in Landore Resources.



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