



# **LEGEND MINING LIMITED**

A.C.N. 060 966 145

**ANNUAL REPORT**

**2003**

# LEGEND MINING LIMITED

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## COMPANY DIRECTORY

### Directors

Michael William Atkins (Chairman)  
Murray Vincent McDonald (Managing Director)  
Ian David Cowden (Executive Director)

### Secretary

Donna Dockerill

### Registered Office

Suite 1  
46 Ord Street  
PO Box 626  
WEST PERTH WA 6005

Telephone: (08) 9322 3700  
Facsimile: (08) 9322 3800

### Bankers

Westpac  
109 St George's Tce  
PERTH WA 6000

### Auditors

Grant Thornton  
Chartered Accountants  
256 St Georges Terrace  
PERTH WA 6000

### Home Exchange

Australian Stock Exchange Ltd  
2 The Esplanade  
PERTH WA 6000

### Share Registry

Advanced Share Registry Services  
Level 7  
200 Adelaide Terrace  
PERTH WA 6000

Telephone: (08) 9221 7288  
Facsimile: (08) 9221 7869

### Web

[www.legendmining.com.au](http://www.legendmining.com.au)

### Email

[legend@legendmining.com.au](mailto:legend@legendmining.com.au)

**LEGEND'S FIRST GOLD POUR  
2 DAYS AFTER TAKING OPERATION CONTROL**



Refer to Web Site for colour photos



**CHAIRMAN'S REPORT**

Dear Shareholder,

Legend became one of the top ten Australian owned local gold producers when it took over operations at the historic high profile Gidgee Gold Project on the 17<sup>th</sup> December, 2003.

The project 90 km north of Sandstone in Western Australia covers over 600km<sup>2</sup> of the highly prospective Gum Creek greenstone belt and includes excellent existing infrastructure, including power, water, roads, day night airstrip and an under-utilised 600,000 tonnes per annum gold processing plant.

This acquisition has elevated Legend from a low profile explorer to a high profile gold producer, with a gold project that has already produced in excess of one million ounces.

The Gidgee acquisition will allow Legend to grow, diversify and create value for all our shareholders.

We poured our first gold bar two days after taking control and operational transition has gone very smoothly due largely to the commitment of the Gidgee workforce. Despite the timing of the acquisition spanning Christmas, 2,286.6 ounces of gold was produced in the first two weeks of our operations. This is equivalent to an annualised rate of about 60,000 ounces per annum, which following recent new discoveries has the potential to increase during our 2004 year.

We have accelerated underground and regional exploration, particularly at near-mine areas where we consider it highly likely that we will discover extensions to existing and previously mined ore bodies and open up new mineralised zones for treatment at the operating mill. We also expect that discoveries of even small open pit resources regionally, can increase the production rate and efficiency of the mill through blending of open pit and underground ore.

We are focused on converting resources into reserves at the Swan Bitter mine together with the strategic opportunity of exploiting the nearby 92,000 ounce Kingfisher and 310,000 ounce Wilson deposits, where we are carrying out studies with the objective of opening these up as new ore sources as quickly as possible.

Recent ASX releases highlight some exceptional drilling results that we have achieved over the short time we have been operating the Gidgee mine and that will add to the existing gold resources, currently in excess of 500,000 ounces and due for upgrading in the near future.

Two new lodes, Mali and Senegal, have been discovered adjacent to and readily accessible from the current mining operations at the Swan Bitter underground gold mine. These lodes potentially open up a new 4.5 km long exploration target zone for additional new discoveries. Better gold intersections at Mali and Senegal include 12.60m @ 22.6g/t 7.95m @ 33.50g/t and 5.65m @ 6.11g/t respectively. New results from the high grade multiple Tasmania lodes are expected at the time of this report.

Details of the acquisition and review are set out in this report.

Last year I reported on our Karratha ground. We are currently re-evaluating opportunities to advance this area for our company.

I personally feel this was the most significant year in the progress of our Company, and I would like to thank our loyal shareholders who have contributed over the years and welcome all new shareholders.

Current reports on your company including details of significant gold finds may be accessed from our web page [www.legendmining.com.au](http://www.legendmining.com.au).

I particularly wish to thank my fellow Directors for a major contribution in successfully acquiring the Gidgee Gold Project and the seamless transition that has followed.

This is an exciting time for Legend, all our shareholders and the Gidgee team.

I look forward with confidence to reporting future events to you all.

*Michael Atkins*  
**CHAIRMAN**  
18 March 2004

**DIRECTORS' REVIEW OF ACTIVITIES**

**ACQUISITION OF GIDGEE GOLD PROJECT**

Legend became one of the top ten Australian owned local gold producers when it took over operations at the Gidgee Gold Project on 17<sup>th</sup> December, 2003, following shareholder approval on the 15<sup>th</sup> December, 2003. The Gidgee Gold Project is located 90 kilometres north of Sandstone in the Goldfields region of Western Australia.

Consideration for the acquisition was:

Non refundable deposit	\$ 200,000
Cash at Settlement	\$ 1,300,000
Gold in Circuit, Stores	\$ 581,369
Shares in Legend -16,667,000 shares at 6cps	\$ 1,000,000
Final payment (before 31 March, 2004) (\$1,500,000 before 30 June, 2004)	\$ 1,300,000
Replacement of DOIR performance bonds	<u>\$ 2,057,000</u>
<b>TOTAL</b>	<u><b>\$ 6,438,369</b></u>

The main highlights for Legend in acquiring the Gidgee Gold Project are as follows:

- Legend overnight became a gold producer
- Over 1 million ounces already mined from the project area, north of Sandstone
- 122,979 ounces of gold poured from July 2001 to June 2003
- Mining revenue of \$10.3 million for December 2003 quarter of which 1.2 million from 17 December, 2003 was Legend income
- Resources of 515,000 ounces of gold as at 30 June 2003
- 600,000 tpa CIP plant
- Over 600 square kilometres of greenstone belt with excellent potential
- Excellent infrastructure including day/night air strip

**REVIEW OF OPERATIONS GIDGEE GOLD PROJECT (Legend 100%)**

During the December 2003 quarter, the Gidgee mine generated a cash operating surplus of \$3.77 million from revenue of \$10.3 million, producing a total of 18,170 ounces of gold at a cash operating cost of \$347/oz.

Legend's performance for the period 17 December, 2003 was \$0.47 million cash surplus from revenue of \$1.2 million, with production of 2,287 ounces of gold from 10,129 tonnes treated.

Operational transition to Legend has gone very smoothly due largely to the commitment of the Gidgee workforce team. Leading up to the handover, gold levels in the treatment plant were minimised and surface ore stockpiles were depleted for reconciliation purposes, and these had to be built back up during the last two weeks of December under Legend's new ownership.

**DIRECTORS' REVIEW OF ACTIVITIES**

Operating statistics for 2003 are as follows:

<u>Detail</u>	<u>Legend Ownership</u>	<u>2003 Totals</u>	<u>Units</u>
	<b>17 to 31 Dec 03</b>		
Ore Mined (Swan Bitter u/g)	9,792	203,976	Tonnes
Ore Grade	7.90	9.20	g/t Au
Low grade stocks drawn	337	143,458	
Grade	0.80	1.26	
Ore Processed	10,129	343,840	Tonnes
Head Grade (calc)	7.31	5.93	g/t Au
Recovery	96.1	96.6	%
Gold Produced	2,287	62,033	Ounces
<b>Production Cost Statement</b>			
Net Cash Costs	278	351	\$/oz
Inventory Movements	(75)	(2)	\$/oz
Cash Operating Costs	203	350	\$/oz
Depreciation/Amortisation	-	129	\$/oz
Total Production Cost	203	479	\$/oz
<i>Costs are reported to Australian Gold Council Standard</i>			
<i>2003 Total figures are derived from Abelle Ltd's Quarterly Report data and Legend Mining Ltd's actual figures for 17 to 31 December, 2003.</i>			

The Swan Bitter underground mine is located 700 metres east of the 600,000 tonnes per annum CIP treatment plant, and is accessed by two 5x5 metre declines (Swan Bitter and Butcherbird). Underground development from the declines is on 4x4.5 metre jumbo levels, with stoping predominantly by longhole methods.

Since Legend took over, ore has been sourced from six separate stope areas of the Tunisia, Georgia, Albania and Monaco Lodes. Most production came from long hole stoping, with 8% of the gold from airleg stoping of very high grade veins. All lodes are complex quartz vein systems hosted by basalt and dolerite rocks within a wide northerly-trending structural corridor.

Late December 2003, underground development was continuing on three separate headings. Legend plans to further improve productivity over our 2004 year and to accelerate decline development in the Tasmania Lode access area. Reviews and drilling are underway to identify, as a priority, additional gold resources to supplement the Swan Bitter ore.

Underground diamond drilling totalled 1,083 metres for the last two weeks of December, targeting up-dip extensions to the Algeria Lode, further delineation of the Tasmania Lode and a predicted cross-shear at the southern end of the mine. Results included:

Southern Zone	GUD1033	0.38m at 56.38g/t Au from 49.25m
Algeria Lode	GUD1039	2.00m at 9.38g/t Au from 125.00m
Algeria Lode	GUD 1051	0.60m at 45.69g/t Au from 131.12m

**DIRECTORS' REVIEW OF ACTIVITIES**

The Southern Zone results are particularly encouraging, confirming the presence of significant quartz veining and sulphides with high-grade gold in an area south and east of existing workings. This area has been predicted by geological modelling to be favourable for repetition of previously-mined lodes.

Drilling on the Algeria Lode west of existing workings is now targeting a northerly plunge, rather than the previous southerly plunge interpretation. Results are considered to confirm the new model, enhancing the potential of the area to contain significant gold mineralisation.

On possession Legend immediately initiated detailed operational reviews including the reserve/resource base, production planning and cost controls. The company has retained the services of John S Dunlop, a highly regarded mining engineering consultant with strong mine management and underground expertise, to provide strategic and operational guidance to the Board. A new operating and capital budget for the project is being finalised for the 2004 calendar year, to align the Gidgee operation with Legend's financial reporting year which ends 31<sup>st</sup> December annually.

Legend has also commenced evaluation of all identified gold resources both within and outside the present mine area, with the view to advancing these towards production as soon as possible. Gidgee project resources at 30<sup>th</sup> June 2003 totalled 515,705 ounces of gold in the measured, indicated and inferred categories (as reported by previous owner Abelle Ltd).

At Kingfisher North, only 2.5 kilometres south of Swan Bitter-Butcherbird and within the same structural corridor, resources of about 432,000t at 6.7g/t Au (Indicated and Inferred) have been reported and contain 92,000oz of gold. Shallow mining at Kingfisher in the past produced 325,000 ounces of gold from one of the largest open pits at Gidgee, with only limited underground development, and Legend has commenced mine scoping studies on this deposit. Deep drilling is planned to enhance and infill the resource.

Resources at the Wilson deposits total 1.3 million tonnes at 7.4g/t Au (Indicated and Inferred) for approximately 307,000oz. These occur as three adjacent tabular subvertical deposits 12 kilometres northeast from the plant, and have previously been mined by open pit to only 60 metres depth. Metallurgical studies have shown that satisfactory recoveries from the refractory ore are achievable by Biox methods, and Legend's consultant metallurgists are now investigating how best to fast-track gold production from the Wilson deposits.

Open pit targets drilled during 2003 by Abelle included Specimen Well, Eagles Peak and Howards.

Further drilling is planned at Specimen Well and Eagles Peak early in 2004 and will be followed by resource estimation and open pit mine planning.

Legend has commissioned an independent detailed structural study early in 2004, initially of the Swan Bitter-Kingfisher area and then extending across the remainder of open pit and underground targets within the tenement holdings. Focus will be on enhancing the current understanding of structural and stratigraphic controls on gold mineralisation, and using this knowledge to rapidly increase the reserve and resource base for the project.

**DEVELOPMENT STRATEGY**

The Directors of Legend intend to maintain and build on the current profitable mining operations at Gidgee. These operations are expected to produce sufficient cash flow to pay for ongoing operations as well as underground exploration, and some regional exploration. Legend intends to increase exploration activities both around the immediate mine area and also at nearby previously mined open pits, where significant potential exists to open up new mining operations for treatment at the existing mill.

**DIRECTORS' REVIEW OF ACTIVITIES**

**Resources and Ore Reserves**

Since acquiring the Gidgee Gold Project in December 2003, Legend Mining has reviewed gold reserves and resources. The following table summarises the status of Identified Mineral Resources as at 31<sup>st</sup> January, 2004.

<b>Type</b>	<b>Classification</b>	<b>Tonnes and Grade</b>	<b>Contained Ounces</b>
<b><u>Underground Reserves</u></b>			
	Proved	62,250t at 6.5g/t Au	13,400
	Probable	535,750t at 7.0g/t Au	120,100
	Total	598,000t at 6.9g/t Au	133,500
<b><u>Open Pit Reserves</u></b>			
	Proved	215,000t at 3.7g/t Au	25,600
	Probable	365,000t at 3.1g/t Au	35,950
	Total	580,000t at 3.3g/t Au	61,550
<b><u>Total Reserves</u></b>		<b>1,178,000t at 5.2g/t Au</b>	<b>195,050oz</b>
<b><u>Underground Resources</u></b>			
	Measured	63,900t at 12.8g/t Au	26,300
	Indicated	1,420,600t at 7.3g/t Au	333,800
	Inferred	678,900t at 6.3g/t Au	137,950
	Total	2,163,400t at 7.2g/t Au	498,050
<b><u>Open Pit Resources</u></b>			
	Measured	220,200t at 3.8g/t Au	27,250
	Indicated	426,000t at 3.1g/t Au	43,000
	Inferred	204,000t at 2.8g/t Au	18,350
	Total	850,200t at 3.2g/t Au	88,600
<b><u>Total Resources</u></b>		<b>31 January, 2004</b>	<b>3,013,600t at 6.1g/t Au</b>
			<b>586,650oz</b>

Notes:

Data has been compiled from previous reported reserves and resources published by Abelle Limited, and updated where appropriate. Reserve estimates are included within the relevant resource estimates.

Underground deposits include Swan Bitter, Wilson, Kingfisher North, Omega and South Heron.

Open pit deposits include Specimen Well, Eagles Peak, Howards, Deep South, Toedter, Heron, Orion, North Snook, Kea, South Emu Feather and North Shrike and low grade oxide stockpiles.

*[The information on exploration results and Mineral Resources contained in this report is based on information compiled by consulting geologist Mr Ian Cowden FAusIMM, CPGeo. Mr Cowden has appropriate relevant experience to be considered as a Competent Person as defined in the JORC Code 1999. Mr Cowden consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.]*



## DIRECTORS' REVIEW OF ACTIVITIES

### KARRATHA EXPLORATION PROJECTS

Recognition of the mineralisation potential of the West Pilbara has been enhanced by recent exploration successes in the region. Fox Resources reported new high grade massive nickel-copper sulphide intersections at Radio Hill, and De Grey Resources has discovered new gold and platinum prospects at Indee and Three Kings.

Legend continued exploration during 2003 on its West Pilbara holding of approximately 675 square kilometres. The work included regional reconnaissance and mapping, target reviews and metal detecting along structural corridors.

Traverses were conducted across rocks of the Cleaverville and Ruth Well formations, from Carlow Castle in the east to Mt Prinsep in the west. Additional work south of the regional Sholl shear zone was targeted on the Orpheus shear zone between Bradley Well and Mt Sholl.

A considerable number of small gold nuggets were discovered by this work, from less than one gram and up to 265 grams (8.5 ounces). Preliminary evaluation suggests that better surface gold distribution is linked to structural control within areas of carbonate and iron alteration. Most of the nugget areas represent new prospects not previously reported, and are being followed up by more detailed geological mapping to determine and locate the source of gold.

Many of the nuggets recovered to date appear to be close to bedrock source as further indicated by the relatively high silver content of up to 20%.

Prospecting work is continuing as part of the exploration effort.

- **Carlow Castle (Legend 100%)**

Exploration drilling at Carlow Castle has discovered high grade resources, including 30,000 ounces of gold averaging 10g/t (with 1.4% copper) at Carlow South, which is open at depth. This resource, which has been previously reported by Legend, is in the category of "indicated and inferred" mineral resources, as defined in the JORC Code.

Drilling to extend and increase Legend's high grade gold and copper resource at Carlow South has been delayed by the acquisition of the Gidgee project.

- **Mt Sholl/ Black Hill Well/Twin Table Hills/ Radio Hill (Legend 100%)**

Significant gold anomalism has continued to be discovered by fieldwork within the Mt Sholl ground, with recovery of gold nuggets and specimens up to 10 ounces in weight. Shallow costeaning to bedrock has delineated a number of separate quartz-ironstone shear zones or reefs with visible gold, within mainly mafic volcanic rocks.

At Twin Table Hills, adjacent to and along the margin of the regional Sholl Shear Zone, a number of small gold nuggets to 14 grams have been recovered from two separate zones up to 600m long and 200-300m wide. Further investigation into the source of this gold is underway, and similarities in structural setting to the Indee gold deposit are being evaluated.

Exploration is planned to resume in March/April 2004, once weather conditions improve.

## DIRECTORS' REVIEW OF ACTIVITIES

- **Ruth Well Nickel (Legend 100%)**

Compilation and evaluation of previous data from the Ruth Well nickel deposits is in progress. Geological Survey publications indicate that the Ruth Well target size is probably 70,000t at about 3% Ni. Discovered by Whim Creek Consolidated in 1971, one diamond drill hole by previous explorers intersected 8.38m of mineralization averaging about 3.52% Ni and 0.78% Cu as reported by Hickman, 2001 (Geology of the Dampier 1:100,000 Sheet, WA Geological Survey).

Previous interpretations have considered Ruth Well to be typical Kambalda-type mineralisation related to extrusive komatiites, but more recent interpretation published by the WA Geological Survey notes that it may be related to a tectonic slice of the ultramafic Andover Complex. This would indicate a Voisey Bay or Radio Hill model may be more applicable. Further exploration is being planned to better understand the extent and grade of these nickel deposits at Ruth Well.

Compilation and evaluation of previous data from the Ruth Well nickel deposits is continuing.

- **Bradley Well (Legend 100%)**

Exploration has discovered several samples of heavily-mineralised gold lode material associated with western extensions of the Orpheus shear and gossan system. Evaluation of the implications of this high grade discovery are continuing, and drill testing is planned.

Following acquisition of the Gidgee project, the Company is now re-evaluating how to best maximise the value of its Karratha Project for shareholders.

### **EMERALD JOINT VENTURE (Legend 91%)**

At the end of 2003 Legend carried out a review of the project and subsequently surrendered the tenement in March, 2004.

### **MUNNI MUNNI JOINT VENTURE (Legend 33.33%)**

Following assessment of results received, Legend's board decided to keep its interest in the joint venture at 33 1/3% and not to further increase to a possible 50%. As a result, Legend did not have to pay \$400,000 to East Coast Minerals NL or continue sole exploration funding, which would have been required had Legend elected to proceed.

MKS Capital Ltd, acquired the tailings in 2001 for \$3.1 million (Legend 0.93 million) and agreed to take over all clean up of plant and environmental liabilities at the Elizabeth Hill site for a payment by Legend of approximately \$19,500. East Coast Minerals will pay \$45,500.

On 27<sup>th</sup> November, 2003, the JV operator East Coast Minerals announced completion of a detailed aeromagnetic survey over the base of the Munni Munni intrusive seeking nickel-copper sulphide mineralisation. Planned follow-up by ground TEM geophysics was also announced.

Results from 62 geochemical samples were also presented, showing anomalous nickel and copper values, although locations and geological relevance have not yet been reported.

*[The information on exploration results and Mineral Resources contained in this report is based on information compiled by consulting geologist Mr Frans Voermans FAusIMM, CPGeo, MAIG. Mr Voermans has appropriate relevant experience to be considered as a Competent Person as defined in the JORC Code 1999. Mr Voermans consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.]*

## DIRECTORS' REVIEW OF ACTIVITIES

### PLACEMENTS

During the financial year, a total of 87,383,663 shares were issued:

- 79,883,663 shares raised \$4,498,000
- 7,500,000 shares were issued for part settlement of debt to Yandal Investments Pty Ltd
- 16,667,000 shares were issued to Abelle Ltd as part consideration for acquisition of Gidgee Gold Project

All issues were ratified by shareholders on the 15<sup>th</sup> December, 2003.

Please refer to the Directors Report – Changes in State of Affairs for details.

### NEW COMPANY SECRETARY APPOINTED

Donna Dockerill has joined Legend Mining and was appointed as Company Secretary on 19 January, 2004. Donna was formerly with Abelle Limited in Perth, responsible for all financial aspects of the Gidgee Gold Project operation, and her first hand knowledge of the project has greatly assisted in the smooth handover to Legend.

### SUBSEQUENT EVENTS

#### Placement 17 March, 2004

Legend Mining Limited has placed with selected Institutional clients of **KTM Capital Limited**, up to 15 million fully paid ordinary shares in the company at 18 cents per share and with selected clients of **Montague Stockbrokers Pty Ltd**, up to 3 million fully paid ordinary shares in the company at 18 cents per share.

The funds raised (approximately \$3,240,000) will be used to pay Abelle Limited the final payment of \$1.3 million in respect of the recent acquisition of the Gidgee Gold Project. This early payment takes advantage of a \$200,000 reduction if paid by 31 March 2004 and not 30 June 2004 (\$1.5 million).

The balance of the raising will be used as working capital to advance all aspects of Legend's operations, including underground and surface exploration. Pre-feasibility studies on the 300,000oz Wilson gold resource, located within 12km of the mill, will be accelerated.

**CORPORATE GOVERNANCE STATEMENT**

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 January 2003 to 31 December 2003. These practices are dealt with under the following headlines: Board of Directors, Business Risks, Ethical Standards and Directors Dealings in Company Shares.

**1. BOARD OF DIRECTORS**

The board is responsible for the overall Corporate Governance of Legend Mining Limited (“the Company”) including the strategic direction, establishing goals for management and monitoring the achievement of these goals. Due to the size of the board, issues of nomination and remuneration of directors and business risk management are considered by the full board. The board has established a framework for the management of the Company including an overall framework of internal control, a business risk management process and the establishment of appropriate ethical standards.

**Composition of Board**

The directors of the Company in office at the date of this statement are:

<b>Name</b>	<b>Position</b>	<b>Expertise</b>
Michael Atkins	Chairman	Finance
Murray McDonald	Managing Director	Management
Ian Cowden	Executive Director	Exploration and Mining

The composition of the board is determined using the following principles:

- \* The board comprises 3 directors and may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.
- \* The board should comprise directors with a broad range of expertise.

The board reviews its composition on an annual basis to ensure that the board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the board would benefit from the services of a new director with particular skills, the board selects a panel of candidates with the appropriate expertise and experience. Potential candidates are identified by the board with advice from an external consultant, if necessary. The board then appoints the most suitable candidate who must stand for election at the general meeting of shareholders.

The terms and conditions of the appointment and retirement of directors are set out in a letter of appointment, which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all directors is reviewed by the chairman each year. Directors whose performance is unsatisfactory will be requested to retire.

**Independent Professional Advice**

Each director has the right to seek independent professional advice at the Company’s expense. However, prior approval of the chairman is required, which will not be unreasonably withheld.

## CORPORATE GOVERNANCE STATEMENT

### 1. BOARD OF DIRECTORS cont'd...

#### Remuneration

Due to the size of the Company remuneration is considered by the full board. The board reviews remuneration packages and policies applicable to the managing director and directors themselves. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The board obtains independent advice on the appropriateness of remuneration packages.

Further details of directors' remuneration, superannuation and retirement payments are set out in the notes to the financial statements.

#### Audit

Being a small Company with three directors the board has not established a separate audit committee; however, the external auditor has full access to the board throughout the year.

The responsibilities of the board ordinarily include:

- \* Reviewing internal control and recommending enhancements;
- \* Monitoring compliance with Corporations Act 2001, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission, Australian Stock Exchange and financial institutions;
- \* Improving the quality of the accounting function;
- \* Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management; and
- \* Liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The board reviews the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the board.

### 2. BUSINESS RISKS

Significant areas of concern are discussed at board level. When appropriate, experts are invited to address board meetings on the major risks facing the consolidated entity and to develop strategies to mitigate those risks.

### 3. ETHICAL STANDARDS

The board subscribes to the statement of Ethical Standards as published by the Australian Institute of Company Directors.

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

### 4. DIRECTORS DEALINGS IN COMPANY SHARES

Directors must notify the Australian Stock Exchange Limited of any acquisition or disposal of shares by lodgement of a notice of director's interests. Board policy is to prohibit directors from dealing in company shares whilst in possession of price sensitive information.

**DIRECTORS REPORT**

The board of directors of Legend Mining Limited (“the Company”) have pleasure in submitting their report together with the consolidated financial report for the year ended 31 December 2003, and auditors report thereon.

**1. DIRECTORS**

(a) The directors of the Company in office at any time during or since the financial year are:

**Michael Atkins (Appointed 14 February 2003)**

Mr Atkins accepted the Board’s invitation to join the company as a non-executive chairman, and was formally appointed on 14 February 2003. He is a fellow of the Institute of Chartered Accountants in Australia, and was a founding partner of a national accounting practice from 1979 to 1987. Since 1987 he has acted as Executive Director, and been involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and South Africa. Mr Atkins was a founding Executive Chairman and later non-Executive Chairman of Gallery Gold Limited until 2000. He is currently a non-executive director of Carpenter Pacific Resources Ltd, Westgold Resources Ltd, Guardian Funds Management Ltd and Montagu Capital Ltd.

**Murray Vincent McDonald**

Mr McDonald is a Certified Practising Accountant who has, over his last 24 years, participated in the management of a number of companies in the mining industry. Mr McDonald's expertise ranges from operational management of mining projects to resource project funding and implementation. He is a member of the Taxation Institute of Australia, an affiliate member of the Australasian Institute of Mining and Metallurgy and an affiliate member of the Securities Institute of Australia. He is the founder of Legend Mining Limited. Director since 1995.

**Ian David Cowden**

Mr Cowden (FAusIMM CPGeo MAIG) is a consulting geologist who has had over 30 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. He is currently a director of Liberty Gold NL.

**Albert Kevin Robert Watson (Resigned 17 February 2003)**

Mr Watson has extensive experience in the commercial and banking and finance industries. He was employed at ANZ for 43 years and during that time held various senior executive positions including State Manager, WA and Assistant General Manager, SA and WA. Mr Watson is also closely affiliated with the Chamber of Commerce and Industry of WA of which he is a past President. In later years, he has been involved extensively in the resources industry and is currently a director of Pan Pacific Petroleum NL and New Zealand Oil and Gas Limited. Mr Watson was appointed in 1995.

(b) At the date of this report, the direct interests of the directors in the shares and other equity securities of the Company and related bodies corporate were:

Name	Shares	Listed Options
M Atkins	-	-
M McDonald	7,525,001	4,000,000
I Cowden	-	-

**DIRECTORS REPORT**

**2. PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the financial year were mineral exploration.

There was a significant change in the nature of the consolidated entity's principal activities during the financial year, being the acquisition of Gidgee Gold Project on 17 December, 2003.

**3. OPERATING RESULTS**

The consolidated loss of the consolidated entity after providing for income tax amounted to \$250,413 (2002: \$1,871,020).

**4. DIVIDENDS**

No dividend has been paid or recommended during the financial year. The directors will, if the opportunity arises and subject to appropriate surplus profits and auditor approval, pay a dividend to all shareholders.

**5. REVIEW OF OPERATIONS**

The details of the consolidated entity's exploration and mining activities during the year are included within the Review of Activities.

**6. CHANGES IN STATE OF AFFAIRS**

The state of affairs of the consolidated entity was affected by the acquisition of the Gidgee Gold Project. Other significant changes during the financial year include:

- On 24 June, 2003 the Company placed 5,000,000 shares issued at 1.5 cents per fully paid share to raise \$75,000 for additional working capital.
- On 30 September, 2003 the Company issued 7,500,000 ordinary fully paid shares to Yandal Investments Pty Ltd in part satisfaction of debt.
- On 6 October, 2003 the Company placed 2,000,000 shares at 2.5 cents per fully paid share to raise \$50,000 for additional working capital.
- On 20 November, 2003 the Company issued 6,216,663 shares at 6 cents per fully paid share to raise \$373,000 for additional working capital.
- On 15 December, 2003 the Company issued 50,000,000 shares at 8 cents per fully paid share to raise \$4,000,000 in additional working capital to further fund the Gidgee Gold Project acquisition.
- On 15 December, 2003 the Company issued 16,667,000 shares to Abelle Ltd in part satisfaction of the Gidgee acquisition.

**7. AFTER BALANCE DATE EVENTS**

On 24 February, 2004 Westpac Institutional Bank was nominated as the Company's bankers. Westpac intend to provide the company with the following facilities:

- Bond Facility – Replacement of the \$2,057,000 Gidgee Gold Project performance bond.
- Provide a 25,000 ounce per year gold hedging facility per annum, for production from the Gidgee Gold Project.
- Provide a revolving working capital facility of \$500,000.

The financial effect of the above transactions, have not been brought to account at balance date.

**DIRECTORS REPORT**

**8. ENVIRONMENTAL REGULATION**

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The directors have complied with these regulations and are not aware of any breaches of the legislation during the financial year which are material in nature.

**9. FUTURE DEVELOPMENTS**

Likely developments in the operations of the consolidated entity, and expected results of those operations in subsequent financial years have been discussed, where appropriate, in the Chairman's Report and Review of Activities.

**10. MEETINGS OF DIRECTORS**

The following table sets out the number of meetings of the Company's directors held during the year ended 31 December, 2003 and the numbers of meetings attended by each director.

	<b>No of Meetings Attended</b>	<b>No of Meetings held whilst a Director</b>
Number of meetings attended by:		
Michael Atkins	9	10
Murray McDonald	10	10
Ian Cowden	10	10
Kevin Watson	-	-

The Company does not have a formally appointed audit committee as all directors are involved in all activities of the Company on a day to day basis and the size and scope of operations does not warrant its formation.

**11. PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all of any part of those proceedings. The company was not a party to any such proceedings during the year.

**12. SHARE OPTIONS**

The details of the options on issue by the Company, is disclosed in Note 19 to the financial report.

**13. INDEMNIFICATION OF OFFICERS AND AUDITORS**

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.



**DIRECTORS REPORT**

14. **DIRECTORS AND EXECUTIVE OFFICERS EMOLUMENTS**

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the named executive officers (who total less than 5) receiving the highest emolument are:

<b>Director</b>	<b>Base Emoluments</b> \$	<b>Superannuation</b> \$	<b>Total</b> \$
Mr M Atkins	34,000	-	34,000
Mr M McDonald	138,000	20,700	158,700
Mr I Cowden	20,000	-	20,000

This report is made in accordance with a resolution of the directors.

Dated at Perth this 18<sup>th</sup> day of March, 2004



**M V McDonald**  
**MANAGING DIRECTOR**

**LEGEND MINING LIMITED**

**Statement of Financial Performance  
for the year ended 31 December 2003**

	Note	Consolidated		Company	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue from ordinary activities	2	1,244,554	-	1,244,554	-
Raw materials and consumables used	3	(823,203)	-	(823,203)	-
Gross profit/(loss)		<u>421,351</u>	<u>-</u>	<u>421,351</u>	<u>-</u>
Other revenues from ordinary activities	2	164,584	51,545	164,584	51,545
Exploration expenditure	3	-	(950,000)	-	(950,000)
Depreciation expense	3	(42,801)	(38,428)	(42,801)	(38,428)
Borrowing cost expense	3	(23,227)	(18,653)	(23,227)	(18,653)
Corporate head office costs		(770,320)	(846,191)	(770,320)	(845,310)
Other expenses from ordinary activities	3	<u>-</u>	<u>(69,293)</u>	<u>-</u>	<u>(69,293)</u>
Loss from ordinary activities before income tax expense		(250,413)	(1,871,020)	(250,413)	(1,870,139)
Income tax expense relating to ordinary activities	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss		<u>(250,413)</u>	<u>(1,871,020)</u>	<u>(250,413)</u>	<u>(1,870,139)</u>
Total changes in equity other than those resulting from transactions with owners as owners.		<u>(250,413)</u>	<u>(1,871,020)</u>	<u>(250,413)</u>	<u>(1,870,139)</u>
<b>EARNINGS PER SHARE</b>					
Basic loss per share (cents per share)	4	(0.005)	(4.48)		
Diluted loss per share (cents per share)	4	(0.005)	(4.48)		

The accompanying notes form part of these financial statements

**LEGEND MINING LIMITED**

**Statement of Financial Position  
as at 31 December 2003**

	Note	Consolidated		Company	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>CURRENT ASSETS</b>					
Cash	7	3,303,622	375,767	3,303,522	375,667
Receivables	8	256,699	20,929	257,579	21,809
Inventories	9	581,444	-	581,444	-
<b>TOTAL CURRENT ASSETS</b>		<b>4,141,765</b>	<b>396,696</b>	<b>4,142,545</b>	<b>397,476</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	10	33,705	45,118	33,707	45,120
Property, plant & equipment	11	2,223,927	145,133	2,218,692	139,898
Deferred exploration, evaluation and development costs	12	6,059,152	1,387,502	6,059,152	1,387,502
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,316,784</b>	<b>1,577,753</b>	<b>8,311,551</b>	<b>1,572,520</b>
<b>TOTAL ASSETS</b>		<b>12,458,549</b>	<b>1,974,449</b>	<b>12,454,096</b>	<b>1,969,996</b>
<b>CURRENT LIABILITIES</b>					
Payables	13	3,991,018	633,999	3,991,018	633,999
Interest bearing liabilities	14	6,593	255,860	6,593	255,860
Provisions	15	77,028	57,500	77,028	57,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,074,639</b>	<b>947,359</b>	<b>4,074,639</b>	<b>947,359</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest bearing liabilities	14	24,092	30,290	24,092	30,290
Provisions	15	2,057,000	-	2,057,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,081,092</b>	<b>30,290</b>	<b>2,081,092</b>	<b>30,290</b>
<b>TOTAL LIABILITIES</b>		<b>6,155,731</b>	<b>977,649</b>	<b>6,155,731</b>	<b>977,649</b>
<b>NET ASSETS</b>		<b>6,302,818</b>	<b>996,800</b>	<b>6,298,365</b>	<b>992,347</b>
<b>EQUITY</b>					
Contributed Equity	16	13,230,447	7,674,016	13,230,447	7,674,016
Reserves	17	361,890	361,890	361,890	361,890
Accumulated losses	18	(7,289,519)	(7,039,106)	(7,293,972)	(7,043,559)
		<b>6,302,818</b>	<b>996,800</b>	<b>6,298,365</b>	<b>992,347</b>

The accompanying notes form part of these financial statements

**LEGEND MINING LIMITED**

**Statement of Cashflows  
for year ended 31 December 2003**

	Note	Consolidated		Company	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		1,014,239	651,666	1,014,239	651,666
Payments to suppliers & employees		(747,378)	(844,404)	(747,378)	(843,524)
Interest received		9,716	14,090	9,716	14,090
Borrowing costs		(23,227)	(15,319)	(23,227)	(15,319)
Net cash provided by / (used in) operating activities	22 (ii)	253,350	(193,967)	253,350	(193,087)
<b>Cash flows from investing activities</b>					
Payments for exploration, evaluation & development activities		(277,173)	(531,241)	(277,173)	(531,241)
Payments for property, plant & equipment		(1,407,306)	(8,014)	(1,407,306)	(8,014)
Proceeds from sale of investments		28,018	32,187	28,018	32,187
Payment for investments		-	(24,500)	-	(24,500)
Net cash (used in) investing activities		(1,656,461)	(531,568)	(1,656,461)	(531,568)
<b>Cash flows from financing activities</b>					
Proceed from issue of shares & options		4,475,500	396,890	4,475,500	396,890
Proceeds from borrowings		215,000	465,000	215,000	465,000
Repayment of borrowings		(162,500)	-	(162,500)	-
Capital Raising costs		(191,569)	-	(191,569)	-
Finance lease payments		(5,465)	(7,674)	(5,465)	(7,674)
Loan to controlled entity		-	-	-	(880)
Net cash provided by financing activities		4,330,966	854,216	4,330,966	853,336
Net increase in cash held		2,927,855	128,681	2,927,855	128,681
Cash at 1 January, 2003		375,767	247,086	375,667	246,986
Cash at 31 December, 2003	22 (i)	3,303,622	375,767	3,303,522	375,667

**Notes to the financial statements  
for year ended 31 December 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Legend Mining Limited and its controlled entity, and Legend Mining Limited as an individual parent entity. Legend Mining Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets and for bullion on hand, which is measured at the amount realised at the spot gold price. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

**(b) Changes in accounting policy**

Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled.

**(c) Cash**

For the purposes of the statement of cash flows, cash includes cash on hand, and at call with banks or financial institutions net of bank overdrafts, money market investments readily convertible to cash within 2 working days, and gold bullion. Bank overdrafts are carried at the principal amount. Gold bullion is valued at the spot gold price. Interest is charged as an expense as it accrues.

**(d) Receivables**

Trade debtors to be settled are carried at the amounts due. Specific provision is made for any accounts, the collection of which is considered doubtful.

**(e) Investments**

(i) *Investments in Shares* - Shares in listed companies held as current assets are valued by directors at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit or loss from ordinary activities before income tax.

(ii) *Controlled Entities* - Investment in the controlled entity is carried at cost. The carrying amount of controlled entity investments is reviewed annually by directors to ensure not in excess of recoverable amount of these investments.

**Notes to the financial statements  
for year ended 31 December 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

- (iii) *Joint Venture* – The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the economic entity's interests are shown in Note 28.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(f) **Inventories**

Ore stocks, gold in circuit, stores inventories and gold dore are valued at the lower of cost and net realisable value using a weighted average cost method and applying absorption costing. The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

(g) **Exploration, evaluation and development expenditure**

Exploration, evaluation and development expenditure is incurred and accumulated in respect of each area of interest is considered separately when deciding whether and to what extent to carry forward or to write off exploration and evaluation costs.

Exploration and evaluation costs related to an area of interest are carried forward provided the rights to tenure of the area are current and provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Each area of interest is limited to the size related to known or probable mineral resources capable of supporting a mining operation.

Amortisation is not charged on costs carried forward in respect of areas of interest in development phase until production reaches commercial levels. When commercial production commences carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**Notes to the financial statements  
for year ended 31 December 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(h) Property, plant and equipment**

Each class of property, plant and equipment are carried at cost, less where applicable any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cashflows which will be received from the assets employment and the subsequent disposal. The expected net cashflows have not been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	10%
Plant & Equipment	7.5% - 50%
Leased plant and equipment	22.5%

**(i) Leased Assets**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to entities in the economic entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

**(j) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the company or consolidated entity.

**(k) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Contributions are made by the economic entity to employee superannuation funds and are charged to expenses when incurred.

**(l) Interest-bearing liabilities**

All interest bearing liabilities are measured at the principal amount. Interest is charged as an expense as it accrues.

**Notes to the financial statements  
for year ended 31 December 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(m) Share issue expenses**

Share issue expenses incurred by the Company are offset against share capital.

**(n) Earnings per share**

**(i) *Basic Earnings per share***

Basic earnings per share is determined by dividing the loss from ordinary activities after income tax by the weighted average number of ordinary shares outstanding during the financial period.

**(ii) *Diluted Earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options and other potential ordinary shares outstanding during the financial period.

**(o) Principles of consolidation**

A controlled entity is any entity controlled by Legend Mining Limited. Control exists where Legend Mining Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Legend Mining Limited to achieve the objectives of Legend Mining Limited. A list of controlled entities is contained in note 26 to the financial statements.

Inter-company balances resulting from transactions between entities in the economic entity have been eliminated on consolidation.

**(p) Revenue**

Revenue from the sale of goods (precious metals) is recognised upon production. Other income is recognised as it accrues.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive the dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

**(q) Foreign currency transactions and balances**

Foreign currency transactions during the year are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the period in which the exchange rates change.

**(r) Comparative figures**

Where required by the Accounting Standards the comparative figures have been adjusted to conform with any changes in presentation in the current financial year.



**Notes to the financial statements  
for year ended 31 December 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(s) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cashflows are included in the statement of cashflows on a gross basis. The GST components of cashflows arising from investing activities which are recoverable from, or payable to, the ATO are classed as operating cashflows.

**(t) Income Tax**

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the loss from ordinary activities adjusted for any permanent differences. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefit in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

**Notes to the financial statements  
for year ended 31 December 2003**

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>2. REVENUE</b>				
<b>Operating activities</b>				
Interest received	9,716	14,090	9,716	14,090
Movement in fine gold metal account	1,244,554	-	1,244,554	-
<b>Non operating revenues</b>				
Forgiveness of debt owed by Legend	100,778	-	100,778	-
Proceeds from sale of shares	28,018	32,187	28,018	32,187
Rent	5,455	-	5,455	-
Unrealised gain on investments	20,617	5,268	20,617	5,268
	<u>1,409,138</u>	<u>51,545</u>	<u>1,409,138</u>	<u>51,545</u>

**3. LOSS FROM ORDINARY ACTIVITIES**

*Loss from ordinary activities before income tax has been determined:*

**(a) Expenses**

Cost of sales	823,203	-	823,203	-
Depreciation of non current assets				
- buildings	1,095	-	1,095	-
- leased plant & equipment	5,498	7,546	5,498	7,546
- plant & equipment	36,208	30,882	36,208	30,882
Government mining royalties	22,868	-	22,868	-
Interest charges on capitalised leases	2,207	3,334	2,207	3,334
Interest expense	21,020	15,319	21,020	15,319
Loss on disposal of investments	4,012	-	4,012	-
Loss on disposal of non current assets	78,574	-	78,574	-
Provision for employee entitlements	19,528	52,193	19,528	52,193
Write down of exploration expenditure	-	950,000	-	950,000

**(b) Revenues and net gains**

Net gain on disposal of investments	-	32,187	-	32,187
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**4. EARNINGS PER SHARE**

(a) Reconciliation of earnings to net loss:

Net Loss	(250,413)	(1,871,020)
Earnings used in the calculation of basic EPS	(250,413)	(1,871,020)
Increase in earnings on convertible notes	-	21,000
Earnings used in the calculation of dilutive EPS	(250,413)	(1,850,020)

(b) Weighted average number of shares on issue during the financial year used in the calculation of basic EPS

Weighted average number of converting notes on issue	-	513,699
Weighted average number of ordinary shares on issue used in the calculation of dilutive EPS.	50,066,323	42,326,446

Options outstanding at 31 December 2003, totalling 38,539,207, are not considered potential ordinary shares and are not therefore dilutive.

**Notes to the financial statements  
for year ended 31 December 2003**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>5. INCOME TAX EXPENSE</b>				
(a) The prima facie income tax benefit on the loss from ordinary activities reconciles to the income tax expense in the accounts as follows:				
Loss from ordinary activities	(250,413)	(1,871,020)	(250,413)	(1,870,139)
Prima facie tax payable calculated at 30% of the loss from ordinary activities	(75,124)	(561,306)	(75,124)	(561,042)
Add/ (less) tax effect of permanent difference:				
Non-deductible expenditure	318	2,924	318	2,924
Under provision for income tax in prior year	229,074	-	229,074	-
Tax losses not brought to account as future income tax benefits	-	558,382	-	558,118
Recoupment of prior year tax losses not previously brought to account	(154,268)		(154,268)	
Income tax benefit attributed to operating loss	-	-	-	-
 (b) Future income tax benefits not brought to account				
The potential future income tax benefits arising from tax losses and timing differences have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt:				
Tax losses carried forward @ 30%	1,001,959	1,156,227	936,662	1,090,930
Timing differences @ 30%	224,932	108,839	224,932	108,839
	<u>1,226,891</u>	<u>1,265,066</u>	<u>1,161,594</u>	<u>1,199,769</u>

The potential future income tax benefit will only be obtained if:

- (i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction to be realised;
- (ii) The consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) There are no changes in tax legislation adversely affecting the consolidated entity in realising the benefit from deductions.

**Notes to the financial statements  
for year ended 31 December 2003**

**6. SEGMENT INFORMATION**

The Company operates in one business and geographical segment being the operator of a producing gold mine in Australia.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$
<b>7. CASH ASSETS</b>				
Cash on hand	287	200	187	100
Cash at bank	2,027,121	296,148	2,027,121	296,148
Deposits-at call	31,660	79,419	31,660	79,419
Gold bullion	1,244,554	-	1,244,554	-
	<b>3,303,622</b>	<b>375,767</b>	<b>3,303,522</b>	<b>375,667</b>

**8. RECEIVABLES**

Current				
Trade Debtors	-	60,350	-	60,350
Less provision for doubtful debts	-	(60,350)	-	(60,350)
GST Receivable	117,667	20,929	117,667	20,929
Other debtors	139,032	-	139,032	-
Loans to controlled entities	-	-	880	880
	<b>256,699</b>	<b>20,929</b>	<b>257,579</b>	<b>21,809</b>

**9. INVENTORIES**

Current				
Gold in circuit at cost	167,617	-	167,617	-
Ore stockpiles at cost	37,639	-	37,639	-
Stores and spares at cost	376,188	-	376,188	-
	<b>581,444</b>	<b>-</b>	<b>581,444</b>	<b>-</b>

**10. OTHER FINANCIAL ASSETS**

Non-current				
Shares in controlled entity - at cost	-	-	2	2
Shares in listed companies				
- at net market value	33,705	45,118	33,705	45,118
	<b>33,705</b>	<b>45,118</b>	<b>33,707</b>	<b>45,120</b>

No capital gains tax would be payable if the shares in listed companies were sold at balance date.

**11. PROPERTY, PLANT AND EQUIPMENT**

Buildings – at cost	174,837	-	174,837	-
Less accumulated depreciation	(1,095)	-	(1,095)	-
Total buildings	<b>173,742</b>	<b>-</b>	<b>173,742</b>	<b>-</b>
Plant and equipment – at cost	1,832,253	255,921	1,827,018	250,686
Less accumulated depreciation	(37,081)	(136,778)	(37,081)	(136,778)
Total plant and equipment	<b>1,795,172</b>	<b>119,143</b>	<b>1,789,937</b>	<b>113,908</b>

**LEGEND MINING LIMITED**

**Notes to the financial statements  
for year ended 31 December 2003**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$
<b>11. PROPERTY, PLANT AND EQUIPMENT (CONT)</b>				
Leased plant and equipment	38,636	38,636	38,636	38,636
Less accumulated depreciation	(18,144)	(12,646)	(18,144)	(12,646)
Total leased plant and equipment	<u>20,492</u>	<u>25,990</u>	<u>20,492</u>	<u>25,990</u>
Capital works in progress - cost	<u>234,521</u>	<u>-</u>	<u>234,521</u>	<u>-</u>
<b>Total property plant &amp; equipment – at cost</b>	<b>2,280,247</b>	<b>294,557</b>	<b>2,275,012</b>	<b>289,322</b>
<b>Less accumulated depreciation</b>	<b>(56,320)</b>	<b>(149,424)</b>	<b>(56,320)</b>	<b>(149,424)</b>
<b>Total net book value</b>	<b><u>2,223,927</u></b>	<b><u>145,133</u></b>	<b><u>2,218,692</u></b>	<b><u>139,898</u></b>

**(a) Movement in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Leased plant and equipment</b>	<b>Capital works in progress</b>	<b>Total</b>
<b>Consolidated</b>					
Balance at beginning of year	-	119,143	25,990	-	145,133
Additions from acquisition of Gidgee Gold	174,837	1,790,811	-	234,521	2,200,169
Disposals	-	(214,479)	-	-	(214,479)
Depreciation expense	(1,095)	(36,208)	(5,498)	-	(42,801)
Depreciation eliminated on disposal	-	135,905	-	-	135,905
	<u>173,742</u>	<u>1,795,172</u>	<u>20,492</u>	<u>234,521</u>	<u>2,223,927</u>
<b>Company</b>					
Balance at beginning of year	-	113,908	25,990	-	139,898
Additions from acquisition of Gidgee Gold	174,837	1,790,811	-	234,521	2,200,169
Disposals	-	(214,479)	-	-	(214,479)
Depreciation expense	(1,095)	(36,208)	(5,498)	-	(42,801)
Depreciation eliminated on disposal	-	135,905	-	-	135,905
	<u>173,742</u>	<u>1,789,937</u>	<u>20,492</u>	<u>234,521</u>	<u>2,218,692</u>

**LEGEND MINING LIMITED**

**Notes to the financial statements  
for year ended 31 December 2003**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$
<b>12. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS</b>				
<b>Mine properties, development, infrastructure and exploration and evaluation costs carried forward in respect of mining areas of interest</b>				
Production phase	2,223,174	-	2,223,174	-
<b>Exploration expenditure carried forward in respect of areas of interest</b>				
Exploration and evaluation phases carried forward	1,387,501	1,601,192	1,387,501	1,601,192
Expenditure incurred during the year	648,646	736,310	648,646	736,310
Acquisition of Gidgee Gold tenements	1,799,831	-	1,799,831	-
Expenditure written off during the year	-	(950,000)	-	(950,000)
	<u>3,835,978</u>	<u>1,387,502</u>	<u>3,835,978</u>	<u>1,387,502</u>
<b>Total</b>	<b>6,059,152</b>	<b>1,387,502</b>	<b>6,059,152</b>	<b>1,387,502</b>

**13. PAYABLES**

Current – unsecured				
Trade creditors (i)	3,959,685	162,088	3,959,685	162,088
Other creditors & accruals	31,333	471,911	31,333	471,911
	<u>3,991,018</u>	<u>633,999</u>	<u>3,991,018</u>	<u>633,999</u>

- (i) Included in this amount is \$82,142 owing to Iana Pty Ltd, a company controlled by Mr Cowden and \$48,537 owing to Windamurah Corporate, a company controlled by Mr Atkins. Refer to Note 21(c) of these financial statements.

**14. INTEREST BEARING LIABILITIES**

Current - secured				
Borrowings	-	250,000	-	250,000
Lease liability (i)	6,593	5,860	6,593	5,860
	<u>6,593</u>	<u>255,860</u>	<u>6,593</u>	<u>255,860</u>
Non-current - secured				
Lease liability (i)	24,092	30,290	24,092	30,290

- (i) Effectively secured over the leased assets.

**Notes to the financial statements  
for year ended 31 December 2003**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>15. PROVISIONS</b>				
<b>Current</b>				
Employee entitlements	77,028	57,500	77,028	57,500
Number of employees at year end	41	1	41	1
<b>Non Current</b>				
Provision for restoration	2,057,000	-	2,057,000	-

**16. CONTRIBUTED EQUITY**

129,618,328 fully paid ordinary shares  
(2002: 42,234,665)

Balance at the beginning of the reporting period:	7,674,016	6,736,415	7,674,016	6,736,415
<i>Shares Issued</i>				
- Expiry of 30,643,750 options on 31 March 2002	-	902,601	-	902,601
- 500,000 shares issued for cash on 4 November 2002	-	35,000	-	35,000
- 5,000,000 shares issued for cash on 24 June, 2003	75,000	-	75,000	-
- 7,500,000 shares issued for debt satisfaction on 30 September, 2003	250,000	-	250,000	-
- 2,000,000 shares issued for cash on 6 October, 2003	50,000	-	50,000	-
- 6,216,663 shares issued for cash on 20 November, 2003	373,000	-	373,000	-
- 50,000,000 shares issued for cash on 15 December, 2003	4,000,000	-	4,000,000	-
- 16,667,000 shares issued for Gidgee Gold Project acquisition on 15 December, 2003	1,000,000	-	1,000,000	-
- Share raising costs	(191,569)	-	(191,569)	-
	13,230,447	7,674,016	13,230,447	7,674,016

***Terms and Conditions***

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

**Notes to the financial statements  
for year ended 31 December 2003**

**17. RESERVES**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$
<i>Option premium reserve</i>				
Balance at beginning of year	361,890	902,601	361,890	902,601
- Expiry of 30,643,750 options on 31 March 2002	-	(902,601)	-	(902,601)
- Entitlement issue to existing shareholders of 20,867,332 options expiring 30 April 2005	-	208,672	-	208,672
- Pro-rata placement to past option-holders 15,321,875 options expiring 30 April 2005	-	153,215	-	153,215
Balance at end of year	361,890	361,890	361,890	361,890

The option premium reserve records funds held on issue of options.

**18. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the financial year	(7,039,106)	(5,168,086)	(7,043,559)	(5,173,420)
Net loss attributable to members of the parent entity	(250,413)	(1,871,020)	(250,413)	(1,870,139)
Accumulated losses at the end of the financial year	(7,289,519)	(7,039,106)	(7,293,972)	(7,043,559)

**19. OPTIONS**

The Company had on issue at 31 December 2003 options over fully paid shares as follows:

<b>Number of options</b>	<b>Expiry date</b>	<b>Exercise date</b>	<b>Exercise price</b>
2,350,000 (unlisted)	01/06/06	Any time prior to expiry	22 cents
36,189,207 (listed)	30/04/05	Any time prior to expiry	15 cents

These options do not entitle the holder to participate in any share issue of any other corporation.

**20(a) REMUNERATION OF DIRECTORS**

Income paid or payable or otherwise made available to all directors of each entity in the economic entity by the Company or any related party.

287,784	183,000	287,784	183,000
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The number of directors whose income from the Company or related parties was within the following bands:

	<b>Number</b>		<b>Number</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
\$20,000 - \$29,999	1	2	1	2
\$30,000 - \$39,999	1	-	1	-
\$140,000 - \$149,999	-	1	-	1
\$230,000 - \$239,999	1	-	1	-



**Notes to the financial statements  
for year ended 31 December 2003**

<b>Consolidated</b>		<b>Company</b>	
<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
\$	\$	\$	\$

**20(b) REMUNERATION OF EXECUTIVES**

The number of executive officers whose remuneration falls within the following bands:

	<b>Number</b>		<b>Number</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
\$140,000 - \$149,999	-	1	-	1
\$230,000 - \$239,999	1	-	1	-

Total remuneration received, or due and receivable by executive officers of the Company and economic entity from any entity and related party for the management of the affairs of the Company and its subsidiaries whose income is \$100,000 or more

	\$233,762	\$148,080	\$233,762	\$148,080
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**21. RELATED PARTIES**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- (a) The names of persons who were directors of the Company at any time during the financial year are as follows:

Albert K R Watson (resigned 17 February, 2003)  
 Michael Atkins (appointed 14 February, 2003)  
 Murray V McDonald  
 Ian D Cowden

- (b) Information on the remuneration of directors is set out in note 20.

- (c) Related party transactions

Mr I D Cowden and Iana Pty Ltd (a company controlled by Mr Cowden) received fees for the provision of geological services to the Company during the year. The aggregate amount charged for such services and expenses was \$62,143 (2002: \$117,983) which has not been included in remuneration of directors at note 20(a). The balance owing to Iana Pty Ltd at the end of year was \$82,142.

Mr M Atkins and Windamurah Corporate (a company controlled by Mr Atkins) received fees for the provision of consulting to the Company during the year. The aggregate amount charged for such services and expenses was \$22,628 (2002: \$nil) which has not been included in remuneration of directors at note 20(a). The balance owing to Windamurah Corporate at the end of year was \$48,537.

- (d) All amounts referred to in note (c) were charged at normal commercial rates.

- (e) Director's holdings of shares and share options.

**Notes to the financial statements  
for year ended 31 December 2003**

**21. RELATED PARTIES (CONT)**

The interests of directors and their director related entities in shares and share options of Legend Mining Limited at year end are set out below:

	<b>2003 Number Held</b>	<b>2002 Number Held</b>
Ordinary Shares	7,525,001	7,525,001
Options over ordinary shares (listed)	4,100,000	682,435
Options over ordinary shares (unlisted)	1,000,000	1,250,000

(f) Transactions of directors and director-related entities concerning shares or share options.

During the year directors and director related entities disposed of no ordinary shares of Legend Mining Limited.

**22. CASH FLOW INFORMATION**

(i) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts and gold bullion. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

		<b>Consolidated</b>		<b>Company</b>	
	<b>Note</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash on hand	7	287	200	187	100
Cash at bank	7	2,027,121	296,148	2,027,121	296,148
Deposits – at call	7	31,660	79,419	31,660	79,419
Gold Bullion	7	1,244,554	-	1,244,554	-
		<u>3,303,622</u>	<u>375,767</u>	<u>3,303,522</u>	<u>375,667</u>

(ii) *Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities*

Operating loss from ordinary activities after income tax	(250,413)	(1,871,020)	(250,413)	(1,870,139)	
<i>Non-cash flows in loss from ordinary activities:</i>					
Finance charges on capitalised finance leases	-	3,334	-	3,334	
Loss / (profit) on disposal of investments	4,012	(32,187)	4,012	(32,187)	
Loss on disposal of assets	78,574	-	78,574	-	
<i>Add /(less) non cash items:</i>					
Depreciation	42,801	38,428	42,801	38,428	
Exploration expenditure written off	-	950,000	-	950,000	
Movement in provision for annual leave	19,528	52,193	19,528	52,193	
Forgiveness of debt	(100,778)	-	(100,778)	-	
Unrealised (gains)/ losses in the market value of investments	(20,617)	(5,268)	(20,617)	(5,268)	
		<u>(226,893)</u>	<u>(864,520)</u>	<u>(226,893)</u>	<u>(863,639)</u>

**Notes to the financial statements  
for year ended 31 December 2003**

**22. CASH FLOW INFORMATION**

Note	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<i>Change in assets and liabilities:</i>				
(Increase)/ decrease in receivables	(235,770)	615,028	(235,770)	615,028
Decrease / (Increase) in inventory	(581,444)	-	(581,444)	-
(Decrease)/ Increase in payables & borrowings	1,297,457	55,525	1,297,457	55,524
Net Cash provided/ (Used) in Operating Activities	253,350	(193,967)	253,350	(193,087)

(iii) Non cash financing and investment activities

During the financial year, the consolidated entity acquired mine properties with a value of \$2,057,000 with a corresponding rehabilitation bond liability. Legend also issued 16,667,000 ordinary shares for value of \$1,000,000 to Abelle Ltd in part settlement of the Gidgee Gold Project.

**23. FINANCE LEASE COMMITMENTS**

Finance lease commitments are payable:

- Within one year	7,673	7,673	7,673	7,673
- One year but not later than five years	24,209	31,882	24,209	31,882
- Less future finance charges	(1,197)	(3,405)	(1,197)	(3,405)
	30,685	36,150	30,685	36,150

Consists of:

- Current	6,593	5,860	6,593	5,860
- Non Current	24,092	30,290	24,092	30,290
Total lease liability	30,685	36,150	30,685	36,150

**24. FINANCING ARRANGEMENTS**

The consolidated entity has access to the following lines of credit:

Total facilities				
Performance Bond	-	63,000	-	63,000
	-	63,000	-	63,000

Facilities used:

Performance Bond/Bank Guarantee	-	63,000	-	63,000
	-	63,000	-	63,000

**Notes to the financial statements  
for year ended 31 December 2003**

**25. COMMITMENTS FOR EXPENDITURE**

(a) Exploration expenditure commitments.

In order to maintain current rights of tenure to exploration tenements, the Company will be required to outlay in 2004 amounts of approximately \$3,717,480 (2003: \$119,958) in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Industry & Resources. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

**26. INVESTMENTS IN CONTROLLED ENTITY**

Name	Class of Share	Interest Held 2003	Interest Held 2002
Arbotech Pty Ltd	Ordinary	100%	100%
Armada Mining Ltd	Ordinary	100%	100%

Grant Thornton has not acted as auditor for Arbotech Pty Ltd. The Company has been dormant during the year. The Company was incorporated in Australia.

**27. FINANCIAL INSTRUMENTS DISCLOSURE**

**(a) Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

<b>Consolidated 2002</b>	<b>Weighted Average Interest Rate</b>	<b>Floating Interest Rate</b>	<b>Fixed Interest Rate</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
Financial assets:					
Cash	3.7%	296,149	79,418	200	375,767
Other Financial Assets		-	-	45,118	45,118
Receivables		-	-	20,929	20,929
		296,149	79,418	66,247	441,814
Financial liabilities					
Payables		-	-	633,999	633,999
Interest bearing liabilities	11.4%	-	286,150	-	286,150
		-	286,150	633,999	920,149
<b>Consolidated 2003</b>	<b>Weighted Average Interest Rate</b>	<b>Floating Interest Rate</b>	<b>Fixed Interest Rate</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
Financial assets:					
Cash	2.7%	2,027,121	31,660	1,244,841	3,303,622
Other Financial Assets		-	-	33,705	33,705
Receivables		-	-	256,699	256,699
		2,027,121	31,660	1,535,245	3,594,026
Financial liabilities					
Payables		-	-	3,991,018	3,991,018
Interest bearing liabilities	7.2%	-	30,685	-	30,685
		-	30,685	3,991,018	4,021,703

**Notes to the financial statements  
for year ended 31 December 2003**

**27. FINANCIAL INSTRUMENTS DISCLOSURE (CONT)**

**(b) Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

**(c) Net Fair Value of Financial Assets and Liabilities**

The Company's financial assets and liabilities as disclosed in the statement of financial position are carried at amounts that approximate their net fair value.

Following are the carrying amounts and estimated net fair values of the consolidated entity's non-current financial instruments as at the reporting date. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing partners.

	<b>2003 Carrying Amount \$</b>	<b>2003 Net Fair Value \$</b>	<b>2002 Carrying Amount \$</b>	<b>2002 Net Fair Value \$</b>
Investments in listed corporations	33,705	33,705	45,118	45,118

No financial assets and financial liabilities are traded on organised markets in standardised form other than listed investments.

**28. INTEREST IN JOINT VENTURE OPERATIONS**

Legend Mining Limited has an interest in the following joint venture operations:

<b>Joint Venture</b>	<b>Project</b>	<b>Activity</b>	<b>2003 Interest</b>	<b>2002 Interest</b>
Munni Munni Joint Venture	Elizabeth Hill	Silver Exploration	33.33%	33.33%
Emerald Joint Venture	Mt Ida Greenstone Belt	Nickel/Gold Exploration	91%	40%

Included in the assets of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interests in the assets employed in the joint ventures.

**Notes to the financial statements  
for year ended 31 December 2003**

**28. INTEREST IN JOINT VENTURE OPERATIONS**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-Current Assets</b>				
Plant and equipment – net book value	-	402	-	402
<b>Current Liabilities</b>				
Overdraft	-	14,335	-	14,335
Provisions	-	14,494	-	14,494
Total Liabilities	-	28,829	-	28,829
<b>Net Liabilities</b>	-	(28,427)	-	(28,427)

**29. SIGNIFICANT EVENTS AFTER BALANCE DATE**

On the 24<sup>th</sup> February, 2004, the Company changed its bankers to Westpac Institutional Bank. Westpac will provide the following facilities:

- Bond Facility – Replacement of the \$2,057,000 Gidgee Gold Project performance bond.
- Provide a 25,000 ounce per annum gold hedging facility for production from the Gidgee Mine.
- Provide a revolving working capital facility of \$500,000.

The financial effect of the above has not been brought to account at balance date.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**30. AUDITORS REMUNERATION**

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	16,150	10,000	16,150	10,000
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**31. CONTINGENT LIABILITIES**

The Company's activities in Australia are subject to the Native Title Act. Uncertainty associated with Native Title issues may impact on the Company's future plans.

There are no unresolved Native Title issues and the Company is not aware of any other matters that may impact upon its timely access to the land that comprises its project areas.

**LEGEND MINING LIMITED**

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**DIRECTORS DECLARATION**

1. The directors of the Company declare that:
  - (a) the financial statements and notes, set out on pages 19 to 39, are in accordance with the Corporations Act 2001:
    - (i) give a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2003 and of their performance, for the year ended on that date; and
    - (ii) complies with Accounting Standards and the Corporations Regulations 2001;
  - (b) in the directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the Board of Directors

*M V McDonald*  
**DIRECTOR**

*Dated this 18th day of March 2004.*



INDEPENDENT AUDIT REPORT  
TO MEMBERS OF LEGEND MINING LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Legend Mining Limited (the company) and its controlled entity (the consolidated entity), for the year ended 31 December 2003. The consolidated entity comprises both the company and the entity it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and
- disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.





INDEPENDENT AUDIT REPORT  
TO MEMBERS OF LEGEND MINING LIMITED (cont)

**Independence**

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Legend Mining Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
  
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in cursive script that reads "Grant Thornton".

GRANT THORNTON  
Chartered Accountants

A handwritten signature in cursive script that reads "Greg Leguier".

GREG LEGUIER  
Partner

Perth WA

Dated this 18<sup>th</sup> day of March 2004.

**SHAREHOLDER INFORMATION**

The issued capital of the company as at 31 December 2003 is 129,618,328 ordinary fully paid shares.

**Distribution of Share holders as at 31 December 2003**

Fully Paid Shares	Number
1 - 1,000	22
1,001 - 5,000	122
5,001 - 10,000	246
10,001 - 100,000	736
100,001 and over	189
	1,315

Number holding less than a marketable parcel (1,000 shares) 5

**Substantial Shareholder as at 18 March, 2004**

Abelle Ltd 16,667,000

**Top 20 Shareholders as at 18 March, 2004**

Name	Total Holdings	% Issued Capital
Abelle Ltd	16,667,000	12.858
Murray McDonald	7,525,001	5.805
Yandal Investments Pty Ltd	7,500,000	5.786
Europa Investment Services Ltd	2,780,000	2.144
Comsec Nominees Pty Ltd	2,235,928	1.725
John Young & Corinne Young	1,750,000	1.350
Arthur Carbo	1,685,028	1.299
Stanley Nominees Pty Ltd	1,369,276	1.056
Equifast Nominees Pty Ltd	1,327,152	1.023
SDC Pty Ltd	1,250,000	0.964
John Kirou	1,200,000	0.925
Savwa Pty Ltd	1,190,000	0.918
May 96 Pty Ltd	1,186,250	0.915
Yarandi Investments Pty Ltd	1,125,000	0.867
Aphrodite Holdings Pty Ltd	1,000,000	0.771
TM Consulting Pty Ltd	1,000,000	0.771
Ravina Ltd	983,333	0.758
Bannaby Investments Pty Ltd	960,000	0.740
ANZ Nominees Limited	932,500	0.719
Equifast Nominees Pty Ltd	767,810	0.592
	54,434,278	41.983

**SHAREHOLDER INFORMATION cont'd...**

**Top 20 Optionholders as at 18 March, 2004**

**30 April 2005 Series (exercisable at 15 cents per share)**

<b>Name</b>	<b>Total Holdings</b>	<b>% Issued Capital</b>
Murray McDonald	4,000,000	11.053
John Anthony Vetter	1,500,000	4.144
Karalon Pty Ltd	1,300,000	3.592
Ravina Ltd	1,200,000	3.315
Detail Nominees Pty Ltd	1,000,000	2.763
May 96 Pty Ltd	905,000	2.500
Edward Stach	800,000	2.210
Michael Robert Sterland	800,000	2.210
Savwa Pty Ltd	775,000	2.141
John Kirou & Tania Kirou	700,000	1.934
Dimitrios Graikos	648,664	1.792
Allinvest Pty Ltd	600,000	1.657
Quevy Holdings Pty Ltd	500,000	1.381
Jeffrey Bruce Phillips	500,000	1.381
David Christopher Kemp	487,918	1.348
CMC Electrical Pty Ltd	450,000	1.243
Shane Mathew Collins	445,000	1.229
Comsec Nominees Pty Ltd	400,000	1.105
Aftron Pty Ltd	385,000	1.063
Shearman Superannuation Nominees Pty Ltd	383,000	1.058
	17,779,582	49.115

**LEGEND MINING LIMITED**

**TENEMENT DIRECTORY AS AT 31.12.2003**

<b>Tenement No. Application*</b>	<b>Registered Holder/Applicant</b>	<b>Shares Held</b>	
Munni Munni	M47/340	Legend Mining Limited	33.33/100
	M47/341	Legend Mining Limited	33.33/100
	M47/342	Legend Mining Limited	33.33/100
	M47/343	Legend Mining Limited	33.33/100
	E47/587	Legend Mining Limited	33.33/100
	M47/414*	Legend Mining Limited	33.33/100
	M47/415*	Legend Mining Limited	33.33/100
Carlow Castle	E47/562	Legend Mining Limited	100/100
	M47/409*	Legend Mining Limited	100/100
	E47/932	Legend Mining Limited	100/100
	E47/957	Legend Mining Limited	100/100
	E47/967	Legend Mining Limited	100/100
	P47/944	Legend Mining Limited	100/100
	P47/945	Legend Mining Limited	100/100
	M47/417*	Legend Mining Limited	100/100
	M47/490*	Legend Mining Limited	100/100
	M47/491*	Legend Mining Limited	100/100
	E47/1180*	Armada Mining Limited	100/100
	E47/1181*	Armada Mining Limited	100/100
	P47/1128*	Armada Mining Limited	100/100
	P47/1129*	Armada Mining Limited	100/100
	P47/1130*	Armada Mining Limited	100/100
	P47/1133*	Armada Mining Limited	100/100
	P47/1134*	Armada Mining Limited	100/100
Bradley Well	E47/1049	Legend Mining Limited	100/100
Mount Marie	E47/1150*	Legend Mining Limited	100/100
	P47/1112*	Legend Mining Limited	100/100
	P47/1113*	Legend Mining Limited	100/100
	E47/1179*	Armada Mining Limited	100/100
	P47/1126*	Legend Mining Limited	100/100
	P47/1132*	Armada Mining Limited	100/100
	P47/1135*	Armada Mining Limited	100/100
	P47/1136*	Armada Mining Limited	100/100
	P47/1137*	Armada Mining Limited	100/100
	P47/1159*	Legend Mining Limited	100/100
Mount Sholl	E47/966	Legend Mining Limited	100/100
Twin Table Hills	M47/462*	Legend Mining Limited	100/100
	M47/463*	Legend Mining Limited	100/100
	M47/493*	Legend Mining Limited	100/100
	M47/494*	Legend Mining Limited	100/100
Radio Hill	E47/1048	Legend Mining Limited	100/100
	M47/457*	Legend Mining Limited	100/100
	M47/466*	Legend Mining Limited	100/100
	E47/1178*	Armada Mining Limited	100/100
	M47/518*	Legend Mining Limited	100/100
	P47/1131*	Armada Mining Limited	100/100
	P47/1158*	Legend Mining Limited	100/100
Emerald	E30/118	Legend Mining Limited	91/100
Maitland	E47/1152*	Legend Mining Limited	100/100
	P47/1124*	Legend Mining Limited	100/100
Donnington Hill	E70/2507*	Legend Mining Limited	100/100
Ruth Well	P47/1127*	Armada Mining Limited	100/100
Gidgee	E53/0345	Abelle Limited	Transfers pending
Gidgee	E53/0422	Abelle Limited	Transfers pending
Gidgee	E53/0774	Abelle Limited	Transfers pending
Gidgee	E53/0891	Abelle Limited	Transfers pending
Gidgee	E53/0957	Abelle Limited	Transfers pending
Gidgee	E57/0167	Abelle Limited	Transfers pending
Gidgee	E57/0190	Abelle Limited	Transfers pending
Gidgee	E57/0191	Abelle Limited	Transfers pending

**LEGEND MINING LIMITED**

**TENEMENT DIRECTORY AS AT 31.12.2003**

Gidgee	E57/0483	Abelle Limited	Transfers pending
Gidgee	E57/0522	Abelle Limited	Transfers pending
Gidgee	E57/0523	Abelle Limited	Transfers pending
Gidgee	L53/0046	Abelle Limited	Transfers pending
Gidgee	L53/0047	Abelle Limited	Transfers pending
Gidgee	L53/0095	Abelle Limited	Transfers pending
Gidgee	L53/0096	Abelle Limited	Transfers pending
Gidgee	L53/0116	Abelle Limited	Transfers pending
Gidgee	L57/0011	Abelle Limited	Transfers pending
Gidgee	L57/0012	Abelle Limited	Transfers pending
Gidgee	L57/0020	Abelle Limited	Transfers pending
Gidgee	M51/0104	Abelle Limited	Transfers pending
Gidgee	M51/0105	Abelle Limited	Transfers pending
Gidgee	M51/0157	Abelle Limited	Transfers pending
Gidgee	M51/0185	Abelle Limited	Transfers pending
Gidgee	M51/0186	Abelle Limited	Transfers pending
Gidgee	M51/0201	Abelle Limited	Transfers pending
Gidgee	M51/0290	Abelle Limited	Transfers pending
Gidgee	M51/0410	Abelle Limited	Transfers pending
Gidgee	M51/0458	Abelle Limited	Transfers pending
Gidgee	M51/0474	Abelle Limited	Transfers pending
Gidgee	M53/0010	Abelle Limited	Transfers pending
Gidgee	M53/0011	Abelle Limited	Transfers pending
Gidgee	M53/0058	Abelle Limited	Transfers pending
Gidgee	M53/0101	Abelle Limited	Transfers pending
Gidgee	M53/0102	Abelle Limited	Transfers pending
Gidgee	M53/0103	Abelle Limited	Transfers pending
Gidgee	M53/0105	Abelle Limited	Transfers pending
Gidgee	M53/0153	Abelle Limited	Transfers pending
Gidgee	M53/0251	Abelle Limited	Transfers pending
Gidgee	M53/0252	Abelle Limited	Transfers pending
Gidgee	M53/0313	Abelle Limited	Transfers pending
Gidgee	M53/0314	Abelle Limited	Transfers pending
Gidgee	M53/0315	Abelle Limited	Transfers pending
Gidgee	M53/0500	Abelle Limited	Transfers pending
Gidgee	M53/0716	Abelle Limited	Transfers pending
Gidgee	M53/0894	Abelle Limited	Transfers pending
Gidgee	M53/0904	Abelle Limited	Transfers pending
Gidgee	M53/0988	Abelle Limited	Transfers pending
Gidgee	M57/0019	Abelle Limited	Transfers pending
Gidgee	M57/0026	Abelle Limited	Transfers pending
Gidgee	M57/0033	Abelle Limited	Transfers pending
Gidgee	M57/0044	Abelle Limited	Transfers pending
Gidgee	M57/0045	Abelle Limited	Transfers pending
Gidgee	M57/0069	Abelle Limited	Transfers pending
Gidgee	M57/0070	Abelle Limited	Transfers pending
Gidgee	M57/0071	Abelle Limited	Transfers pending
Gidgee	M57/0072	Abelle Limited	Transfers pending
Gidgee	M57/0073	Abelle Limited	Transfers pending
Gidgee	M57/0074	Abelle Limited	Transfers pending
Gidgee	M57/0143	Abelle Limited	Transfers pending
Gidgee	M57/0144	Abelle Limited	Transfers pending
Gidgee	M57/0145	Abelle Limited	Transfers pending
Gidgee	M57/0146	Abelle Limited	Transfers pending
Gidgee	M57/0210	Abelle Limited	Transfers pending
Gidgee	M57/0211	Abelle Limited	Transfers pending
Gidgee	M57/0212	Abelle Limited	Transfers pending
Gidgee	M57/0230	Abelle Limited	Transfers pending
Gidgee	M57/0231	Abelle Limited	Transfers pending
Gidgee	M57/0232	Abelle Limited	Transfers pending
Gidgee	M57/0236	Abelle Limited	Transfers pending
Gidgee	M57/0241	Abelle Limited	Transfers pending
Gidgee	M57/0242	Abelle Limited	Transfers pending

**LEGEND MINING LIMITED**

**TENEMENT DIRECTORY AS AT 31.12.2003**

Gidgee	M57/0250	Abelle Limited	Transfers pending
Gidgee	M57/0251	Abelle Limited	Transfers pending
Gidgee	M57/0252	Abelle Limited	Transfers pending
Gidgee	M57/0292	Abelle Limited	Transfers pending
Gidgee	M57/0349	Abelle Limited	Transfers pending
Gidgee	M57/0375	Abelle Limited	Transfers pending
Gidgee	P53/0635	Abelle Limited	Transfers pending
Gidgee	P53/0636	Abelle Limited	Transfers pending
Gidgee	P53/0637	Abelle Limited	Transfers pending
Gidgee	P53/0693	Abelle Limited	Transfers pending
Gidgee	P53/0698	Abelle Limited	Transfers pending
Gidgee	P53/0699	Abelle Limited	Transfers pending
Gidgee	P53/0700	Abelle Limited	Transfers pending
Gidgee	P53/0707	Abelle Limited	Transfers pending
Gidgee	P53/1074	Abelle Limited	Transfers pending
Gidgee	P53/1112	Abelle Limited	Transfers pending
Gidgee	P53/1114	Abelle Limited	Transfers pending
Gidgee	P53/1152	Abelle Limited	Transfers pending
Gidgee	P53/1153	Abelle Limited	Transfers pending
Gidgee	P53/1155	Abelle Limited	Transfers pending
Gidgee	P53/1162	Abelle Limited	Transfers pending
Gidgee	P53/1163	Abelle Limited	Transfers pending
Gidgee	P57/0662	Abelle Limited	Transfers pending
Gidgee	P57/0665	Abelle Limited	Transfers pending
Gidgee	P57/0666	Abelle Limited	Transfers pending
Gidgee	P57/0697	Abelle Limited	Transfers pending
Gidgee	P57/0760	Abelle Limited	Transfers pending
Gidgee	P57/0761	Abelle Limited	Transfers pending
Gidgee	P57/0762	Arimco Mining Pty Ltd	Transfers pending
Gidgee	P57/0871	Abelle Limited	Transfers pending
Gidgee	P57/1015	Abelle Limited	Transfers pending
Gidgee	P57/1019	Abelle Limited	Transfers pending
Gidgee	E53/1020*	Abelle Limited	Transfers pending
Gidgee	E53/1021*	Abelle Limited	Transfers pending
Gidgee	E57/0484*	Dalrymple Resources NL	Transfers pending
Gidgee	E57/0495*	Abelle Limited	Transfers pending
Gidgee	E57/0517*	Abelle Limited	Transfers pending
Gidgee	E57/0520*	Abelle Limited	Transfers pending
Gidgee	M53/0450*	Abelle Limited	Transfers pending
Gidgee	M53/0496*	Abelle Limited	Transfers pending
Gidgee	M53/0497*	Abelle Limited	Transfers pending
Gidgee	M53/0597*	Abelle Limited	Transfers pending
Gidgee	M53/0941*	Abelle Limited	Transfers pending
Gidgee	M53/0942*	Abelle Limited	Transfers pending
Gidgee	M53/0945*	Abelle Limited	Transfers pending
Gidgee	M53/0992*	Abelle Limited	Transfers pending
Gidgee	M53/0993*	Abelle Limited	Transfers pending
Gidgee	M53/0994*	Abelle Limited	Transfers pending
Gidgee	M53/1000*	Abelle Limited	Transfers pending
Gidgee	M57/0278*	Arimco Mining Pty Ltd	Transfers pending
Gidgee	M57/0286*	Abelle Limited	Transfers pending
Gidgee	M57/0287*	Abelle Limited	Transfers pending
Gidgee	M57/0288*	Abelle Limited	Transfers pending
Gidgee	M57/0291*	Abelle Limited	Transfers pending
Gidgee	M57/0293*	Dalrymple Resources NL	Transfers pending
Gidgee	M57/0294*	Dalrymple Resources NL	Transfers pending
Gidgee	M57/0308*	Abelle Limited	Transfers pending
Gidgee	M57/0314*	Abelle Limited	Transfers pending
Gidgee	M57/0361*	Abelle Limited	Transfers pending
Gidgee	M57/0362*	Abelle Limited	Transfers pending
Gidgee	M57/0372*	Arimco Mining Pty Ltd	Transfers pending
Gidgee	M57/0377*	Abelle Limited	Transfers pending
Gidgee	M57/0378*	Abelle Limited	Transfers pending

TENEMENT DIRECTORY AS AT 31.12.2003

Gidgee	M57/0410*	Abelle Limited	Transfers pending
Gidgee	M57/0435*	Abelle Limited	Transfers pending
Gidgee	M57/0465*	Abelle Limited	Transfers pending
Gidgee	P53/1161*	Abelle Limited	Transfers pending
Gidgee	P57/0897*	Arimco Mining Pty Ltd	Transfers pending
Gidgee	P57/0971*	Abelle Limited	Transfers pending
Gidgee	P57/1024*	Abelle Limited	Transfers pending
Gidgee	P57/1025*	Abelle Limited	Transfers pending
Gidgee	P57/1026*	Abelle Limited	Transfers pending
Gidgee	P57/1027*	Abelle Limited	Transfers pending
Gidgee	P57/1028*	Abelle Limited	Transfers pending