

**LEGEND MINING LIMITED**  
**ACN 060 966 145**

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**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**PROXY FORM**

**AND**

**EXPLANATORY MEMORANDUM**

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**Date of Meeting**

30 May 2001

**Time of Meeting**

9.00am

**Place of Meeting**

The Celtic Club  
48 Ord Street  
WEST PERTH WA 6005

**LEGEND MINING LIMITED**  
**ACN 060 966 145**

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Legend Mining Limited ACN 060 966 145 ("**Company**") will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on 30 May 2001 at 9.00am for the purpose of transacting the following business.

An Explanatory Memorandum containing information in relation to each of the following resolutions accompanies this Notice of Annual General Meeting.

**AGENDA**

**ORDINARY BUSINESS**

**Annual Financial Report**

To receive and consider the Financial Report, Directors' Report and Audit Report for the year ended 31 December 2000.

**Resolution 1 – Re-Election of Mr Watson as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, Mr Kevin Watson, a Director of the Company who retires in accordance with rule 12.2 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company."*

**Resolution 2 – Election of Mr Cowden as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, Mr Ian Cowden, a Director of the Company who was appointed in accordance with rule 12.4 of the Company's Constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company."*

**Resolution 3 – Appointment of Auditor**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, Grant Thornton Chartered Accountants of 256 St Georges Terrace, Perth, Western Australia, having consented to act, be appointed as auditors of the Company."*

#### **Resolution 4 – Approval to Issue Shares**

To consider and, if thought fit, to pass the following the resolution as an **ordinary** resolution:

*"That, pursuant to Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and all other purposes, the Company approves and authorises the Directors to allot and issue up to 4,750,000 ordinary fully paid shares issued in the capital of the Company at an issue price of not less than 20 cents each and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

The Company will disregard any votes cast on Resolution 4 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 4 is passed and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **Resolution 5 – Approval to Grant Options to a Director – Mr Watson**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, pursuant to and in accordance with Rules 7.1 and 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Law and for all other purposes, the Company approves and authorises the Directors to grant to Mr Kevin Watson (or his nominee or nominees) 250,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

The Company will, in accordance with section 224 of the Corporations Law, disregard any votes cast on this Resolution 5 by Mr Watson and any associate of Mr Watson. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by a person whilst chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction of the proxy form to vote as the proxy decides.

#### **Resolution 6 – Approval to Grant Options to a Director – Mr Cowden**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, pursuant to and in accordance with Rules 7.1 and 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Law and for all other purposes, the Company approves and authorises the Directors to grant to Mr Ian Cowden (or his nominee or nominees) 500,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

The Company will, in accordance with section 224 of the Corporations Law, disregard any votes cast on this Resolution 6 by Mr Cowden and any associate of Mr Cowden. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by a person whilst chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction of the proxy form to vote as the proxy decides.

## **Resolution 7 – Approval to Grant Options to a Director – Mr McDonald**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, pursuant to and in accordance with Rules 7.1 and 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Law and for all other purposes, the Company approves and authorises the Directors to grant to Mr Murray McDonald (or his nominee or nominees) 500,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

The Company will, in accordance with section 224 of the Corporations Law, disregard any votes cast on this Resolution 5 by Mr McDonald and any associate of Mr McDonald. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by a person whilst chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction of the proxy form to vote as the proxy decides.

## **Resolution 8 – Approval to Grant Options to Mr Ledger**

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That, pursuant to and in accordance with Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approves and authorises the Directors to grant to Mr Ledger (or his nominee or nominees) 100,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

The Company will disregard any votes cast on this Resolution 8 by Mr Ledger and any associate of Mr Ledger. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by a person whilst chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction of the proxy form to vote as the proxy decides.

By order of the Board

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Mr R G Ledger  
Company  
Secretary

12th April 2001

### **PROXIES**

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at this meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

A proxy may, but need not be, a shareholder of the Company.

Proxy forms must reach the registered office of the Company at least 48 hours prior to the meeting. For the convenience of shareholders, a Proxy Form is enclosed.

**LEGEND MINING LIMITED**  
**ACN 060 966 145**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of Legend Mining Limited ACN 060 966 145 ("**Company**").

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

**Resolution 1 – Re-Election of Mr Watson as a Director**

Mr Watson was appointed as a Director of the Company on 29 May 1995. As such, he is required to resign pursuant to the rotation of directors rule in the Company's Constitution. Mr Watson, being eligible, has offered himself for re-election as a Director of the Company.

**Resolution 2 – Election of Mr Cowden as a Director**

Mr Cowden was appointed by the Directors as a Director of the Company on 18 July 2000. In accordance with Rule 12.4 of the Company's Constitution, Mr Cowden holds office as a Director of the Company until the next general meeting and is then eligible for re-election.

Mr Cowden, being eligible, has offered himself for re-election as a Director of the Company.

Mr Cowden (FAusIMM CPGeo MAIG) is a consulting geologist who has over 28 years experience in the exploration and mining industry worldwide. He had held executive and senior positions in junior explorers and major international mining companies, with emphasis on feasibility studies and successful development and mining of a range of commodities including gold and silver.

**Resolution 3 – Appointment of Auditor**

Resolution 3 seeks shareholders approval to the appointment of Grant Thornton, Chartered Accountants, of 256 St Georges Terrace, Perth, Western Australia to the office of auditors of the Company which will become vacant by virtue of the resignation of the existing auditor.

The Company has received:

- (a) a nomination of Grant Thornton to be appointed as the Company's auditor, a copy of which is annexed as Annexure A to this Explanatory Memorandum; and
- (b) a consent to act as auditor of the Company duly executed by Grant Thornton, a registered company auditor.

#### **Resolution 4 – Approval to Issue Shares**

Resolution 4 seeks shareholders approval to the issue of up to 4,750,000 Shares, each at an issue price of not less than 20 cents each.

#### **Listing Rule 7.1**

Listing Rule 7.1 provides, in summary, that without the prior approval of shareholders of the company, a listed company must not issue or agree to issue securities in any 12 month period where the securities proposed to be issued represent more than 15% of the company's shares then on issue.

The Company currently has on issue 32,968,005 ordinary fully paid shares. If the shares the subject of Resolution 4 are issued, the 15% threshold will be exceeded. Accordingly, shareholder approval pursuant to Listing Rule 7.1 is sought.

In compliance with Listing Rule 7.3, the following information is provided to shareholders:

- (a) the maximum number of Shares to be issued 4,750,000 Shares;
- (b) the Company will issue the Shares on a date no later than 3 months after the date of this meeting;
- (c) the Shares will be allotted at an issue price of not less than 20 cents per Share;
- (d) the names of the allottees are presently unknown, but the shares will be issued at the directors discretion;
- (e) the terms and conditions of the Shares to be allotted will be the same, in all respects, as the existing issued ordinary fully paid shares in the capital of the Company on issue at the time of the allotment; and
- (f) the purpose of the issue is to raise funds to continue funding the development of the Munni Munni silver project and for general working capital purposes.

#### **Resolutions 5, 6 & 7 – Approval to Grant Options to Directors**

The Company proposes to issue a total of 1,350,000 options to the Directors of the Company.

The grant of options is designed to encourage the recipients to have greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances, the Directors consider that the incentives to the Directors, represented by the issue of these options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of cash compensation to the Directors.

## **Related Party Transactions**

Section 208 of the Corporations Law prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) shareholder approval is obtained prior to the giving of the financial benefit.

For the purposes of Chapter 2E of the Corporations Law, each of the Directors of the Company are considered to be related parties of the Company. Resolutions 5, 6 and 7 provide for the grant of options to the Directors of the Company which is a financial benefit which requires shareholder approval.

In accordance with the requirements of Chapter 2E of the Corporations Law, and in particular, section 219 of the Corporations Law, the following information is provided to shareholders to allow them to assess the proposed grant of options to Directors:

### **The related parties to whom Resolutions 5, 6 and 7 would permit the financial benefit to be given**

Subject to shareholder approval, the following options will be granted to the following related parties or their respective nominees:

<b>Name of Related Party (Director)</b>	<b>Number of Options</b>
Kevin Watson	250,000
Ian Cowden	500,000
Murray McDonald	500,000

### **The nature of the financial benefit**

The proposed financial benefit to be given is the grant of options for no consideration to the Directors as noted above. The terms and conditions of the options are set out in Annexure B to this Explanatory Memorandum.

### **Directors recommendation**

Mr Cowden and Mr McDonald recommend that shareholders vote in favour of Resolution 5. Mr Watson declines to make a recommendation about Resolution 5 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

Mr Watson and Mr McDonald recommend that shareholders vote in favour of Resolution 6. Mr Cowden declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

Mr Watson and Mr Cowden recommend that shareholders vote in favour of Resolution 7. Mr McDonald declines to make a recommendation about Resolution 7 as he has a material

personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

Resolutions 5, 6 and 7 would have the effect of giving power to the Directors to grant up to 1,350,000 options on the terms and conditions as set out in Annexure B to this Explanatory Memorandum and as otherwise mentioned above. The Company currently has 32,968,005 issued Shares and 30,643,750 options.

If any options granted as proposed above are exercised, the effect would be to dilute the shareholding of existing shareholders. The market price of the Company's Shares during the period of the options will normally determine whether or not option holders exercise the options. At the time any options are exercised and Shares are issued pursuant to the exercise of the options, the Company's Shares may be trading at a price which is higher than the exercise price of the options.

In the past 12 months, the Company's Shares have traded from a low of 9 cents on 19 July 2001 to a high of 28 cents on 7 April 2000. The latest available trading price of the Shares prior to the date of this Explanatory Memorandum was 10 cents on 8 April 2001.

If Resolutions 5, 6 and 7 are passed, the Directors' relevant interests in securities in the Company will be as follows:

Director	Shares	Existing Options	Options to be granted pursuant to Resolutions 5, 6 & 7
Kevin Watson			250,000
Ian Cowden			500,000
Murray McDonald			500,000

**Valuation of Options**

The options are not to be quoted on ASX and as such have no market value. As at 8 April 2001, the date on which Directors resolved to put forward the resolutions to seek approval for the grant of options to Directors, the latest ASX price of the Shares to which the options may be converted was \$0.10. The options are capable of being converted to Shares by payment of \$0.22 and accordingly have minimal present value at the date of grant. The options may acquire future value dependent upon the extent, if any, by which the value of the Shares exceed \$0.22 during the term of the options.

In support of the above, upon application of the Black-Scholes method of valuing options, calculated using the market price of Shares in ASX as at 8 April 2001, the options proposed to be granted to the Directors are valued between nil and 3 cents using volatility factors of 10% and 50% respectively.

**Listing Rule 10.11**

Listing Rule 10.11 requires shareholder approval to the issue of options to a related party of the Company. As all Directors of the Company are related parties of the Company as noted above, shareholder approval is also sought pursuant to Listing Rule 10.11.

## **Listing Rule 7.1**

As stated above, Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholders approval is required for any issue of securities by a listed company where the securities proposed to be issued represent more than 15% of the Company's Shares then on issue. Whilst the options to be granted pursuant to Resolutions 5, 6 and 7 do not exceed this limit, taken together with the other proposed issues referred to in this Explanatory Memorandum, they will exceed the 15% limit. Accordingly shareholder approval is sought.

The following information is provided to shareholders for the purposes of Listing Rules 7.3 and 10.13:

- (a) the maximum number of options to be granted under Resolutions 5, 6 and 7 is 1,250,000;
- (b) the options will be issued on a date no later than one month after the date of this Annual General Meeting or such later date as approved by ASX;
- (c) the options will be granted as incentive options hence will attract no consideration;
- (d) the allottees are the parties referred to above;
- (e) the options will be issued on the terms and conditions as set out in Annexure B to this Explanatory Memorandum; and
- (f) no funds will be raised from the grant of the options.

## **Resolution 8 – Approval to Grant Options to Mr Ledger**

The Company proposes to issue to Mr Ledger, the Company Secretary of the Company, a total of 100,000 options on the terms and conditions set out in Annexure B to this Explanatory Memorandum.

As stated above, Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholders approval is required for any issue of securities by a listed company where the securities proposed to be issued represent more than 15% of the Company's Shares then on issue. Whilst the options to be granted pursuant to Resolution 7 do not exceed this limit, taken together with the other proposed issues referred to in this Explanatory Memorandum and previous issues made by the Company in the past 12 months, they will exceed the 15% limit. Accordingly shareholder approval is sought.

The following information is provided to shareholders for the purposes of Listing Rule 7.3:

- (a) the maximum number of options to be granted under Resolution 8 is 100,000;
- (b) the options will be issued no later than three months after the date of this Annual General Meeting or such later date as approved by ASX;
- (c) the options will be granted as incentive options hence will attract no consideration;

- (d) the allottee is Mr Ledger;
- (e) the options will be issued on the terms and conditions as set out in Annexure B to this Explanatory Memorandum; and
- (f) no funds will be raised from the grant of the options.

## **GLOSSARY OF TERMS**

In this Explanatory Memorandum and accompanying Notice of Meeting the following words and expressions have the following meanings:

"**ASIC**" means Australian Securities & Investments Commission;

"**ASX**" means Australian Stock Exchange Limited;

"**Company**" means Legend Mining Limited ACN 060 966 145;

"**Explanatory Memorandum**" means the information attached to the Notice of Meeting which provides information to shareholders about the resolutions contained in the Notice of Meeting;

"**Notice of Meeting**" means the notice of meeting which accompanies this Explanatory Memorandum;

"**options**" means options to acquire Shares;

"**Shares**" means ordinary fully paid shares in the Company; and

"**\$**" means Australian dollars.

## **ANNEXURE A**

### **NOMINATION OF AUDITOR**

To: Secretary  
Legend Mining Ltd  
Suite 1, 46 Ord Street  
WEST PERTH WA 6005

Dear Sir

### **NOMINATION OF AUDITOR**

*For the purpose of Section 328(1) of the Corporations Law, I, Murray Vincent McDonald, being a member of Legend Mining Ltd hereby nominate Grant Thornton, 256 St George's Terrace, Perth WA 6000 for appointment as Auditor of the Company at the Annual General Meeting of the Company convened for 9:00am on 30 May 2001.*

Signed:

***M V McDonald***

***Dated: 9 April 2001***

## ANNEXURE B

### TERMS AND CONDITIONS OF OPTIONS

#### 1. Entitlement

- (a) Subject to option terms 7, 8 and 9, each option entitles the registered option holder to subscribe for and be allotted one ordinary share in the capital of Legend Mining Limited ("**Company**"), credited as fully paid, at an exercise price of \$0.22 per share ("**Exercise Price**").
- (b) The Company must, as soon as it is reasonably practicable to do so, allot shares on exercise of the option in accordance with the listing rules ("**Listing Rules**") of Australian Stock Exchange Limited ("**ASX**") and register the option holder or its nominee as a shareholder in the register of members in respect of the shares so allotted. No option may be exercised if to do so would contravene the Corporations Law or the Listing Rules.
- (c) Shares issued on the exercise of options will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue.

#### 2. Exercise of Options

- (a) An option is exercisable by the registered option holder lodging the notice of exercise of option in the form set out below together with, subject to option terms 7, 8 and 9, the Exercise Price for each share to be issued on exercise and the relevant option certificate, at any office of the Company's share registrar. The exercise of some options only does not affect the registered option holder's right to exercise other options at a later time.
- (b) Remittances must be made payable to the Company and cheques should be crossed "not negotiable".
- (c) Options may be exercised at any time on or before 5.00 pm on the fifth anniversary of the date of grant.
- (d) An option not exercised by 5.00 pm on the fifth anniversary of the date of grant lapses.

#### 3. Transfer

- (a) Subject to this option term 3 and any restrictions imposed by ASX, options may be transferred at any time before lapsing.
- (b) Subject to this option term 3, options are transferable by any standard form of transfer. Executed and stamped transfers will be recorded in the Company's option register on lodgement of the transfer and relevant Certificate at any office of the Company's share registrar. The Company will cancel the

Certificate and issue a new Certificate in the name of the transferee for the number of options so transferred.

#### **4. Option certificates**

- (a) No exercise or transfer of an option represented by an option certificate may be registered until that certificate is surrendered to the Company or the option holder provides the Company with a statutory declaration, in a form satisfactory to the Company, to the effect that the certificate has been lost or destroyed and indemnifies the Company against any loss or damage if the original certificate is found.
- (b) If the option holder exercises or transfers less than all options represented by a certificate then the Company will cancel the certificate and issue a new certificate for the balance.

#### **5. Quotation**

Quotation of the options on ASX will not be sought by the Company. The Company must apply to the ASX for official quotation of the shares issued on any exercise of an option.

#### **6. Dividends**

Shares issued on any exercise of an option will rank *pari passu* with all existing ordinary shares in the capital of the Company from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.

#### **7. Bonus issue**

If the Company makes a bonus issue of shares or other securities *pro rata* to holders of ordinary shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

- (a) an option has not been exercised in full; or
- (b) an option has been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then the number of shares over which the option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

#### **8. Rights issue**

If the Company makes an offer of ordinary shares *pro rata* to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where  $(S + D)$  (as defined below) exceeds  $P$  (as defined below) at a time when:

- (a) an option has not been exercised in full; or
- (b) the option has been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue.

then the Exercise Price per share will be reduced according to the following formula:

$$O^1 = O - \frac{E(P - S + D)}{N + 1}$$

Where:

- $O^1$  = the new Exercise Price per share
- $O$  = the old Exercise Price per share
- $E$  = the number of shares into which one option is exercisable
- $P$  = the average market price of fully paid ordinary shares (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the 5 trading days before the ex rights date or ex entitlements date
- $S$  = the subscription price (application money plus calls) for new shares issued under the rights issue
- $D$  = if the ordinary shares are trading on the ASX on a ex dividend basis, the (if any) dividends (on a per share basis) which have been declared but not yet paid is existing shares (except those to be issued under the rights issue)
- $N$  = number of shares required to be held to receive a right on one new share.

The number of shares which the option holder is entitled to subscribe for on exercise of the option is to remain unchanged.

## 9. Reconstruction

The rights of an option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

## 10. Advice

The Company must give notice to the option holder of any adjustment to the number of shares which the option holder is entitled to subscribe for or be issued on exercise of the option or the exercise price per share in accordance with the Listing Rules.

## **11. Right to participate in future issues**

The option holder may only participate in new issues of securities to holders of shares to the extent the option has been exercised, if that is permitted by its terms, and the shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give notice to the option holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.