Legend
mining limited

2012
ANNUAL REPORT

Contents

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CHAIRMAN'S REPORT

Dear Shareholder

The last year has been a very difficult one for companies in the iron ore business, and Legend has not escaped the impact of uncertainties in the iron market. Iron prices suffered a large fall in the last quarter of the year, and this not only had an impact on share market performance in the sector, but also in our negotiations with POSCO.

Late in 2012 Legend advised the market that it was unlikely that the POSCO negotiations would be successfully concluded, and our MOU with POSCO duly lapsed in February 2013.

On the brighter side, we have continued to progress the project and late in the year Legend initiated studies to determine the metallurgical properties of our iron ore at the Melombo East project. Results just to hand (and released to the ASX on 28 February 2013) confirm the excellent qualities of this ore, both in the iron content of the concentrate and the very low level of impurities. These results give us confidence that the general tenor of the metallurgy at Ngovayang is of a consistently high quality.

Since the end of the year, Legend has received approaches from a number of international steel producers looking to establish a presence in the iron ore business in West Africa. Legend is in discussion with some of these companies, albeit at an early stage.

In the meantime, the potential for a new goldfield has been identified in the south-east area of Ngovayang, and early stream sediment sampling has produced very encouraging results. The angular shape of coarse gold grains found in the stream sediments indicates they could be close to their source. There was a good correlation between assay results and visual reported gold, supporting the potential of the area. This work will continue in the current year.

As for previous years, our treasury operations have been very successful, and at the end of the year, after funding operations during 2012, Legend had a treasury of liquid assets in excess of $14M.

In October 2012 we were pleased to welcome Derek Waterfield back to Legend as an executive technical director. Derek is leading our new project development program, assessing new projects with particular emphasis to Western Australia, as well as an oversight role in Cameroon.

On behalf of the Board I would like to thank our Managing Director, Mark Wilson, and his Cameroon and Perth based management teams. We look forward to further advancing Ngovoyang as well as looking for new projects closer to home,

Chairman
6 March 2013

CAMEROON PROJECT
IRON ORE, GOLD

The Ngovayang Project comprises three granted exploration permits (EP144, EP195 and EP221) covering an area of approximately 2,970km² located in the southwestern region of Cameroon. The Project is considered prospective for iron ore in the form of magnetite gneiss and gold mineralisation associated with a major shear zone and granitic intrusives, see Figure 1.

Legend acquired a 90% interest in the Project via a 90% ownership of Cameroon company Camina SA ("Camina") on 4 February 2010.

Ngovayang is well served by access infrastructure including rail and road networks to and from the port city of Douala, which will greatly assist the exploration phases of work and potentially facilitate a start-up production transport system to port, see Figure 1. Legend has signed an access co-operation letter of intent with Sundance Resources Ltd ("Sundance") relating to opportunities for how Sundance's proposed infrastructure of port and rail may benefit Legend's project.

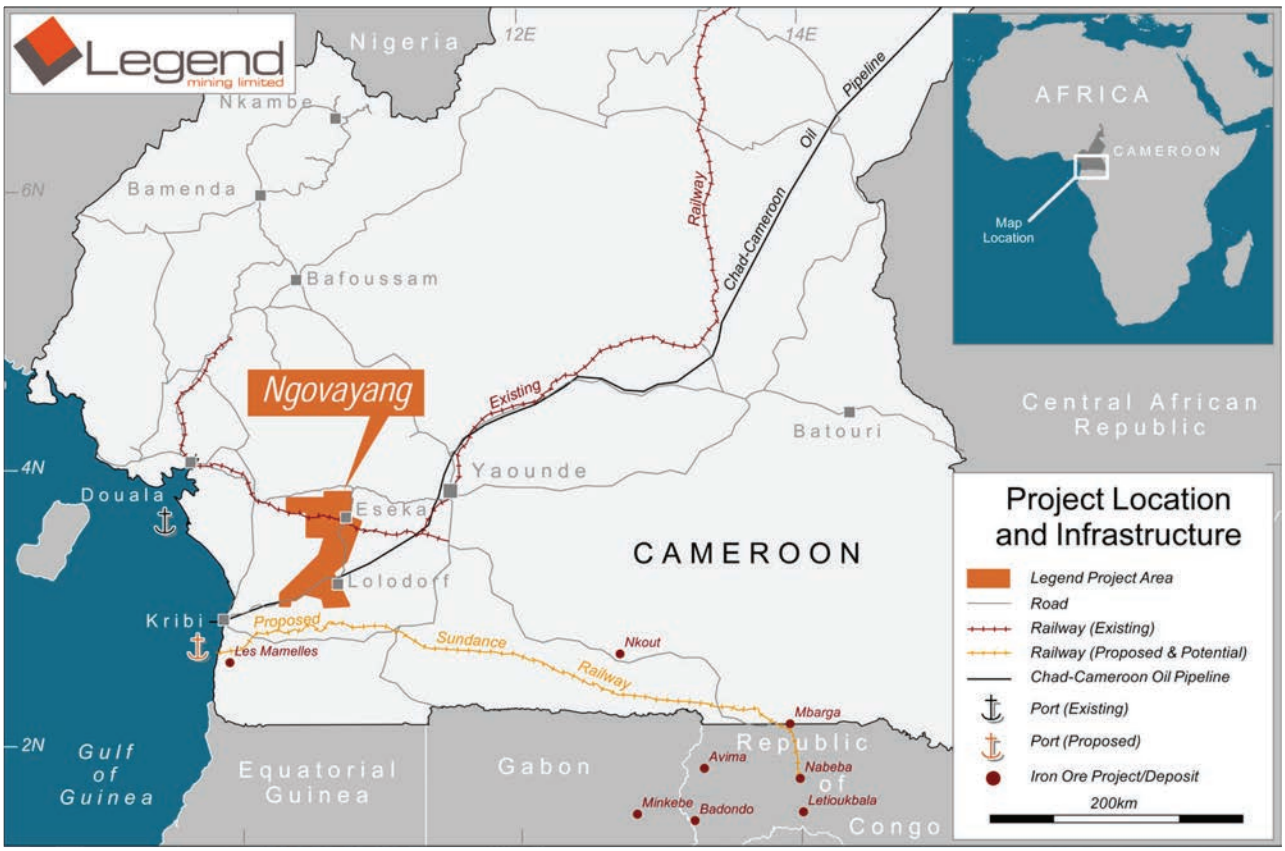


Figure 1: Cameroon Project Location and Infrastructure.

Iron ore exploration activities at Ngovayang during 2012 included extensive geological mapping/interpretation and the drilling of 46 diamond holes (DH056-101) for 2,957m at the Melombo East and Plateau prospects. These prospects are described in detail below and located on Figure 2.

Legend also commenced its first systematic gold exploration programme at Ngovayang. The programme comprised the collection of pan concentrate samples, along with fine (-2mm) and coarse (+2mm -6mm) sieved fractions from 231 stream locations, see below and Figure 2.

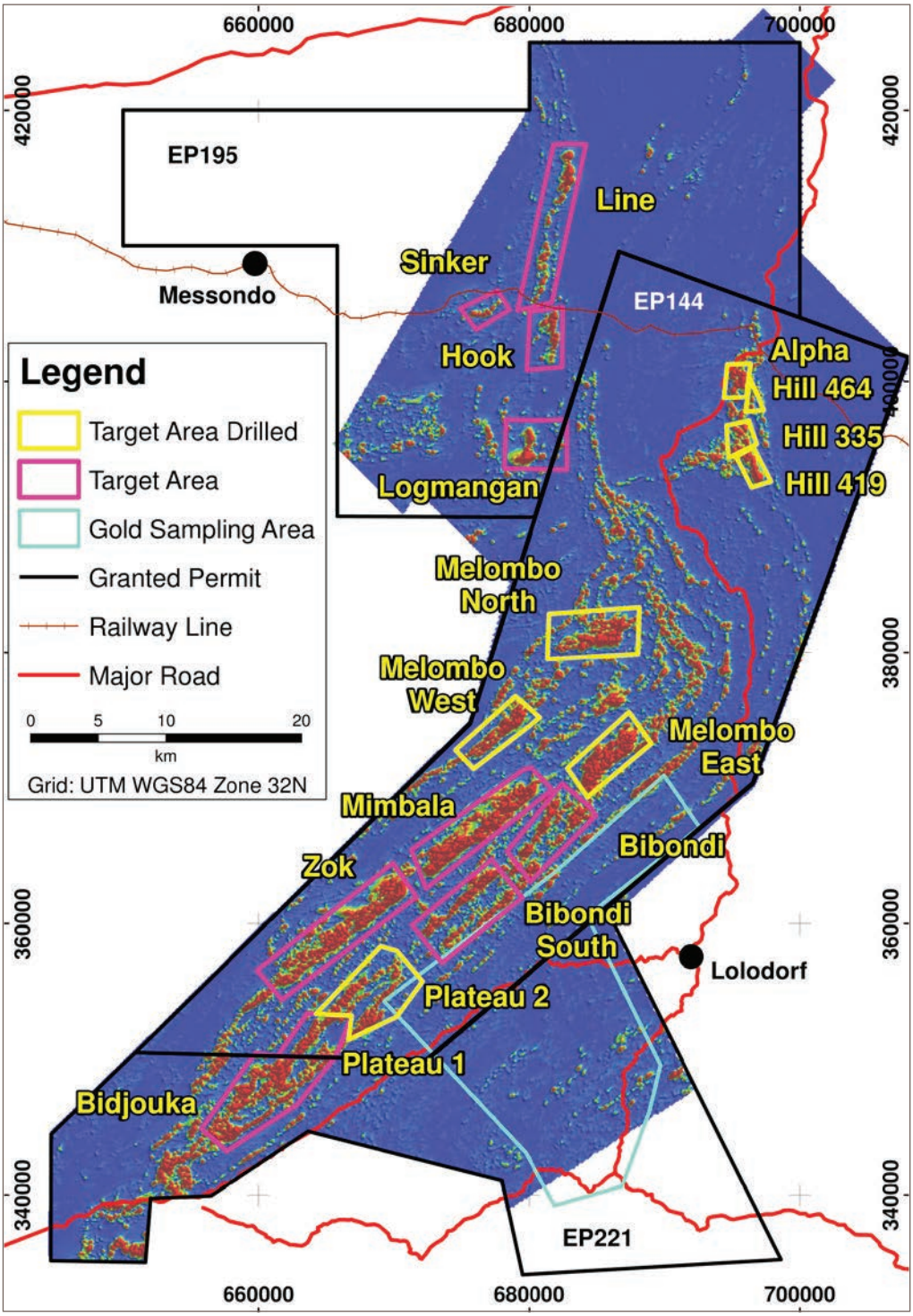


Figure 2: Ngovayang Project – Iron Ore Drill Target Areas & Gold Sampling Area Overlying Aeromagnetic Image.

Melombo East Prospect – Iron Ore

Melombo East is a large (6km x 1.5km) complex aeromagnetic feature, which follows the dominant NE-SW trend of the southern Ngovayang massif, see Figure 2. Detailed geological mapping has defined two large areas (2km x 1km and 1.5km x 0.8km) of magnetite bearing gneiss and supports the geophysical modelling and interpretation of the aeromagnetic data.

Phase 1 diamond drilling was completed at Melombo East during 2012 with the drilling of a further 20 holes (DH056-075, 1,164.37m), bringing the total number of diamond drillholes to 34 (DH042-075) for a total of 2,349.25m, see Table 1 and Figure 3.

Table 1: Melombo East - Diamond Drilling Details

Hole ID	Easting	Northing	Dip/Azimuth	Final Depth
DH042	*686065*	*373167*	*-60/135*	*16.52**
DH043	*686398*	*372915*	*-90/000*	*95.98*
DH044	*685676*	*372406*	*-90/000*	*149.98*
DH045	*686082*	*373171*	*-90/000*	*29.98**
DH046	*685435*	*371695*	*-90/000*	*100.46*
DH047	*685664*	*371930*	*-90/000*	*83.96*
DH048	*685351*	*371421*	*-90/000*	*100.41*
DH049	*684773*	*370886*	*-90/000*	*100.68*
DH050	*684313*	*371615*	*-90/000*	*15.22**
DH051	*684305*	*371618*	*-90/000*	*99.99*
DH052	*684660*	*371511*	*-90/000*	*89.11*
DH053	*685020*	*371068*	*-90/000*	*101.66*
DH054	*684578*	*372111*	*-90/000*	*100.48*
DH055	*684834*	*371194*	*-90/000*	*100.45*
DH056	684470	370806	-90/000	100.55
DH057	684276	371538	-90/000	101.27
DH058	684683	371342	-90/000	102.00
DH059	684482	371424	-90/000	30.21*
DH060	685301	371914	-90/000	104.89
DH061	686455	373419	-90/000	77.36
DH062	686081	373115	-90/000	89.16
DH063	686664	373539	-90/000	30.20*
DH064	687128	373680	-90/000	100.51
DH065	687221	373550	-90/000	25.66*
DH066	686919	373420	-90/000	77.13
DH067	686827	372640	-90/000	69.00
DH068	687082	372798	-90/000	22.66*
DH069	687140	372896	-90/000	30.25*
DH070	687188	373095	-90/000	20.44*
DH071	686620	372589	-90/000	30.21*
DH072	687288	373033	-90/000	30.20*
DH073	687454	373376	-90/000	30.04*
DH074	687095	373274	-90/000	65.47
DH075	687385	373012	-90/000	27.16*
Total				**2,349.25**

* Drillhole abandoned due to poor ground conditions and rig limitations.
Drillholes in italics completed in 2011 and reported previously in Legend Mining 2011 Annual Report.
Drilling utilised an Ingetrol man portable diamond drilling rig – HQ and NQ core sizes.
Co-ordinates: Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere.

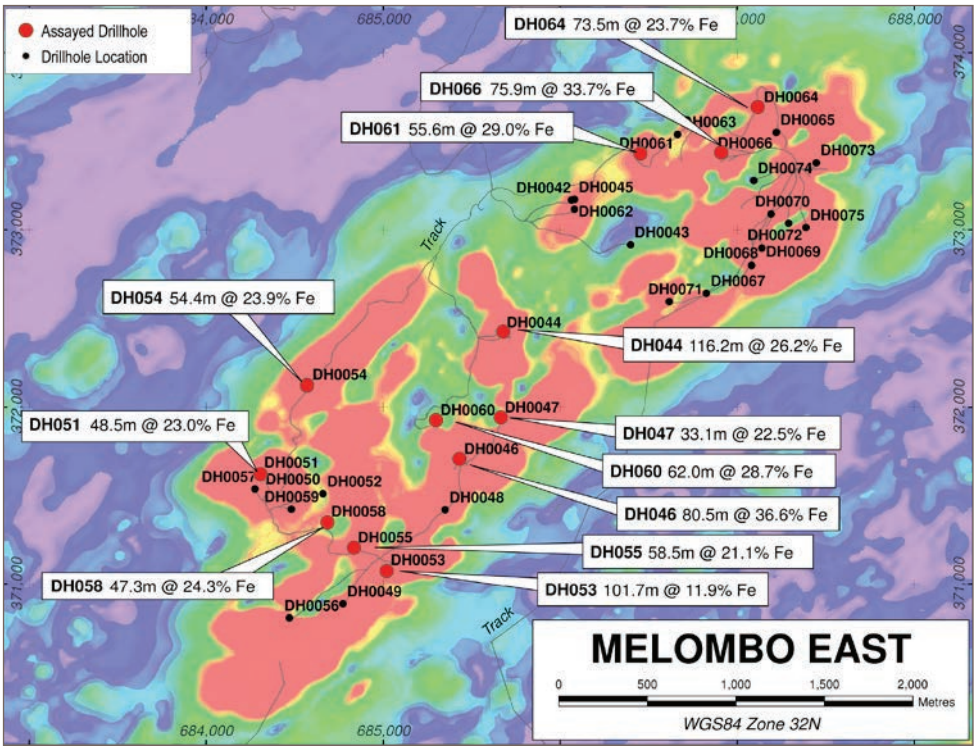


Figure 3: Melombo East Prospect – Drillhole Locations and Assay Results over Aeromagnetic Image.

Assay results from nine diamond drillholes were received during 2012 (DH051, 053, 054, 055, 058, 060, 061, 064, 066) and are presented in Table 2 below (along with 2011 results from holes DH044, 046 and 047).

Table 2: Melombo East – Diamond Drillhole Results

Hole	From	To	Int	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
DH051	0	48.5	48.5	23.0	47.7	10.1	0.054	1.45
DH051	92.0	100.0 EOH	8.0	35.0	44.4	1.8	0.101	-1.37
DH053	0	101.7	101.7	11.9	46.8	16.0	0.052	2.15
Incl.	0	11.8	11.8	20.2	16.4	29.1	0.084	17.88
DH054	1.2	32.2	31.0	25.8	44.2	10.2	0.070	4.23
Incl.	20.5	32.2	11.7	32.6	48.3	1.5	0.111	-0.01
DH054	46.1	100.5 EOH	**54.4**	**23.9**	50.2	6.4	0.062	0.01
Incl.	58.7	100.5 EOH	**41.8**	**26.8**	47.8	5.2	0.069	0.01
DH055	1.2	19.7	18.5	25.2	40.7	13.6	0.064	7.35
	42.0	100.5 EOH	**58.5**	**21.1**	52.8	8.0	0.078	0.01
DH058	1.3	10.4	9.1	23.2	35.1	18.7	0.057	11.54
	49.5	96.8	**47.3**	**24.3**	51.6	6.4	0.072	-0.01
DH060	42.9	104.9 EOH	**62.0**	**28.7**	48.4	4.3	0.084	0.01
DH061	1.3	56.9	**55.6**	**29.0**	45.3	6.5	0.078	2.32
DH064	27.0	100.5 EOH	**73.5**	**23.7**	48.4	6.7	0.083	0.06
DH066	1.2	77.1 EOH	**75.9**	**33.7**	39.7	4.0	0.087	0.77
*DH044	33.8	150.0. EOH	**116.2**	**26.2**	48.9	5.4	0.092	0.04
Incl.	70.9	150.0 EOH	**79.1**	**29.7**	48.1	3.7	0.096	0.01
*DH046	20.0	100.5 EOH	**80.5**	**36.6**	44.6	0.2	0.103	0.04
*DH047	0	33.1	33.1	22.5	30.4	23.4	0.049	13.10

Assay Method: Fe, SiO_2, Al_2O_3, P by fusion XRF – OMAC Laboratory, Ireland.
LOI – Loss on Ignition at 1,000°C determined gravimetrically.

* DH044, 046 & 047 reported previously in Legend Mining 2011 Annual Report.

These results continue to demonstrate encouraging iron grades (+25% Fe) and thicknesses (+40m) of magnetite gneiss across the prospect. The fact that seven of the nine drillholes ended in magnetite gneiss with associated iron grades between 21.1-36.6% Fe, adds to the potential of the prospect.

Golder Associates ("Golder") were engaged by Legend to conduct a full review of the Ngovayang Iron Ore project, including a site visit by a senior geologist experienced in magnetite and the drafting of a high level optimisation report. As part of this review, the geological model developed by Legend geologists for the occurrence of the magnetie gneiss unit was reviewed and accepted by Golder based on; geological mapping, previous geophysical modelling and the re-interpretation/ logging of all drillholes. The model comprises two NE-SW trending synclines approximately 4.3km long and 900-1,700m wide, with the magnetite gneiss ranging in thickness between 30-80m. Whilst this model is considered quite robust and fits the current drilling data, further drilling is required to add confidence to the interpretation.

Metallurgical Testwork

Following the completion of Phase 1 drilling at Melombo East and a comprehensive review of the results by Golder, drillcore samples of the mineralised section from three drillholes (DH044, 058, 061) were submitted to Amdel for metallurgical testwork.

The drillholes are considered representative of the magnetite mineralisation observed at Melombo East and were selected based on a combination of iron grade, intersection thickness and location within the prospect. The testwork will provide information on the optimum grind size for the magnetite and Davis Tube Recovery ("DTR") analyses, which can be included in future optimisation studies.

Upon receipt of the metallurgical results, Golder will provide recommendations to Legend concerning future work at the project, including the appropriate level of drilling required to bring Melombo East to a JORC compliant Inferred Resource status.

Man Portable Diamond Drilling Rig – Melombo East.

Plateau Prospect – Iron Ore

At the Plateau prospect, 26 holes (DH076-101) for 1,793m were completed, along six NW-SE trending traverses spaced 500-600m apart with holes every 100m along the traverses, see Table 3 and Figure 4. The drilling was testing a 2.5km portion of a regional 10km linear aeromagnetic feature associated with outcropping magnetite gneiss displaying a NE-SW strike and 40^0-60^0 NW dip.

A generalised stratigraphic sequence has been observed on all six traverses and comprises (from top to bottom); magnetite gneiss, overlying garnet gneiss with magnetite gneiss bands of varying thickness, and a footwall unit of silicified quartz-biotite gneiss. The drilling also confirmed the moderate NW dip of the package and demonstrated relatively good correlation between holes on section.

Table 3: Plateau – Diamond Drilling Details

Hole ID	Easting	Northing	Dip/Azimuth	Final Depth
DH076	665287	353390	-90/000	100.44
DH077	665370	353318	-90/000	100.15
DH078	665616	353903	-90/000	73.39
DH079	665681	353845	-90/000	86.10
DH080	665742	353778	-90/000	68.90
DH081	665830	353713	-90/000	30.21*
DH082	665920	353641	-90/000	68.65
DH083	665818	353713	-90/000	30.20*
DH084	665606	353130	-90/000	32.89*
DH085	666225	354175	-90/000	76.45
DH086	665524	353190	-90/000	100.44
DH087	666150	354248	-90/000	93.40
DH088	665430	353251	-90/000	100.34
DH089	665069	352791	-90/000	70.44
DH090	666059	354302	-90/000	86.58
DH091	665996	354363	-90/000	29.95*
DH092	664993	352860	-90/000	90.76
DH093	664913	352919	-90/000	28.61*
DH094	666675	354561	-90/000	48.15*
DH095	666601	354634	-90/000	95.28
DH096	666525	354702	-90/000	101.43
DH097	666455	354768	-90/000	65.43
DH098	666379	354820	-90/000	33.38*
DH099	666864	355224	-90/000	35.89
DH100	666923	355143	-90/000	90.77
DH101	666988	355097	-90/000	54.76
Total				**1,792.99**

* Drillhole abandoned due to poor ground conditions and rig limitations.
Drillholes DH076, 093, 099-101 utilised Ingetrol man portable diamond drilling rig – HQ & NQ core sizes.
Drillholes DH094-DH098 utilised track mounted HR-6 diamond drilling rig – HQ & NQ core sizes.
Co-ordinates: Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere.

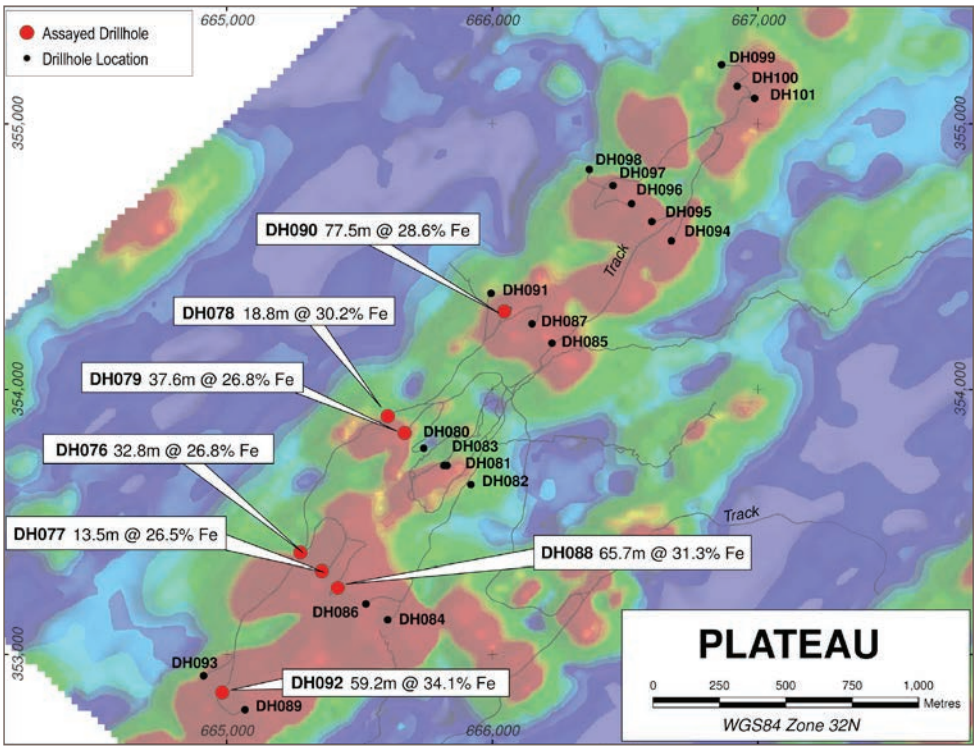


Figure 4: Plateau Prospect - Drillhole Locations and Assay Results over Aeromagnetics.

Drillholes DH076-079, 088, 090 and 092, which intersected significant downhole thicknesses of magnetite bearing gneiss were submitted for analysis, with results summarised in Table 4 below. As with Melombo East, the drilling and assay results displayed good continuity in both iron grade and thickness across the prospect.

Table 4: Plateau – Diamond Drillhole Results

Hole	From	To	Int	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
DH076	0.6	33.4	**32.8**	**26.8**	44.9	9.0	0.076	4.14
	67.0	85.6	18.6	25.7	50.8	5.3	0.080	-0.01
DH077	0.6	7.9	7.3	38.3	40.3	2.7	0.127	1.52
	16.0	29.5	13.5	26.5	49.9	6.1	0.078	0.56
	39.5	53.4	13.9	21.3	50.9	9.3	0.061	-0.01
	89.7	95.7	6.0	28.3	45.8	4.5	0.077	-0.01
DH078	6.2	20.6	14.4	18.7	55.1	9.5	0.067	0.22
	32.6	51.4	18.8	30.2	48.6	3.4	0.091	-0.01
DH079	1.2	38.8	**37.6**	**26.8**	48.9	6.8	0.070	1.64
	62.5	72.1	9.6	38.7	42.2	0.2	0.096	-0.01
DH088	1.0	66.7	**65.7**	**31.3**	44.0	3.5	0.076	0.51
	82.5	88.8	6.3	28.0	44.9	4.7	0.075	-0.01
DH090	1.3	78.8	**77.5**	**28.6**	45.3	6.2	0.076	1.92
DH092	1.3	60.5	**59.2**	**34.1**	44.3	2.8	0.115	0.82
	76.6	82.7	6.1	27.0	49.1	5.7	0.110	-0.01

Assay Method Fe, SiO_2, Al_2O_3, P by fusion XRF – ALS, Ireland.
LOI – Loss on Ignition at 1,000^{0}C determined gravimetrically

Stream Sediment Sampling – Gold

A gold focussed stream sediment sampling programme comprising 231 sample sites was completed over an extensive drainage shed on the southeastern side of the Ngovayang Range during the December quarter, see Figures 2 & 5. The programme was targeting a large NE-SW trending regional shear zone with associated granitic intrusives. There has been no modern systematic gold exploration within the Project despite the gold prospectivity being supported by the presence of small scale artisanal alluvial gold workings.

At each of the 231 sample sites, a pan concentrate sample, along with fine (-2mm) and coarse (+2mm -6mm) sieved fractions were collected from the active portion of the stream. The fine and coarse fractions were analysed for gold and an extended multi-element suite, while the pan concentrate samples were examined under a binocular microscope providing valuable information regarding the distribution and character of the gold grains. The gold grains (up to 2.4mm) are commonly angular to sub-rounded suggesting that the grains have not been transported far and may be proximal to the gold source.

Gold assay results from the fine and coarse fractions have identified four high priority targets where "clusters" of anomalous gold values were returned and require follow up work, see Figures 6 & 7.

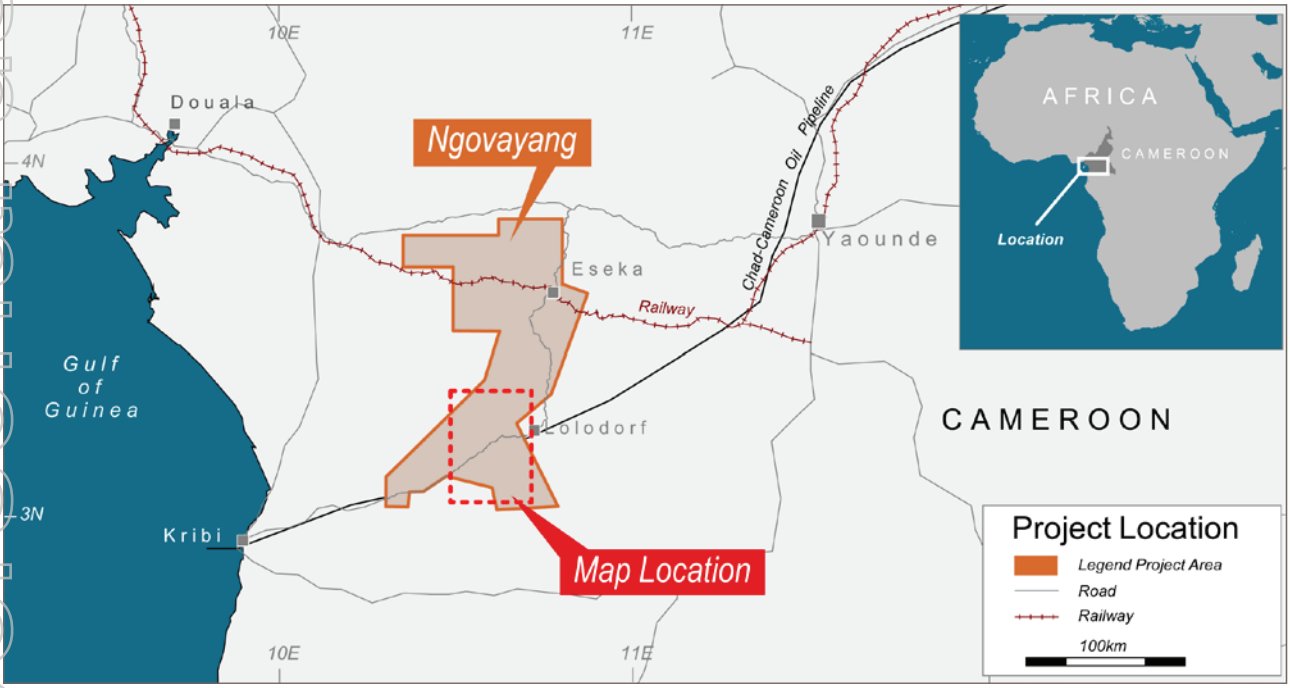


Figure 5: Cameroon Project Location – Area of Stream Sediment Sampling.

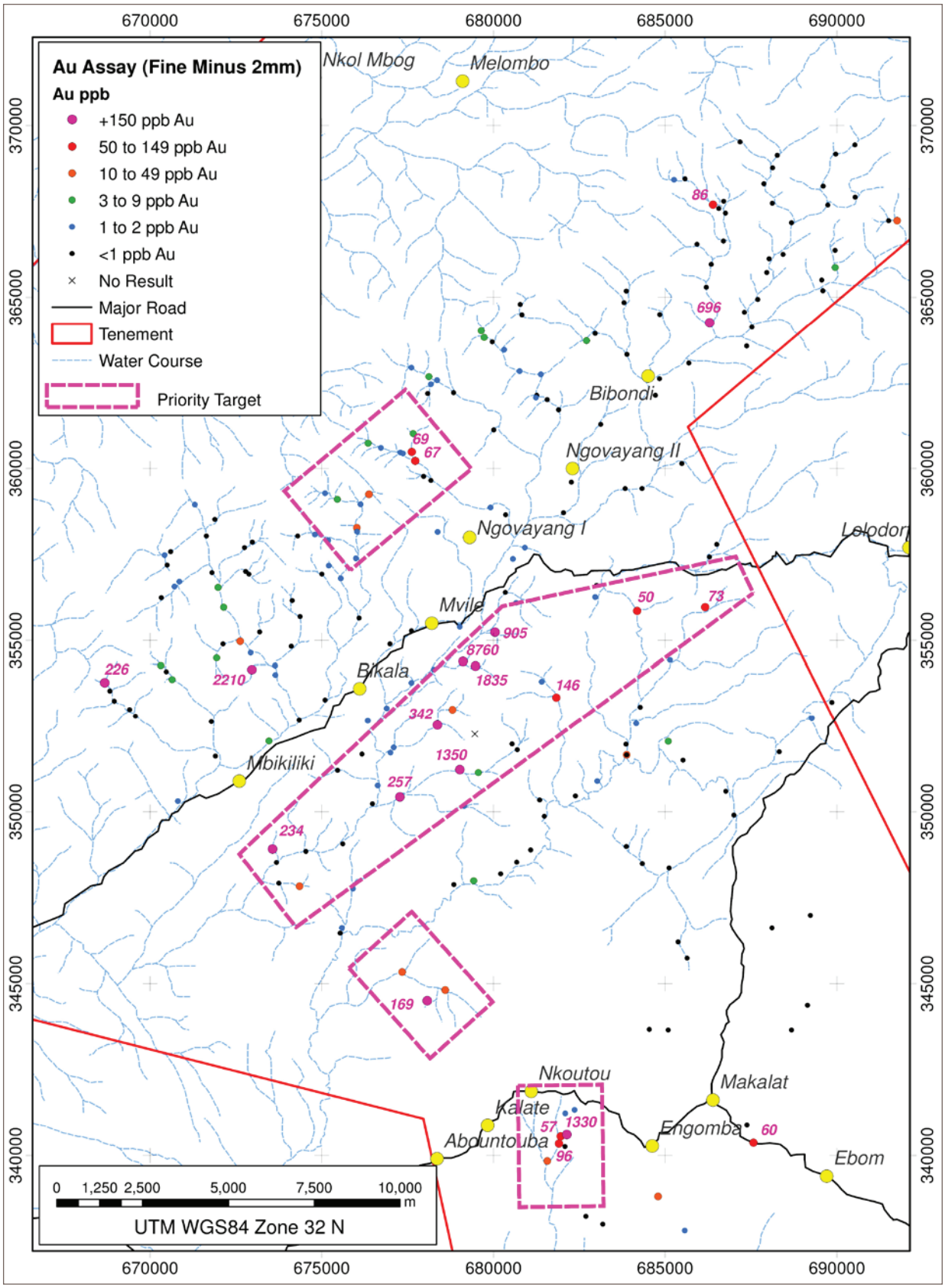


Figure 6: Fine Fraction (-2mm) Stream Sediment Sample Gold Results and Priority Target Areas.

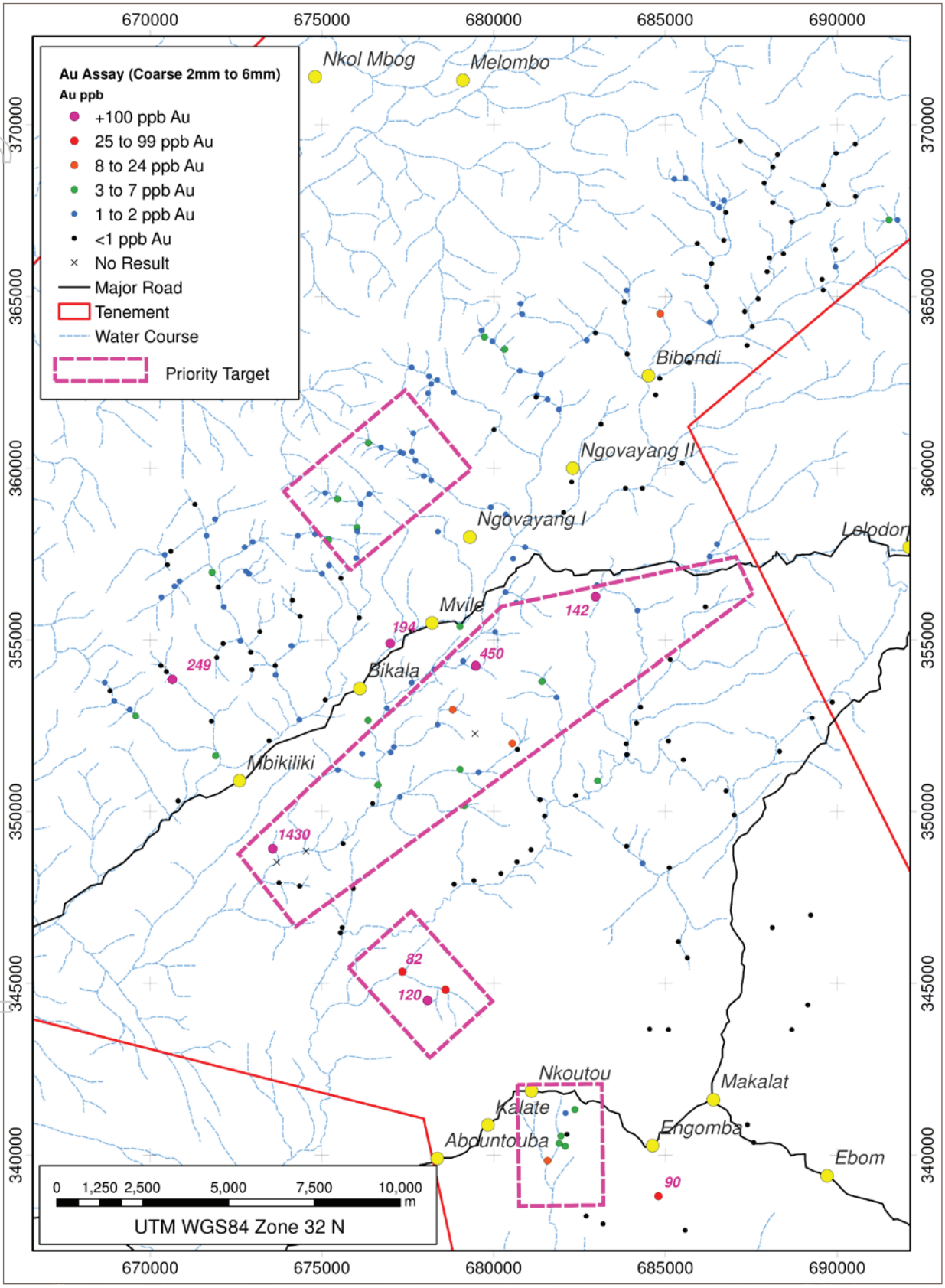


Figure 7: Coarse Fraction (+2mm -6mm) Stream Sediment Sample Gold Results and Priority Target Areas.

Assay results from the fine (-2mm) fraction samples returned numerous anomalous gold values with 13 of 231 samples >100ppb Au and a maximum result of 8.76g/t Au, see Table 5.

Assays from the coarse (+2mm -6mm) fraction samples returned anomalous gold values with six of 231 samples >100ppb Au and a maximum of 1.43g/t Au, see Table 6.

The tenor of the gold results from both the fine and coarse fractions are considered highly significant given that the samples were taken from the active portion of the stream and not from trap sites. The "clustering" of the anomalous samples, which define sizeable target areas, along with the correlation of fine and coarse fractions results (and pan concentrate samples) also adds to the gold prospectivity of the region.

Systematic follow-up programmes will involve a combination of:

- Further stream sediment sampling to better define anomalous streams,
- Geological mapping of streams and anomalous catchments,
- Soil and rockchip sampling.

Table 5: Fine Fraction Samples – Gold Values >100 ppb Au

Sample No.	East	North	Au ppb	*Gold Grain Count
587661F	679112	354389	**8,760**	37
587626F	672962	354150	**2,210**	3
587662F	679474	354257	**1,835**	**137**
587647F	679014	351234	**1,350**	42
587130F	682133	340608	**1,330**	**52**
587668F	680040	355240	905	28
587737F	686292	364251	696	7
587652F	678367	352540	342	29
587643F	677274	350434	257	9
587635F	673564	348924	234	8
587605F	668676	353770	226	0
587127F	678071	344505	169	0
587654F	681825	353338	146	3

Table 6: Coarse Fraction Samples – Gold Values >100 ppb Au

Sample No.	East	North	Au ppb	*Gold Grain Count
587635C	673564	348924	**1,430**	8
587662C	679474	354257	450	**137**
587613C	670642	353864	249	2
587614C	676984	354901	194	2
587716C	682963	356264	142	18
587127C	678071	344505	120	0

Fine fraction:	Sieved sample -2mm
Coarse fraction:	Sieved sample +2mm -6mm
Co-ordinates:	Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere
Gold Analysis:	50g fire assay with ICP-AES finish – ALS Laboratories Perth.
*Gold grain count:	Number of gold grains observed under a binocular microscope from the corresponding pan concentrate sample.

Sampling and Assay Methodology

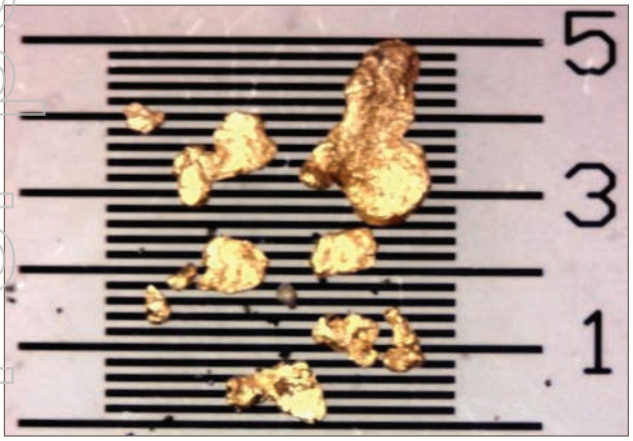
At each sample location, multiple sites within the active portion of the stream were identified and approximately 15-20kg of material from each site was collected and panned down to a heavy mineral concentrate of 5-50g, see Photos 1 & 2. An in-field observation of the multiple pan concentrate samples was then undertaken and the presence (or absence) and number of gold grains in the "best" sample recorded. A second more detailed count of all samples with greater than five gold grains was then undertaken using a high powered binocular microscope. The microscope observation provided information on gold grain size, shape and character, as well as identifying the minerals present in the heavy mineral concentrate, see Photo 3.

As well as a pan concentrate sample, at each sample site a 10kg bulk sample was collected from the active portion of the stream and sieved into a "fine" -2mm fraction and a "coarse" +2mm to -6mm fraction. These samples are considered representative of the bulk material in the stream have not been collected from trap sites and are not concentrates.

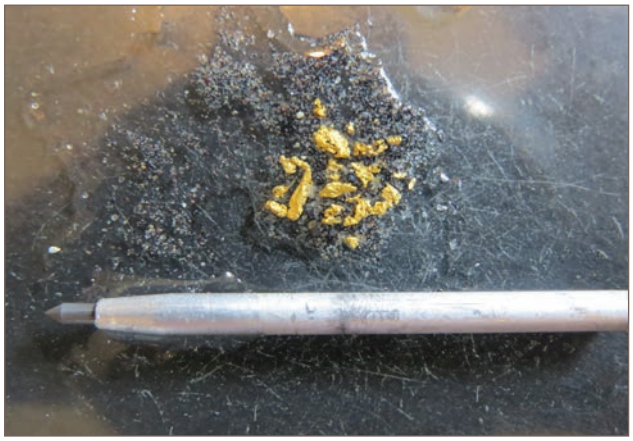
The sieved samples comprised 1 to 5kg of material and were pulverised in their entirety and submitted for gold, platinum and palladium analysis by fire assay, along with an extensive multi-element suite by ICP-MS. The issue of "nuggetty" gold has been identified in several repeat gold assays, which was expected given the relatively coarse nature of the gold observed in the pan concentrate samples.

Field crew panning stream sediment samples.

Gold grains in heavy mineral pan concentrate.



Close up of gold grains, note largest grain 2.4mm.



Pan concentrate, largest grain 4mm.

MT GIBSON PROJECT

Legend settled the sale of the Mt Gibson Gold Project to Extension Hill Pty Ltd on 13 March 2012, receiving $6.8M cash after adjustments for outgoings, employee benefits and storm damage allowance. Legend also received $1.4M being the term deposit which secured the environmental bonds for the project. A milestone payment of 10 million Legend shares was made to Oroya Mining Limited ("Oroya") in May 2012, being a deferred contingent consideration arising from the September 2005 sale agreement between Legend and Oroya for the sale of the Mt Gibson Project assets.

PILBARA PROJECT

Legend settled the sale of its Pilbara Project Tenements to Artemis Resources Limited ("Artemis") on 27 June 2012. The sale consideration of 60 million fully paid ordinary Artemis shares has been received and gives Legend approximately 12.5% of the issued capital of Artemis. This shareholding is subject to 12 months voluntary escrow. The sale consideration included a cash payment to Legend as re-imbursement for expenses incurred in relation to the tenements and the transaction.

GIDGEE PROJECT

On 3 May 2007 Legend announced the sale of the Gidgee Gold Project which included contingent consideration of $5,000,000 payable by Apex Gold Pty Ltd ("Apex") to Legend once a production milestone of 250,000oz of gold production from the Gidgee Gold Project tenements was reached. The contingency was never satisfied. As part of the sale of the Gidgee Gold Project by Apex to Panoramic Gold Pty Ltd which completed on 1 June 2012, Legend received $750,000 cash in lieu of the contingent consideration payment.

The information in this announcement that relates to Exploration Results has been compiled by Mr Derek Waterfield, a Member of the Australian Institute of Geoscientists and a full time employee of Legend Mining Limited. Mr Waterfield has sufficient relevant experience in the styles of mineralisation and types of deposit under consideration, and in the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code), and consents to the inclusion of the information in the form and context in which it appears.

CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Legend Mining Limited ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

1. Lay solid foundations for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision-making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk; and
8. Remunerate fairly and responsibly.

The following table sets out the Company's present position in relation to each of the corporate governance principles.

	ASX Principle	Status	Reference/Comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	The Company has a formal Board Charter. In broad terms, the Board Charter sets out the role and responsibilities of the Board and management.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**N/A**	The Board has a Remuneration Committee Charter and Nomination Committee Charter which establishes a Remuneration & Nomination Committee to review and make decisions in relation to senior executive remuneration and incentive policies. No other formal procedure is currently adopted for evaluating the performance of senior executives. However, the Board concurs with the full implementation of this Principle and will review appropriate ways of compliance as and when further senior executives are engaged.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**N/A**	The Board comprises four directors, two of whom, are non-executive and classified as independent. The Board believes that this is both appropriate and acceptable at this stage of the Company's development.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/Comment
2.2	The chair should be an independent director	**A**	The Chairman is an independent director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	These positions are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The Company has established a Remuneration & Nomination Committee, comprised of two executive directors, two non-executive directors and the CFO/Company Secretary, which operates under the Nomination Committee Charter.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**A**	Disclosed under the Nomination Committee Charter.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A**	The skills and experience of Directors, as well as each Director's period of office, are set out in the Company's Annual Report and on its website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code	**A**	The board has established a Code of Conduct which all employees and directors are expected to follow. The code of conduct outlines how the Company expects directors and employees of the Company to behave and conduct business in the workplace.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them	**N/A**	The Company has established a Diversity Policy. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. Given the Company's size and stage of development as an exploration company, the Board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/Comment
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	**N/A**	The Company has established a Diversity Policy. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. However, the policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the Board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	**A**	The Company has one female employee in the Perth office who is in a senior executive position however there are no female representatives on the Board. The Board considers this is not inappropriate The Company currently has an active exploration program in Cameroon which has a large workforce which includes many female employees.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	
4.2	The audit committee should be structured so that it:		
	consists only of non executive directors	**N/A**	Given the size of the Board, the Audit & Risk Committee consists of the CFO/Company Secretary (Dennis Wilkins), an executive director (Derek Waterfield) and two non-executive directors. The Composition of the Audit & Risk Committee is considered appropriate at this stage of the Company's development.
	▪ consists of a majority of independent directors	**A**	The audit committee consists of a majority of independent directors.
	▪ is chaired by an independent chair, who is not chair of the board	**A**	
	▪ has at least three members	**A**	

A = Adopted
N/A = Not Adopted

	ASX Principle	Status	Reference/Comment
4.3	The audit committee should have a formal charter	A	The Audit & Risk Committee operates under the Audit Committee Charter which lists the main responsibilities of the Committee.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	The Audit & Risk Committee will meet at least twice each financial year and additionally as circumstances may require for it to undertake its role effectively.
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance	A	The Company has adopted a formal Continuous Disclosure Policy to ensure that the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings	A	The Company has a Shareholder Communication Policy. The Policy specifically encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The Shareholder Communication Policy also outlines the various ways in which the Company communicates with shareholders.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks	A	The Company has established a Risk Management Policy which sets out the way the Committee can identify, assess, monitor and change operational, compliance and material business risks.

A = Adopted
N/A = Not Adopted

	ASX Principle	Status	Reference/Comment
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively	**N/A**	The Audit & Risk Committee consists of an executive director (Derek Waterfield), two non-executive directors and the CFO/Company Secretary. The Committee is responsible for overseeing and approving risk management strategy and policies, internal compliance and non-financial internal control. The Audit & Risk Committee reports to the Board on the system of risk management and makes appropriate recommendations to the Board to ensure the adequacy of the risk management system.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	The Board has received the required assurance and declaration.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	The Company has established a Remuneration & Nomination Committee.
8.2	The remuneration committee should be structured so that it:		
	▪ consists of a majority of independent directors	**A**	The Company has established a Remuneration & Nomination Committee, comprised of two executive directors, two non-executive directors and the CFO/ Company Secretary.
	▪ has at least three members	**A**	
	▪ is chaired by an independent director	**A**	

A = Adopted
N/A = Not Adopted

	ASX Principle	Status	Reference/Comment
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**N/A**	The Remuneration & Nomination Committee operates under the Remuneration Committee Charter. The Charter states that no executive is to be directly involved in deciding their own remuneration and that, when making recommendations to the Board, the Committee should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	

A = Adopted
N/A = Not adopted

The Directors submit their report for the year ended 31 December 2012.

1. DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Michael Atkins (Chairman, Non-Executive Director)
Mark Wilson (Managing Director)
Derek Waterfield (Executive Director - Technical, appointed 1 November 2012)
Dermot Ryan (Non-Executive Director)

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Michael Atkins is a Fellow of the Australian Institute of Company Directors.

Mr Atkins was a founding partner of a national Chartered Accounting practice from 1979 to 1987 and was a Fellow of the Institute of Chartered Accountants in Australia between 1984 and 2012.

Between 1987 and 1998 he was involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa. From 1990 to 1995 he was managing director and later a non-executive director of Claremont Petroleum NL and Beach Petroleum NL during their reconstruction, and then remained as a non-executive director until 1995. He was also founding executive chairman of Gallery Gold Ltd until 1998, and remained a non-executive director until 2000.

Since February 2011 Mr Atkins has been a Director – Corporate Finance at Patersons Securities Limited where he advises on the formation of, and capital raising for, emerging companies in the Australia resources sector.

He is currently non-executive chairman of Australian listed company Azumah Resources Ltd and non-executive director of Enterprise Uranium Limited.

During the past three years, Mr Atkins has also served as a director of the following publicly listed companies:

- Westgold Resources Ltd (resigned October 2012)
- Matsa Resources Ltd (resigned 30 November 2009)

Mark Wilson is a Member of the Institution of Engineers, Australia and a Chartered Professional Engineer with an Associateship in Civil Engineering from Curtin University in Western Australia. He has an extensive business background, mainly in corporate management and project engineering. This has included site management of remote construction projects, ten years of commercial construction as a founding proprietor of a Perth based company and the past twenty years in executive, non-executive, consulting and owner roles in resource focused companies. During the past three years Mr Wilson held the position of non executive director of Eureka Energy Limited.

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY CONT'D

Derek Waterfield is a Member of the Australian Institute of Geoscientists and a graduate of the University of Queensland (B.Sc. Hons). He has over 20 years' experience in gold, base metals, iron ore, nickel and uranium exploration throughout Australia and Cameroon.

He started his career with CRA Exploration Pty Ltd and has held senior exploration leadership positions with Normandy Mining and Newmont Australia, and led the team that discovered the Moolart Well gold deposit in the Duketon Belt 350km north of Kalgoorlie. He was Exploration Manager at Legend Mining for five years managing Legend's WA and Cameroon projects. More recently he has been Exploration Manager for Enterprise Metals Ltd, responsible for gold, iron ore, uranium and base metal exploration in WA. Mr Waterfield has not held any former public company directorships in the last 3 years.

Dermot Ryan is a Fellow of the Australian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Geoscientists, a Chartered Professional Geologist and a graduate from Curtin University in Western Australia (B.App.Sc.). He has over 30 years' experience in the discovery and successful development of gold, base metals, iron ore and diamond deposits. He has spent 20 years with the CRA (Rio Tinto) group of companies, including ten years as chief geologist for CRA Exploration in various parts of Australia. He was general manager exploration for Great Central Mines / Normandy Yandal Operations in the five year period up to 2001. He has acted as a mineral exploration consultant to both private and public mining and exploration companies in Western Australia, with an emphasis on the gold industry.

On 14 October 2008, Mr Ryan became an executive director of ASX listed company Revere Mining Limited, which subsequently changed its name to Enterprise Metals Limited ("ENT") on 4 December 2008. Mr Ryan is also non-executive director of Enterprise Uranium Limited.

Dennis Wilkins (Company Secretary) is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry.

Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

He is currently non-executive Chairman of Australian listed company Key Petroleum Limited.

3. EARNINGS PER SHARE

Basic profit per share:	0.112 cents
Diluted profit per share:	0.112 cents

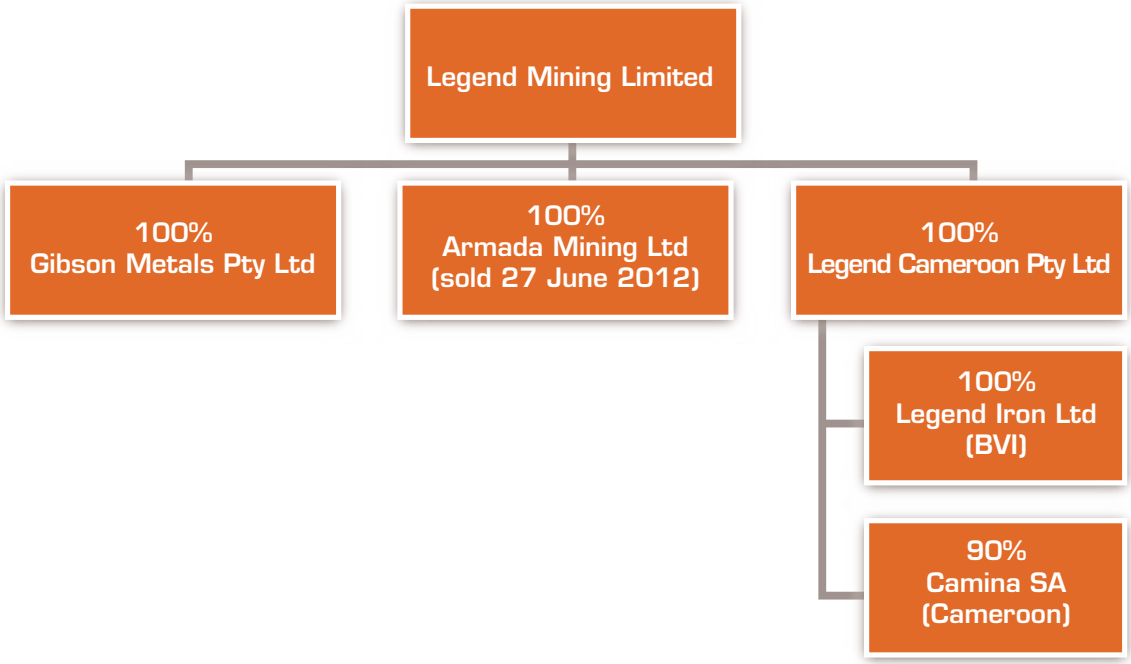
4. DIVIDENDS

No dividend has been paid or recommended during the financial year.

5. CORPORATE INFORMATION

Corporate Structure

Legend Mining Limited is a company limited by shares that is incorporated and domiciled in Australia. Legend Mining Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Nature of Operations and Principal Activities

The principal activities during the year of the entities within the consolidated entity were:

- exploration for iron and gold deposits in Australia and Cameroon.

Employees

The consolidated entity had a staff of 66 employees at 31 December 2012 (2011: 58 employees).

6. OPERATING AND FINANCIAL REVIEW

Results of Operations

The net profit after income tax of the consolidated entity for the year was $2,215,446 (2011: $4,250,169 loss).

Review of Operations

The Directors' Review of Activities for the year ended 31 December 2012 is contained on pages 3 to 15 of the Annual Report.

Summarised Operating Results

Exploration Expenditure Write-Off: Deferred expenditure on tenements surrendered or withdrawn during the year amounted to nil and was expensed to the income statement (2011: $1,046,209).
Deferred Exploration Costs: Total deferred expenditure on tenements capitalised during the year amounted to $6,418,922 (2011: $5,768,709).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2012 Legend has:

- Settled the sale of the Mt Gibson Gold Project to Extension Hill Pty Ltd on 13 March 2012. Legend received $6,800,451 million cash after adjustments for outgoings, employee benefits and storm damage allowance. Legend also received $1,389,000 million being the term deposit which secured the environmental bonds for the project.
- Completed the sale of the Pilbara Project Tenements (including sale of the subsidiary company Armada Mining Limited) to ASX listed company Artemis Resources Limited. The sale consideration was 60 million fully paid ordinary shares in Artemis, with this shareholding subject to a 12 months voluntary escrow.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation in Australia and legislation in Cameroon. 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. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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. SHARE OPTIONS

Unissued shares

As at the date of this report, there were 1,244,400,000 unissued ordinary shares under options. Refer to note 19 for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

There were no shares issued as a result of the exercise of options during the financial year.

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matter or circumstance has arisen since the end of the financial year which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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:

(i) 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

(ii) 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.

13. REMUNERATION REPORT AUDITED

The compensation arrangements in place for key management personnel of Legend are set out below:

Details of key management personnel

Directors

M Atkins	Chairman (non-executive)
M Wilson	Managing Director
D Waterfield	Executive Director – Technical (appointed 1 November 2012)
D Ryan	Non-Executive Director

The requirement to disclose remuneration for the top five remunerated Company and Group executives was removed by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, effective for reporting periods commencing on or after 1 July 2011. For comparative purposes only, the following tables and related information includes the remuneration and securities holdings for the period to 31 December 2011 for those employees who were classified as executives but who do not meet the definition of key management personnel. Hence their details for the 2012 financial year are not disclosed.

Compensation Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principle in its compensation framework:

- Provide competitive rewards to attract high-calibre executives.

Remuneration Committee

Due to the size of Legend, remuneration is considered by the full Board. The Board reviews remuneration packages and policies applicable to the directors and senior executives. 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.

Compensation Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Objective of Non-Executive Director Compensation

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure of Non-Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 16 May 2012 when shareholders approved the aggregate remuneration of $300,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

13. REMUNERATION REPORT CONT'D

Objective of Senior Management and Executive Director Compensation

The company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the company and so as to:

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

Structure of Senior Management and Executive Director Compensation

In determining the level and make-up of executive compensation, the Board engages external consultants to provide independent advice.

It is the Board's policy that an employment contract is entered into with key executives.

Compensation consists of a fixed compensation element and the issue of options from time to time at the directors' discretion under the Employee Share Option Plan. Any issue of options to directors under the Employee Share Option Plan requires prior shareholder approval.

Fixed Compensation

Fixed compensation is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Senior managers are given the opportunity to receive their fixed (primary) compensation in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Employment Contracts

The Managing Director, **Mr Mark Wilson**, is employed under contract. The current contract commenced on 1 July 2011 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Wilson received remuneration of $320,000 per annum inclusive of superannuation until 31 March 2012. Effective 1 April 2012 Mr Wilson received remuneration of $400,000 per annum exclusive of superannuation. Effective 1 January 2013 Mr Wilson will receive remuneration of $320,000 per annum exclusive of superannuation;
- Mr Wilson may resign from his position and thus terminate his contract by giving one month written notice;
- The company may terminate Mr Wilson's employment contract by providing six months' written notice if the position has become redundant, or three months' written notice in all other circumstances; and
- The Company may terminate Mr Wilson's contract at any time without notice if serious misconduct has occurred.

13. REMUNERATION REPORT CONT'D

Mr Michael Atkins, is employed under contract. The current contract commenced on 1 July 2011 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Atkins received remuneration of $72,000 per annum inclusive of superannuation until 31 March 2012. Effective 1 April 2012 Mr Atkins received remuneration of $100,000 per annum exclusive of superannuation. Effective 1 January 2013 Mr Atkins will receive $80,000 per annum exclusive of superannuation;
- Mr Atkins' agreement provides for engagement of consultancy services outside of the scope of the ordinary duties of a non-executive chairman. In addition to the director's fees above, Mr Atkins is paid $2,000 per day (inclusive of superannuation) for the provision of these consultancy services.
- Mr Atkins' appointment is contingent upon satisfactory performance and successful re-election by shareholders of the Company;
- Mr Atkins may resign from his position and thus terminate his contract by giving written notice; and
- The Company may terminate Mr Atkins' contract by way of resolution of the Company.

Mr Dermot Ryan, is employed under contract. The current contract commenced on the 1 July 2011 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Ryan received remuneration of $45,000 per annum inclusive of superannuation until 31 March 2012. Effective 1 April 2012 Mr Ryan received remuneration of $60,000 per annum exclusive of superannuation. Effective 1 January 2013 Mr Ryan will receive $48,000 exclusive of superannuation;
- Mr Ryan's appointment is contingent upon satisfactory performance and successful re-election by shareholders of the Company;
- Mr Ryan may resign from his position and thus terminate his contract by giving written notice; and
- The Company may terminate Mr Ryan's contract by way of resolution of the Company.

Mr Derek Waterfield, is employed under contract. The current contract commenced on 1 November 2012 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Waterfield receives remuneration of $220,000 per annum exclusive of superannuation;
- Mr Waterfield may resign from his position and thus terminate his contract by giving one month written notice;
- The company may terminate Mr Waterfield's employment contract by providing three months' written notice if the position has become redundant, or one months' written notice in all other circumstances; and
- The Company may terminate Mr Waterfield's contract at any time without notice if serious misconduct has occurred.

Employee Share Option Plan

The Board has in place an Employee Share Option Plan allowing share options to eligible employees in order to provide them with an incentive to provide growth and value to all shareholders.

13. REMUNERATION REPORT CONT'D

Compensation of Key Management Personnel for Year Ended 31 December 2012

Name	Year	Short term Salary and Fees $	Post Employment Super-annuation $	Share based payments options $	Move-ments in leave provisions $	Total $	% of compen-sation granted as options	% of performance related re-muneration
Director								
M Atkins	2012	158,555*	14,270	-	-	172,825	-	-
	2011	63,306	5,697	-	-	69,003	-	-
M Wilson	2012	373,394	33,605	-	20,266	427,265	-	-
	2011	261,468	23,532	-	24,637	309,637	-	-
D Waterfield	2012+	45,004	4,050	-	1,974	51,028	-	-
D Ryan	2012	55,321	4,979	-	-	60,300	-	-
	2011	38,991	3,509	-	-	42,500	-	-
Executive								
F Mabou	2011	88,994	-	-	-	88,994	-	-
D Wilkins	2011	50,101	-	-	-	50,101	-	-
T Walsh & B White	2011	55,637^	-	-	-	55,637	-	-
L Sapor	2011	113,333	10,200	-	9,807	133,340	-	-
D Waterfield	2011+	43,603	4,023	-	(36,514)	11,112	-	-
P Petrovic	2011	88,358	-	-	-	88,358	-	-
Total	2012	632,274	56,904	-	22,240	711,418	-	-
	2011	803,791	46,961	-	(2,070)	848,682	-	-

* This amount includes $67,033 for consultancy services outside of the scope of the ordinary duties of a non-executive chairman.

^ An amount of $53,802 is included in this figure for the provision of fees for Mr Brett White, who was the company's joint company secretary and chief financial officer, and is a subcontractor to Mr Tony Walsh. Messers Walsh and White resigned as joint company secretaries on 8 July 2011.

\+ Mr Derek Waterfield commenced as Executive Director - Technical on 1 November 2012. Mr Waterfield was previously employed as exploration manager from which position he resigned on 21 January 2011.

Options and rights over equity instruments granted as compensation 2012 to key management personnel.

No options have been granted to key management personnel from 1 January 2012 to the date of this report.

Details of vesting profiles of options granted as remuneration to each key manage-ment personnel of the Group.

No options have vested, or are vesting, with any key management personnel of the Group from 1 January 2012 to the date of this report.

13. REMUNERATION REPORT CONT'D

Exercise of options granted as compensation

31-Dec-12 Name	Balance at beginning of year 1 Jan 2012	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2012	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
M Atkins	5,000,000	-	-	-	5,000,000	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000	-	55,000,000
D Waterfield	3,000,000^	-	-	-	3,000,000	-	3,000,000
Total	63,000,000	-	-	-	63,000,000	-	63,000,000

31-Dec-12 Name	Balance at beginning of year 1 Jan 2011	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2011	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
M Atkins	5,000,000	-	-	-	5,000,000	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000	-	55,000,000
Executive							
T Walsh	500,000	-	-	-	500,000*	-	500,000*
D Waterfield	4,000,000	-	-	-	4,000,000*	-	4,000,000*
P Petrovic	1,300,000	-	-	-	1,300,000	-	1,300,000
Total	65,800,000	-	-	-	65,800,000	-	65,800,000

^ Opening balance at date of appointment. One million options held by Mr Waterfield lapsed during the period between his resignation as exploration manager on 21 January 2011 and his appointment as Executive Director – Technical on 1 November 2012.

* Closing balance at respective dates of resignation.

During the year, no shares were issued on exercise of options previously granted as compensation.

Value of options awarded, exercised and lapsed during the year

No options were granted as compensation to directors and key management personnel in 2012 or 2011.

13. REMUNERATION REPORT CONT'D

Option holdings of Directors and Key Management Personnel

(i) Options (listed) over Ordinary Shares in Legend Mining Limited (number)

There have been no listed options on issue during either the 2011 or 2012 years, hence nil holdings of listed options for all key management personnel.

(ii) Options (unlisted) over Ordinary Shares in Legend Mining Limited (number)

31-Dec-12	Balance 1-Jan-12	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-12
Directors					
M Atkins	5,000,000	-	-	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000
D Waterfield	(1)3,000,000	-	-	-	3,000,000
D Ryan	-	-	-	-	-
	63,000,000	-	-	-	63,000,000

31-Dec-11	Balance 1-Jan-11	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-11
Directors					
M Atkins	5,000,000	-	-	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000
D Ryan	-	-	-	-	-
Executives					
F Mabou	71,200,000	-	-	-	71,200,000
D Wilkins	-	-	-	-	-
T Walsh	500,000	-	-	-	(2)500,000
L Sapor	-	-	-	-	-
D Waterfield	4,000,000	-	-	-	(2)4,000,000
P Petrovic	1,300,000	-	-	-	1,300,000
	137,000,000	-	-	-	137,000,000

(1) Opening balance at date of appointment. One million options held by Mr Waterfield lapsed during the period between his resignation as exploration manager on 21 January 2011 and his appointment as Executive Director – Technical on 1 November 2012.

(2) Closing balances at respective dates of resignation.

13. REMUNERATION REPORT CONT'D

Shareholdings of Directors and Key Management Personnel

31-Dec-12	Balance 1-Jan-12	Granted as compensation	On exercise of options	Net change	Balance 31-Dec-12
Directors					
M Atkins (Windamurah P/L) (Alkali Exploration P/L)	1,558,334	-	-	3,000,000	4,558,334
M Wilson (Chester Nominees WA P/L)	35,000,000	-	-	10,000,000	45,000,000
D Waterfield	-	-	-	(1)1,000,000	1,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-	-	-	1,025,000
	37,583,334	-	-	11,000,000	48,583,334

(1) Balance at 1 November 2012.

31-Dec-11	Balance 1-Jan-11	Granted as compensation	On exercise of options	Net change	Balance 31-Dec-11
Directors					
M Atkins (Windamurah P/L) (Alkali Exploration P/L)	1,558,334	-	-	-	1,558,334
M Wilson (Chester Nominees WA P/L)	35,000,000	-	-	-	35,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-	-	-	1,025,000
Executives					
F Mabou	8,685,475	-	-	-	8,685,475
D Wilkins	-	-	-	-	-
T Walsh	200,000	-	-	-	(1)200,000
L Sapor	-	-	-	-	-
D Waterfield	1,000,000	-	-	-	(1)1,000,000
P Petrovic	200,000	-	-	-	200,000
	47,668,809	-	-	-	47,668,809

(1) Closing balance at respective dates of resignation.

14. DIRECTORS' MEETINGS

The number of Meetings of Directors held during the year and the number of Meetings attended by each Director was as follows:

Name	No. of Meetings Attended	No. of Meetings Held Whilst A Director
Attended by:		
Michael Atkins	10	10
Mark Wilson	10	10
Derek Waterfield	2	2
Dermot Ryan	10	10

15. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the company in accordance with the *Corporations Act 2001*, at the date of this report is as follows:

Name	Ordinary shares	Options over ordinary shares
M Atkins (Windamurah P/L), (Alkali Exploration P/L)	4,558,334	5,000,000
M Wilson (Chester Nominees WA P/L)	45,000,000	55,000,000
D Waterfield	1,000,000	3,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-

16. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Non-audit services

There were no non-audit services provided by the Company's auditor, Ernst & Young during the 2012 financial year.

We have received the Declaration of Auditor Independence from Ernst & Young, the Company's Auditor. This is available for review on page 77 and forms part of this report.

SIGNED in accordance with a Resolution of the Directors on behalf of the Board

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Mark Wilson
Managing Director

Dated this 1st day of March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	2012 $	Restated 2011 $
Rental revenue	4(a)	20,168	500,000
Finance revenue	4(b)	582,248	280,553
Other income	4(c)	6,269,871	582,514
Employee benefits expense	4(d)	(879,415)	(543,439)
Deferred exploration expenditure written off	4(e)	-	(1,046,209)
Other expenses	4(f)	(1,132,390)	(4,657,147)
Corporate and administration expenses	4(g)	(1,115,455)	(1,003,426)
Finance costs	4(h)	(6,831)	(34,757)
Net profit/(loss) from continuing operations before income tax expense		3,738,196	(5,921,911)
Income tax (expense)/benefit	6	(1,522,750)	1,671,742
Net profit/(loss) for the year		**2,215,446**	**(4,250,169)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Movement in foreign currency translation reserve		379,669	(1,319,501)
Items that will not be reclassified to profit or loss			
Non-controlling interest in foreign currency translation reserve		42,186	(146,612)
Other comprehensive income for the year, net of tax		421,855	(1,466,113)
Total comprehensive (loss)/income for the year		**2,637,301**	**(5,716,282)**
Net profit/(loss) attributable to:			
Members of Legend Mining Limited		2,215,446	(4,250,169)
Non-controlling interest		-	-
		2,215,446	**(4,250,169)**
Comprehensive income/(loss) attributable to:			
Members of Legend Mining Limited		2,595,115	(5,569,670)
Non-controlling interest		42,186	(146,612)
		2,637,301	**(5,716,282)**
PROFIT/(LOSS) PER SHARE (cents per share)			
Basic profit/(loss) for the year	5	0.112	(0.241)
Diluted profit/(loss) for the year	5	0.112	(0.241)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 $	Restated 2011 $	Restated 2010 $
ASSETS				
Current Assets				
Cash and cash equivalents	8	9,958,535	8,423,590	6,676,441
Trade & other receivables	9	14,283	28,565	105,785
Prepayments	10	53,692	50,375	88,113
Inventory		10,556	10,810	-
Other financial assets	11	3,895,850	4,311,250	8,602,503
		13,932,916	12,824,590	15,472,842
Assets of disposal group classified as held for sale	12	-	5,443,494	497,944
Total Current Assets		13,932,916	18,268,084	15,970,786
Non-current Assets				
Prepayments	10	-	376,547	-
Deferred tax asset	6	-	11,071	-
Other financial assets	11	66,134	66,134	1,548,061
Property, plant & equipment	13	1,114,928	1,177,201	725,014
Deferred exploration costs	14	38,904,952	32,141,786	33,669,883
Total Non-current Assets		40,086,014	33,772,739	35,942,958
TOTAL ASSETS		54,018,930	52,040,823	51,913,744
LIABILITIES				
Current Liabilities				
Trade & other payables	15	461,630	667,194	325,467
Current tax liabilities		1,400,105	-	-
Provisions	16	80,232	108,781	52,696
		1,941,967	775,975	378,163
Liabilities of disposal group classified as held for sale	12	-	1,646,337	-
Total Current Liabilities		1,941,967	2,422,312	378,163
Non-current Liabilities				
Provisions	16	35,620	43,273	1,529,254
Deferred tax liability	6	140,567	-	1,918,977
Total Non-current Liabilities		176,187	43,273	3,448,231
TOTAL LIABILITIES		2,118,154	2,465,585	3,826,394
NET ASSETS		51,900,776	49,575,238	48,087,350
EQUITY				
Equity attributable to equity holders of the parent				
Contributed Equity	17	59,860,159	60,171,922	53,075,655
Reserves	18	17,898,298	17,518,629	18,730,227
Accumulated losses		(27,914,463)	(30,129,909)	(25,879,740)
Total parent entity interest		49,843,994	47,560,642	45,926,142
Non-controlling interests		2,056,782	2,014,596	2,161,208
TOTAL EQUITY		51,900,776	49,575,238	48,087,350

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2012 $	2011 $
Receipts from customers		207,515	687,989
Payments to suppliers and employees		(2,014,743)	(1,658,705)
Interest received		589,591	272,458
Finance costs		(19,944)	(34,757)
Net cash flows used in operating activities	22(ii)	(1,237,581)	(733,015)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tenements and property, plant & equipment & scrap		7,795,000	301,055
Purchase of property, plant & equipment	13	(550,984)	(783,050)
Payment for deposit on property, plant and equipment	10	-	(376,547)
Payment for the purchase of investments		(1,874,659)	-
Proceeds from the sale of investments	4(c)	2,033,993	2,324,641
Payment for exploration and evaluation		(5,584,754)	(6,247,517)
Dividends received	4(c)	12,000	74,667
Refund of performance bonds		1,389,000	92,927
Net cash flows from/(used in) investing activities		3,219,596	(4,613,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	7,560,000
Payments for share buy-back		(455,333)	-
(Refund of)/receipts for share issue that did not proceed	15	(71,130)	71,130
Payments of share issue transaction costs		(10,790)	(448,009)
Net cash flows (used in)/from financing activities		(537,253)	7,183,121
Net increase in cash and cash equivalents		1,444,762	1,836,282
Cash and cash equivalents at the beginning of year		8,423,590	6,676,441
Effects of exchange rate movements on cash and cash equivalents		90,183	(89,133)
Cash and cash equivalents at end of year	22	9,958,535	8,423,590

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Contributed Equity $	Foreign Currency Translation Reserve $	Share Option Premium Reserve $	Accumulated Losses $	Non-controlling interests $	Total Equity $
At 1 January 2011 (Previously Reported)	53,075,655	(546,348)	22,309,675	(25,879,740)	(85,533)	48,873,709
Correction of error	-	(3,033,100)	-	-	2,246,741	(786,359)
At 1 January 2011 (Restated)	53,075,655	(3,579,448)	22,309,675	(25,879,740)	2,161,208	48,087,350
Loss for the year	-	-	-	(4,250,169)	-	(4,250,169)
Other comprehensive income	-	(1,319,501)	-	-	(146,612)	(1,466,113)
Total comprehensive loss for the year	-	(1,319,501)	-	(4,250,169)	(146,612)	(5,716,282)
Share based payments	-	-	107,903	-	-	107,903
Issue of shares	7,662,000	-	-	-	-	7,662,000
Cost of issue of share capital	(565,733)	-	-	-	-	(565,733)
At 31 December 2011 (Restated)	60,171,922	(4,898,949)	22,417,578	(30,129,909)	2,014,596	49,575,238
At 1 January 2012 (Restated)	60,171,922	(4,898,949)	22,417,578	(30,129,909)	2,014,596	49,575,238
Profit for the year	-	-	-	2,215,446	-	2,215,446
Other comprehensive income	-	379,669	-	-	42,186	421,855
Total comprehensive income for the year	-	379,669	-	2,215,446	42,186	2,637,301
Share buy-back	(482,770)	-	-	-	-	(482,770)
Issue of shares	200,000	-	-	-	-	200,000
Cost of issue of share capital	(28,993)	-	-	-	-	(28,993)
At 31 December 2012	59,860,159	(4,519,280)	22,417,578	(27,914,463)	2,056,782	51,900,776

The accompanying notes form part of these financial statements

1: CORPORATE INFORMATION

The financial report of Legend Mining Limited (the Company) for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 1 March 2013.

Legend Mining Limited is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries together referred to as the Group or consolidated entity.

The nature of the operations and principal activities of the Group are described in note 3.

2: SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain financial assets carried at fair value.

The financial report is presented in Australian dollars and all values are expressed as whole dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

b. Statement of compliance

The consolidated financial report of the group complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

c. Correction of prior-period errors

On 4 February 2010, Legend Mining Limited acquired 90% of the share capital of Camina SA, a company holding certain exploration and development licences in Cameroon.

During the current reporting period the Group reviewed its accounting treatment of the transaction, and consequently recognised the full value of the net assets acquired, and the non-controlling interest therein to reflect the non-controlling interest in the exploration and evaluation asset acquired.

In addition, the group has made adjustments to the carrying amount of exploration assets acquired to reflect the value of the assets in the functional currency of the operation to which the assets relate and to translate the assets into Australian dollars at the applicable period end rate pursuant to the requirements of AASB121: The Effects of Changes in Foreign Exchange Rates. Previously the exploration assets acquired had been accounted for at cost in the functional currency of the parent and not in the functional currency of the operation to which the assets relate.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

The impact of the correction of the error on the 31 December 2011 comparatives is summarised as follows:

	31 December 2011 (Previously Reported) $	Increase / (Decrease) $	Restated 31 December 2011 $
Statement of Financial Position (Extract)			
Deferred exploration costs	34,051,515	(1,909,729)	32,141,786
NET ASSETS	51,484,967	(1,909,729)	49,575,238
Reserves	21,562,762	(4,044,133)	17,518,629
Non-controlling interests	(119,808)	2,134,404	2,014,596
TOTAL EQUITY	51,484,967	(1,909,729)	49,575,238

Statement of Financial Position amounts other than those mentioned above were not affected by the correction of the prior period error.

Statement of Comprehensive Income (Extract)			
Other comprehensive income for the year	(342,743)	(1,123,370)	(1,466,113)
Comprehensive loss attributable to:			
Members of Legend Mining Limited	(4,558,637)	(1,011,033)	(5,569,670)
Non-controlling interest	(34,275)	(112,337)	(146,612)
Total comprehensive loss for the year	(4,592,912)	(1,123,370)	(5,716,282)

The correction of the error did not have any impact on the earnings/(loss) per share.

d. New Accounting Standards and Interpretations

i. New Accounting Standards

The Company has adopted all new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available and are detailed below.

- AASB 1054 Australian Additional Disclosures: This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place. Adoption of this standard did not have a significant impact on the financial statements of the Group.

- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]: The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale. Adoption of this standard did not have a significant impact on the financial statements of the Group.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

ii. Accounting Standards and Interpretations issued but not yet effective

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101] (applicable for annual reporting periods commencing on or after 1 July 2012).

  This standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable for annual reporting periods commencing on or after 1 July 2013).

  This standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.

- AASB 1053: Application of tiers of Australian Accounting Standards (applicable for annual reporting periods commencing on or after 1 July 2013).

  This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:
  (a) Tier 1: Australian Accounting Standards
  (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements

  Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

  The following entities apply Tier 1 requirements in preparing general purpose financial statements:
  (a) For-profit entities in the private sector that have public accountability (as defined in this Standard)
  (b) The Australian Government and State, Territory and Local Governments

  The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:
  (a) For-profit private sector entities that do not have public accountability
  (b) All not-for-profit private sector entities
  (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.

  Consequential amendments to other standards to implement the regime were introduced by AASB 2011-2.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

- AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2015).

  AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

  (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

  (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

  (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

  (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
    - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
    - The remaining change is presented in profit or loss.

  If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

  Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9, in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

- AASB 10: Consolidated Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

  Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

- AASB 11: Joint Arrangements (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.

  Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB128.

- AASB 12: Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

- AASB 13: Fair Value Measurement (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

  Consequential amendments were also made to other standards via AASB 2011-8.

- AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013).

  The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

  Consequential amendments were also made to other standards via AASB 2011-10.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

- Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 January 2013).

  This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

  The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

  Consequential amendments were also made to other standards via AASB 2011-12.

e. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities except as disclosed below:

i. Basis of consolidation

The consolidated financial statements comprise the financial statements of Legend Mining Limited and its subsidiaries ('the Group').

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In the company's financial statements, investments in subsidiaries are carried at cost.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the Consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interest's interest in the net assets comprises their interests at the date of the original business combination and their share of changes in equity since that date.

ii. Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Share-based payment transactions

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using a Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which the determination is made.

In addition, exploration and evaluation expenditure is capitalised if 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. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

iii. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the useful life of the asset from the time the asset is held ready for use.

Production assets are not depreciated during periods where mining activity is placed on a care and maintenance basis.

The depreciation rates used for each class are:

Buildings	10%
Plant and equipment	7.5% - 50%

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

iv. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of that asset. All other borrowings costs are expensed as incurred.

v. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

vi. Trade *and other receivables*

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

vii. Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

viii. Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

ix. Deferred exploration costs

Deferred exploration and evaluation costs

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period 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.

Impairment

The carrying values of exploration and evaluation costs are reviewed for impairment when facts and circumstances indicate the carrying value may not be recoverable.

The recoverable amount of exploration and evaluation costs is the greater of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the fair value of money and the risks specific to the asset.

Accumulated costs in relation to an abandoned area are written off in full against the income statement 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.

x. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

xi. Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

Interest revenue is recognised as it accrues, using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental Income

Rental income is accounted for on a straight line basis over the lease term.

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

xii. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax law used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.
Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

xiii. Other taxes

Revenue, expenses and assets are recognised net of the amount of GST except;

- where the amount of the 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.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO are classed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

xiv. Business Combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

xv. Trade and or other payables

Liabilities for trade creditors and other amounts are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of these goods and services. The amounts are unsecured and are usually paid within 30 days.

xvi. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

xvii. Share based payment transactions

The Group provides benefits to employees (including directors) of the Group and to the providers of services to the Group in the form of share based payment transactions, whereby employees or service providers render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently three scenarios in place to provide these services:
(a) 'Employees Share Option Plan', which provides benefits to eligible persons;
(b) Capital raising costs, which provide payment to stockbrokers and finance institutions for capital raising services and commissions; and
(c) Other grants of options to directors on an ad hoc basis.

The cost of the equity-settled transactions with stockbrokers and finance institutions is measured by reference to the fair value of the service received at the date they are granted.

For transactions with employees (including directors), the cost of these equity-settled transactions is measured by reference to the fair value of the options provided. The fair value is determined by an external valuer using a Black-Scholes model.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

The cost of these equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award ('vesting date').

In valuing these equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Legend Mining Limited (market conditions) if applicable.

The cumulative expense recognised for these equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However , if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

For transactions with other service providers, the cost of these equity-settled transactions is measured by reference to the value of the services provided. The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, at the time the services are provided unless they are transaction costs arising on the issue of ordinary shares, in which case the transaction costs are recognised directly in equity as a reduction of the proceeds received on the issue of shares.

xviii. Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs net of tax arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

xix. Employee Benefits

Provision is made for employee benefits accumulated as a result of employee services up to the reporting date. These employee benefits include wages, salaries, annual leave and include related on-costs such as superannuation and payroll tax.

Provision for annual leave together with the associated employment on-costs are measured at the amounts expected to be paid when the liability is settled.

No provision is made for non-vesting sick leave, as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting sick leave will never be paid.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflow.

Contributions to employee superannuation funds of choice are expensed as incurred.

xx. Earnings per share

Basic earnings per share (EPS) is calculated as net profit or loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members, adjusted for:

(a) Costs of servicing equity (other than dividends).
(b) The after tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
(c) Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

xxi. Financial risk management objectives and policies

The Group's principal financial instruments, comprise loans and borrowings, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arise from the Group's financial instruments are fair value interest rate risks, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed elsewhere in note 2 to the financial statements.

Fair value interest risk

The Group's exposure to fair value interest risk is minimal.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

Foreign currency risk

As a result of significant operations in Cameroon, the Group's statement of financial position can be affected significantly by movements in the CFA$/A$ exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by monitoring exchange rates daily and only transferring funds at the best rate possible for each individual transaction.

Commodity price risk

The Group's exposure to price risk is minimal as the group is still in an exploration phase and has no revenues from mining.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group only trades with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a mixture of long and short term debt.

Market risk

Market risk is the risk that changes in market prices, such as equity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk within acceptable parameters, while optimising the return.

To minimise the risk the Group's investments are of high quality and are publicly traded on the ASX. The investments are managed on a day to day basis so as to pick up any significant adjustments to market prices.

2: SIGNIFICANT ACCOUNTING POLICIES CONT'D

xxii. Foreign currency translation

(a) Functional and presentation currency

Both the functional and presentation currency of Legend Mining Limited, its Australian subsidiaries and Legend Iron BVI is Australian dollars ($). The Cameroon subsidiary's functional currency is Cameroon francs which is translated to the presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Translation of Group Companies' functional currency to presentation currency

The results of the Cameroon subsidiary are translated into Australian Dollars (presentation currency) at an average rate. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

If the Cameroon subsidiary were sold, the exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

3: NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated entity were:

- exploration for iron and gold deposits in Australia and Cameroon.

4: REVENUE AND EXPENSES

	Note	2012 $	2011 $
Revenues and expenses from continuing operations			
(a) **Rental Revenue**			
Rental revenue		20,168	500,000
(b) **Finance Revenue**			
Bank interest received and receivable		582,248	280,553
(c) **Other Income**			
Fair value gain on investments held for trading		412,934	-
Profit on disposal of property, plant & equipment	(i)	45,000	37,797
Field work completed by Legend Geologists		4,640	45,014
Office sublease		-	15,000
Gain on sale of tenements	(ii)	5,593,420	407,014
Management fee		200,000	-
Dividends received		12,000	74,667
Plant & equipment hire		450	180
Other		1,427	2,842
		6,269,871	582,514
(i) Profit on disposal of property, plant & equipment comprises:			
Proceeds on sale		45,000	85,000
Carrying value of assets disposed		-	(47,203)
		45,000	37,797
(ii) Profit on sale of tenements comprises:			
Proceeds on sale		7,750,000	939,500
Carrying value of assets disposed		(2,156,580)	(532,486)
		5,593,420	407,014
(d) **Employee Benefits Expense**			
Salaries & on-costs		862,674	516,341
Other employee benefits		16,741	27,098
		879,415	543,439
(e) **Deferred Exploration Expenditure written off**			
Write down of deferred exploration expenditure	14	-	1,046,209

4: REVENUE AND EXPENSES CONT'D

		2012 $	2011 $
(f)	*Other Expenses*		
	Depreciation	43,372	30,901
	Foreign exchange loss	364	16,246
	Loss on disposal of Armada Mining Limited and remaining tenements of the Pilbara Project (Note 12)	1,022,663	-
	Rehabilitation expenses	-	303,422
	Fair value loss on investments held for trading	-	3,780,668
	Realised loss on sale of investments (i)	-	302,694
	Exploration expenditure not capitalised	65,991	223,216
		1,132,390	4,657,147
	(i) Loss on sale of investments comprises:		
	Proceeds on sale of listed shares	-	2,324,641
	Carrying value of investments disposed	-	(2,627,335)
		-	(302,694)
(g)	*Corporate and administration expenses*		
	Fees – Audit/Tax	126,406	88,200
	Fees – ASX	35,098	60,538
	Fees – Share registry	15,357	26,487
	Consultancy Fees	289,035	220,768
	Office rent	101,807	111,399
	Legal expenses	167,825	4,787
	Travel expenses	108,766	122,273
	Other expenses	271,161	368,974
		1,115,455	1,003,426
(h)	*Finance costs*	6,831	34,757

5: PROFIT/(LOSS) PER SHARE

		2012 $	2011 $
(a)	Reconciliation of earnings to net profit/(loss):		
	Net Profit/(Loss)	2,215,446	(4,250,169)
	Profit/(Loss) used in the calculation of basic earnings per share	2,215,446	(4,250,169)
(b)	Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	1,985,969,636	1,763,585,733
	Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	1,985,969,636	1,763,585,733

6: INCOME TAX

	2012 $	2011 $
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge/(benefit)	1,400,105	-
Deferred income tax		
Relating to origination and reversal of temporary differences	122,848	(1,699,057)
(Over)/Under Provision of Prior Year	(203)	27,315
Income tax (benefit)/expense reported in the income statement	1,522,750	(1,671,742)
A reconciliation between tax (benefit)/expense and the product of accounting (loss)/profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before tax from ordinary activities	3,738,196	(5,921,911)
Accounting profit/(loss) before income tax	3,738,196	(5,921,911)
At the Group's statutory income tax rate of 30%	1,121,459	(1,776,573)
Expenditure not allowed for income tax purposes	176,749	154,333
Gross up of imputation credits	1,543	9,600
In respect of sale of subsidiary	257,338	-
Utilisation of imputation credits to offset tax payable	(5,143)	(32,000)
(Over)/Under Provision of Prior Year	(203)	27,315
Deductible equity raising costs	(28,993)	(54,417)
Income tax expense/(benefit) reported in the consolidated income statement	1,522,750	(1,671,742)
Income tax expensed directly to equity		
Relating to equity costs	28,993	(971)
Deferred tax (income)/expense recognised in equity	28,993	(971)
Current Income Tax Liability	1,400,105	-
Deferred Income Tax		
Deferred income tax at 31 December related to the following:		
Consolidated		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(2,201)	(1,133,499)
Investments	(229,558)	-
Other	(8,729)	(6,362)
Gross deferred income tax liabilities	(240,488)	(1,139,861)
Less amounts classified as held for sale	-	257,337
Amount disclosed as deferred tax liability	(240,488)	(882,524)
Set-off of deferred tax assets	99,920	882,524
Net deferred tax liabilities disclosed	(140,567)	-

6: INCOME TAX CONT'D

	2012 $	2011 $
Deferred tax assets		
Losses available to offset against future taxable income	-	149,663
Provision for rehabilitation	-	416,700
Other provisions	43,756	58,550
Property, plant & equipment	-	66,382
Share based costs on equity	56,014	85,007
Investments	-	89,136
Other	150	28,157
Gross deferred tax assets	99,920	893,595
Set-off of deferred tax assets	(99,920)	(882,524)
Net deferred tax assets disclosed	-	11,071

Tax Consolidation

Legend Mining Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. Legend Mining Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the separate financial statements of the members of the tax consolidated group using the separate taxpayer within group method. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Members of the tax consolidated group have not entered into a tax funding agreement. As a result, the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, assumed by the Company, are recognised as a contribution from (or distribution to) equity participants.

7: SEGMENT INFORMATION

Operating Segments

AASB 8 requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. The CODM of the Group is the Board of Directors.

The Group has identified its operating segments based on the internal reports that are provided to the CODM on a regular basis. The Group has two reportable operating segments being Australia and Africa, and conducts exploration and evaluation activities in Africa.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of this financial report.

7: SEGMENT INFORMATION CONT'D

	Australia		West Africa		Total	
	2012 $	2011 (Restated) $	2012 $	2011 (Restated) $	2012 $	2011 (Restated) $
Revenue	6,865,060	1,363,067	7,227	-	6,872,287	1,363,067
Segment Result	2,208,219	(4,250,169)	7,227	-	2,215,446	(4,250,169)
Segment Assets	13,986,320	18,245,835	40,032,610	33,794,988	54,018,930	52,040,823
Segment Liabilities	(1,756,742)	(2,008,548)	(361,412)	(457,037)	(2,118,154)	(2,465,585)

Segment revenues and expenses are those directly attributable to the segments and include those expenses incurred by head office where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash and cash equivalents, receivables, property, plant and equipment, investments in listed entities and capitalised exploration. Segment liabilities consist principally of payables, employee benefits, accrued expenses and provisions.

8: CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash at bank and in hand	958,535	3,423,590
Deposits at call	9,000,000	5,000,000
	9,958,535	8,423,590

Cash at bank earns interest at floating rates based on daily bank deposit rates.
Deposits at call earn interest on a 30, 60 and 90 day term basis at bank deposit rates.

9: TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Current		
Trade Receivables	-	7,357
Other Receivables	14,283	21,208
	14,283	28,565

Terms and conditions relating to the above financial instruments

- Trade receivables are non-interest bearing and generally on 30 day terms.
- Other receivables are non-interest bearing and have repayment terms of between 30 and 60 days.

Trade and other receivables are not past due and no impairment is required.

10: PREPAYMENTS

	Note	2012 $	2011 $
Current			
Prepayments		53,692	50,375
Non-current			
Deposit on acquisition of property, plant and equipment (a)		-	376,547

(a) The Group had paid a deposit in relation to the acquisition of items of plant and equipment to be delivered to site in Cameroon. This amount is now included at note 13.

11: OTHER FINANCIAL ASSETS

	Note	2012 $	2011 $
Current			
Performance and other bonds (a)		-	1,389,000
Shares in Pilbara Minerals Ltd – at market value (b)		50,750	43,750
Shares in Independence Group – at market value (c)		-	2,268,000
Shares and options in Nemex Resources Ltd – at market value (d)		155,100	610,500
Shares in Artemis Resources Ltd – at market value (e)		420,000	-
Shares in Sirius Resources Ltd – at market value (f)		3,270,000	-
		3,895,850	4,311,250
Non-current			
Performance and other bonds (a)		66,134	66,134

Terms and conditions relating to the above financial instruments:

(a) Rehabilitation/Performance bonds – bank deposits were held as security for rehabilitation and credit cards, as security for joint venture assets and security for Mt Gibson rehabilitation bonds. These deposits were held on 3 and 5 month term deposits at interest rates ranging from 4.75% to 6.0% per annum. The Mt Gibson rehabilitation bond has been classified as current at 31 December 2011 as the Mt Gibson assets were in the process of being sold, with settlement occurring in March 2012, refer to note 31.

(b) Shares in Pilbara Minerals Ltd – 1,750,000 shares were on hand at 31 December 2012. The shares had a market value of $0.029 each at 31 December 2012 ($0.025 at 31 December 2011).

(c) Shares in Independence Group – nil shares were on hand at 31 December 2012 (600,000 shares at $3.78 at 31 December 2011).

(d) Shares and options in Nemex Resources Ltd – 3,300,000 shares and 1,650,000 options were on hand at 31 December 2012. The shares had a market value of $0.042 each and the options had a market value of $0.01 each at 31 December 2012 (2011: 3,300,000 shares at $0.16, and 1,650,000 options at $0.05).

(e) Shares in Artemis Resources Ltd – 60,000,000 shares were on hand at 31 December 2012. The shares had a market value of $0.007 each at 31 December 2012.

(f) Shares in Sirius Resources Ltd – 1,500,000 shares were on hand at 31 December 2012. The shares had a market value of $2.18 each at 31 December 2012.

The equity investments are all classified as held for trading. The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

12: DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2012 $	2011 $
Assets		
Deferred exploration costs	-	5,443,494
	-	5,443,494
Liabilities		
Provisions	-	1,389,000
Deferred tax liability	-	257,337
	-	1,646,337

On 27 June 2012 Legend completed the sale of Armada Mining Limited, its 100% owned subsidiary, as well as the remaining tenements at its Pilbara project. Sale consideration was 60 million fully paid ordinary shares in Artemis Resources Limited, at a market value of $720,000 at completion. Completion of the sale resulted in a loss to the Group of $1,022,663 on disposal of Armada and the remaining tenements of the Pilbara project.

On 22 November 2011 Legend announced its intention to sell the Mt Gibson Gold Project to Top Iron Pty Ltd. The Project was subject to a first right of refusal held by Extension Hill Pty Ltd, who successfully exercised the right with completion of the sale on 12 March 2012. Legend received $6,800,451 cash after adjustments for outgoings, employee benefits and storm damage allowance. Legend also received $1,389,000 being the term deposit which secured the environmental bonds for the project. The Group recognised a gain of $4,843,420 on sale of the Mt Gibson Gold Project.

13: PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Total
	$	$	$
At 1 January 2012			
Net of accumulated depreciation	270,570	906,631	1,177,201
Exchange differences	(3,669)	(21,379)	(25,048)
Additions	66,408	484,576	550,984
Transfer from prepayments (note 10)	-	376,547	376,547
Reclassification to deferred exploration costs	-	(576,190)	(576,190)
Depreciation expense	(33,995)	(354,571)	(388,566)
At 31 December 2012			
Net of accumulated depreciation	299,314	815,614	1,114,928
At 1 January 2012			
Cost	304,090	1,272,654	1,576,744
Accumulated depreciation	(33,520)	(366,023)	(399,543)
Net carrying amount	270,570	906,631	1,177,201
At 31 December 2012			
Cost	366,781	1,436,491	1,803,272
Accumulated depreciation	(67,467)	(620,877)	(688,344)
Net carrying amount	299,314	815,614	1,114,928
At 1 January 2011			
Net of accumulated depreciation	163,536	561,478	725,014
Exchange differences	(14,047)	(57,886)	(71,933)
Additions	144,908	638,142	783,050
Disposals	-	(47,203)	(47,203)
Depreciation expense	(23,827)	(187,900)	(211,727)
At 31 December 2011			
Net of accumulated depreciation	270,570	906,631	1,177,201
At 1 January 2011			
Cost	457,606	1,036,300	1,493,906
Accumulated depreciation	(294,070)	(474,822)	(768,892)
Net carrying amount	163,536	561,478	725,014
At 31 December 2011			
Cost	304,090	1,272,654	1,576,744
Accumulated depreciation	(33,520)	(366,023)	(399,543)
Net carrying amount	270,570	906,631	1,177,201

14: DEFERRED EXPLORATION COSTS

	Note	2012 $	2011 $	2010 $
Deferred exploration costs incurred		17,044,167	10,797,751	11,202,478
Deferred exploration costs acquired		21,860,785	21,344,035	22,467,405
		38,904,952	32,141,786	33,669,883

Deferred exploration and evaluation costs			
At 1 January, at cost		32,141,786	33,669,883
Exchange differences		(231,946)	(1,305,047)
Expenditure incurred during the year		6,418,922	5,768,709
Reclassification from plant and equipment		576,190	-
Assets reclassified as held for sale		-	(4,945,550)
Expenditure written off during the year	14(i)	-	(1,046,209)
At 31 December, at cost	14(ii)	38,904,952	32,141,786

Note:

(i) Carrying values for certain tenements were reviewed and written-off based on the following:
1. no substantive expenditure for further exploration in the specific areas has been budgeted for;
2. exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources;
3. it was decided to discontinue such activities in the specific areas.

(ii) The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

15: TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current – unsecured		
Trade payables	101,190	228,823
Other payables and accruals	360,440	367,241
Funds received for share issue that did not proceed (a)	-	71,130
	461,630	667,194

Terms and conditions relating to the above financial instruments
(i) Trade payables are non-interest bearing and normally settled on 30 day terms.
(ii) Other payables are non-interest bearing and normally settled as they fall due.
(iii) There are no trade payables past due for payment.

(a) These amounts were received in relation to the proposed tranche 2 of the capital raising during November 2011. As announced in December 2011, tranche 2 did not proceed, and these funds were returned during January 2012.

16: PROVISIONS

	2012 $	2011 $
Current		
Employee benefits	80,232	108,781
Non-Current		
Employee benefits	35,620	43,273
Number of employees at year end	66	58
Movement in provision for restoration:		
Carrying amount at beginning of the year	-	1,481,927
Additional provision	-	196
Provision released on sale of project	-	(93,123)
Liabilities reclassified as held for sale	-	(1,389,000)
Carrying amount at year end	-	-

A provision for restoration was recognised in relation to the mining and exploration activities for costs such as reclamation, waste site closure, plant closure and other costs associated with restoration for the Mt Gibson Gold Project. The provision was disposed with the project, refer note 12.

17: CONTRIBUTED EQUITY

	2012 $	2011 $
Ordinary shares		
Issued and fully paid	63,090,616	63,373,386
Issue costs	(3,230,457)	(3,201,464)
	59,860,159	60,171,922

Movement in ordinary shares on issue 2012	No	$
At 1 January 2012	1,980,350,801	63,373,386
7-May-12 Issue of shares pursuant to agreement	10,000,000	200,000
14-November-12 Share buy-back	(6,883,117)	(482,770)
	1,983,467,684	63,090,616

17: CONTRIBUTED EQUITY CONT'D

Movement in ordinary shares on issue 2011	No	$
At 1 January 2011	1,729,350,801	55,711,386
7-Jan-11 Issue of shares on exercise of options	5,000,000	200,000
2-Feb-11 Issue of shares on exercise of options	2,500,000	100,000
8-Mar-11 Issue of shares pursuant to services rendered	2,000,000	102,000
6-Apr-11 Issue of shares on exercise of options	1,250,000	50,000
21-Apr-11 Issue of shares on exercise of options	250,000	10,000
24-Nov-11 Issue of shares for cash	240,000,000	7,200,000
	1,980,350,801	63,373,386

Effective 1 July 1998, the Corporations' legislation in place abolished the concept of authorised share capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

18: RESERVES

Movement in reserves	Foreign currency translation reserve $	Share option premium reserve $
At 1 January 2011 (Previously reported)	(546,348)	22,309,675
Correction of error	(3,033,100)	-
At 1 January 2011 (Restated)	(3,579,448)	22,309,675
Share based payments	-	107,903
Foreign currency translation	(1,319,501)	-
At 31 December 2011	(4,898,949)	22,417,578
Foreign currency translation	379,669	-
At 31 December 2012	(4,519,280)	22,417,578

Share option premium reserve

The share option premium reserve is used to record the value of share based payments provided to employees, directors and contractors, as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

19: SHARE OPTIONS

	Number	Exercise price cents per share
Unlisted options – Expiry date 22 May 2012		
At 1 January 2012	2,400,000	4.25 cents[1]
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	(2,400,000)	4.25 cents
At 31 December 2012	-	-
Unlisted options – Expiry date 16 December 2014		
At 1 January 2012	9,000,000	5.3 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	9,000,000	5.3 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2012	191,250,000	4 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	191,250,000	4 cents
Unlisted options – Expiry date 21 December 2015		
At 1 January 2012	30,000,000	6 cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	30,000,000	6 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2012	400,000,000	0 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	400,000,000	0 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2012	400,000,000	0 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	400,000,000	0 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2012	199,750,000	4 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	199,750,000	4 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2012	-	-
Options issued	14,400,000	5 cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2012	14,400,000	5 cents

[1] Reduced from 8 cents per option to 4.25 cents following the return of capital

20: SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for services received during the year is shown in the table below:

	2012 $	2011 $
Expense arising from grant of 14.4 million options to brokers	-	107,903
	-	107,903

(b) Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

Share options are granted to Eligible Persons with more than 6 months service. Eligible Persons are determined by the Board after taking into account the following considerations:

(i) the seniority of the Eligible Person and the position the Eligible Person occupies within the Group;
(ii) the length of service of the Eligible Person with the Group;
(iii) the record of employment of the Eligible Person with the Group;
(iv) the contractual history of the Eligible Person with the Group;
(v) the potential contribution of the Eligible Person to the growth of the Group;
(vi) the extent (if any) of the existing participation of the Eligible Person in the Plan; and
(vii) any other matters which the Board considers relevant.

At a General Meeting on the 4 December 2009 shareholders approved the implementation of Employee Share Option Plan No 3. The new plan differs from the previous plans in that there is no 12 month vesting period on any new options received under plan No 3. There is a significant change in the context of recent proposals by the Federal Government to change the tax treatment of options issued under incentive schemes. Removal of the vesting period requirement allows the Board maximum flexibility to make offers of options on the terms of the plans appropriate at the time, having regard for the tax environment which the proposed participants find themselves in when an offer of options is received from the company.

The new plan will not affect options that were issued prior to the date of the General Meeting, which will remain governed by Employee Option Plan No 2, which was approved by shareholders in General Meeting dated 15 May 2007.

Expense Share Option Plan, 'ExSOP'

Share options were granted as opposed to cash payments for the following expenses:

(i) capital raising costs – 14,400,000 options were granted to Azure Capital as compensation for the commission on the share issue dated 24 November 2011. The options were not issued until 9 January 2012.

20: SHARE-BASED PAYMENT PLANS CONT'D

(c) Summaries of options granted

ESOP: The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2012 No.	2012 WAEP ($)	2011 No.	2011 WAEP ($)
Outstanding balance at the beginning of the year	71,400,000	0.0417	71,400,000	0.0417
Granted during the year	-	-	-	-
Expired/lapsed during the year	(2,400,000)	0.0425	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	69,000,000	0.0417	71,400,000	0.0417
Exercisable at the end of the year	69,000,000	0.0417	71,400,000	0.0417

The outstanding balance as at 31 December 2012 is represented by:

(i) 9,000,000 options over ordinary shares with an exercise price of $0.053 each, exercisable from 16 December 2009 to 16 December 2014.

(ii) 60,000,000 options over ordinary shares with an exercise price of $0.04 each, exercisable from 4 December 2009 to 4 February 2015.

ExSOP: The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding balance at the beginning of the year	184,400,000	0.044	170,000,000	0.044
Granted during the year	-	-	14,400,000	0.050
Exercised during the year	-	-	-	-
Outstanding at the end of the year	184,400,000	0.044	184,400,000	0.044
Exercisable at the end of the year	184,400,000	0.044	184,400,000	0.044

The outstanding balance as at 31 December 2012 is represented by:

(i) 14,400,000 options over ordinary shares with an exercise price of $0.05 each, exercisable immediately and expiring on 4 February 2015.

(ii) 30,000,000 options over ordinary shares with an exercise price of $0.06 each, exercisable immediately and expiring on 21 December 2015.

(iii) 140,000,000 options over ordinary shares with an exercise price of $0.04 each, exercisable immediately and expiring on 4 February 2015.

21: RELATED PARTIES

(i) Wholly-owned group transactions

Loans made by Legend Mining Limited to wholly-owned subsidiaries are repayable on demand and are not interest bearing.

(ii) Other related party transactions

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

(iii) Ultimate parent

Legend Mining Limited is the ultimate parent company.

(iv) Loans to related parties

Legend Mining Limited advanced/(received) the following loans to/(from) its subsidiary companies during the year.

	2012 $	2011 $
Gibson Metals Pty Ltd	(5,293,473)	319,118
Armada Mining Limited	-	9,532
Legend Cameroon Pty Ltd	-	-
Camina SA	5,904,164	6,783,574

The balances outstanding to Legend Mining Limited at 31 December 2012 are as follows:

	Note	2012 $	2011 $
Gibson Metals Pty Ltd		492,292	5,785,763
Armada Mining Limited		-	566,827
Legend Cameroon Pty Ltd		18,777	18,777
Camina SA		19,656,384	13,752,220
		20,167,453	20,123,587
Provision for impairment		(511,069)	(6,371,367)
Balance		19,656,384	13,752,220

As at 31 December 2012 Legend Mining BVI Ltd also owed $7,539 (2011: $7,539) to Legend Mining Cameroon Pty Ltd.

22: CASH FLOW INFORMATION

(i) Reconciliation of Cash

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

	Note	2012 $	2011 $
Cash on hand		1,753	8,562
Cash at bank		956,782	3,415,028
Deposits at call		9,000,000	5,000,000
	8	9,958,535	8,423,590

(ii) Reconciliation of net profit/(loss) after income tax to net cash used in operating activities

Net profit/(loss) after tax	2,215,446	(4,250,169)
Adjusted for:		
Net gain on disposal of property, plant & equipment	(45,000)	(37,797)
Net gain on sale of tenements	(5,593,420)	(407,014)
Depreciation	43,372	30,901
Dividends received	(12,000)	(74,667)
Foreign exchange loss	-	(206)
Loss on disposal of Armada Mining Limited and remaining tenements of the Pilbara Project (Note 12)	1,022,663	-
Loss on sale of investments	-	302,694
Fair value (gain)/loss on investments	(412,934)	3,780,668
Deferred exploration expenditure written off	-	1,046,209
Rehabilitation expenses	-	303,422
Exploration expenditure not capitalised	65,991	223,216
Income tax expense/(benefit)	1,522,750	(1,671,742)
	(1,193,133)	(754,485)
Change in operating assets and liabilities:		
Decrease in receivables	14,700	77,220
(Decrease)/increase in provision for annual leave	(28,549)	56,085
(Decrease) in provision for long service leave	(7,653)	(4,054)
(Decrease) in payables	(22,947)	(107,977)
Increase in rehabilitation provision	-	196
Net cash used in operating activities	(1,237,581)	(733,015)

Non cash financing and investment activities

During the financial year, 10,000,000 ordinary shares were issued pursuant to a tenement acquisition agreement valued at $200,000.

During the financial year, in consideration for the sale of Armada Mining Limited and remaining tenements of the Pilbara Project, the Group received 60 million fully paid ordinary shares in Artemis Resources Limited, at a market value of $720,000 at completion.

Other than those listed above there were no other non-cash financing and investment activities transacted.

23: COMMITMENTS

(a) Exploration Expenditure Commitments

Following the sale of the Mt Gibson Gold Project and the Pilbara Project Tenements the Group no longer has any tenement holdings within Australia, and therefore no minimum expenditure requirements of the Department of Mines & Petroleum (2011: $1,441,722). All minimum expenditure requirements for the tenements held in Cameroon have been met for the current licence terms.

(b) Operating Lease Commitments

The company has a lease commitment over its office premises located at 640 Murray Street West Perth. The lease is for a period of two years commencing 1 November 2011. The lease commitment was $120,000 for the first year and is $124,800 for the second year.

24: INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2012	Interest Held 2011
Gibson Metals Pty Ltd	Ordinary	100%	100%
Armada Mining Ltd	Ordinary	-	100%
Legend Cameroon Pty Ltd	Ordinary	100%	100%
Legend Iron Ltd (BVI)	Ordinary	100%	100%
Camina SA	Ordinary	90%	90%

25: FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The consolidated 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:

2012	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	6.12%	956,782	9,000,000	1,753	9,958,535
Other financial assets	2.62%	-	50,000	16,134	66,134
		956,782	9,050,000	17,887	10,024,669
2011					
Financial assets:					
Cash and cash equivalents	2.75%	3,423,590	5,000,000	-	8,423,590
Other financial assets	4.85%	-	1,439,000	16,134	1,455,134
		3,423,590	6,439,000	16,134	9,878,724

The maturity date for all financial instruments included in the above tables is 1 year or less from balance date.

A change of 100 basis points in interest rates would result in a net gain/loss before taxation of $90,516. This is based on the interest bearing financial assets as detailed above.

(b) Credit Risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

There are no significant concentrations of credit risk within the Group.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying Amount	
	Note	2012 $	2011 $
Cash and cash equivalents	8	9,958,535	8,423,590
Trade and other receivables	9	14,283	28,565
Performance bonds	11	66,134	1,455,134
		10,038,952	9,907,289

25: FINANCIAL INSTRUMENTS DISCLOSURE CONT'D

The Company's maximum exposure to credit risk at the reporting date was $10,038,952 (2011: $9,907,289).

All group trade and other receivables are current and have not been impaired.

(c) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2012	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	461,630	(461,630)	(461,630)
Current tax liabilities	1,400,105	(1,400,105)	(1,400,105)
	1,861,735	(1,861,735)	(1,861,735)

31 December 2011	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	667,194	(667,194)	(667,194)

	6 months or less	6 months to 1 year	1 to 5 years	Total
Liquid financial assets				
Cash and cash equivalents	9,958,535	-	-	9,958,535
Trade and other receivables	14,283	-	-	14,283
	9,972,818	-	-	9,972,818
Financial liabilities				
Trade and other payables	461,630	-	-	461,630
Current tax liabilities	1,400,105	-	-	1,400,105
Net inflow/(outflow)	8,111,083	-	-	8,111,083

(d) Net Fair Value of Financial Assets and Liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2012		31 December 2011	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Held for trading financial assets	3,895,850	3,895,850	2,922,250	2,922,250
Cash and cash equivalents	9,958,535	9,958,535	8,423,590	8,423,590
Performance and other bonds	66,134	66,134	1,455,134	1,455,134
Trade and other receivables	14,283	14,283	28,565	28,565
Trade and other payables	(461,630)	(461,630)	(667,194)	(667,194)
	13,473,172	13,473,172	12,162,345	12,162,345

25: FINANCIAL INSTRUMENTS DISCLOSURE CONT'D

(e) Market Risk

Market risk relates to the risk that the fair value or future cash flows from financial instruments will fluctuate because of changes in market prices. The group's exposure to equity securities is considered high as the company has significant investments in other listed investments totalling $3,895,850 at 31 December 2012. Such risk is managed through diversification of investments and daily monitoring of price movements.

A change of 10% in market price of the shares would result in a gain/loss before taxation of $389,585.

(f) Foreign Exchange Risk

The consolidated entity is exposed to foreign currency risk on foreign currency bank balances, payments for services denominated in foreign currencies and intercompany loans that are denominated in a currency other than the functional currency. The currencies giving rise to this risk are primarily US Dollars and Cameroon Francs (XAF).

At balance date, the group had no foreign currency denominated liabilities and receivables (other than inter-company receivables and payables, which have been eliminated on consolidation). The main exposure to foreign currency risk relates to the cash holding of XAF 997,429 ($1,941) as at 31 December 2012.

Sensitivity

As at 31 December 2012, the post-tax profit of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

Based on the balance at 31 December 2012, if the Cameroon Franc strengthens by 10% against the Australian Dollar, pre-tax profit for the year would have been $194 higher. If the Cameroon Franc weakens by 10% against the Australian Dollar, pre-tax profit for the year would have been $176 lower.

26: INTEREST IN JOINT VENTURE ASSETS

Legend Mining Limited has an interest in the following joint venture assets.

Joint Venture	Project	Activity	2012 Interest	2011 Interest
Mount Marie Joint Venture	Pilbara	Nickel, Copper & Zinc Exploration	-	40%

The Mount Marie Joint Venture was included in the Pilbara project disposed of during the year, refer note 12.

27: INFORMATION RELATING TO LEGEND MINING LIMITED ("THE PARENT ENTITY")

	2012 $	2011 $
Current assets	13,866,309	13,775,097
Total assets	51,600,736	51,336,577
Current liabilities	1,580,554	298,769
Total liabilities	1,756,742	693,269
Net assets	49,843,994	50,643,308
Contributed equity	59,860,159	60,171,922
Accumulated losses	(32,433,743)	(31,946,192)
Share option premium reserve	22,417,578	22,417,578
	49,843,994	50,643,308
Loss of the parent entity after tax	(487,551)	(4,509,952)
Total comprehensive loss of the parent entity	(487,551)	(4,509,952)

28: AUDITOR'S REMUNERATION

	Consolidated	
	2012 $	2011 $
Remuneration of the auditor of the parent entity for auditing or reviewing the financial report		
- Ernst & Young	50,600	-
- Stantons International	14,636	80,652
	65,236	80,652

29: CONTINGENT LIABILITIES

There are no contingent liabilities at the date of this report.

The consolidated entity's activities in Australia are subject to the Native Titles Act and the Department of Environment. Uncertainty associated with Native Title issues may impact on the Group's future plans.

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

30: EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since the end of the financial year which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

31: DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed this financial year.

There are no franking credits available for future reporting periods.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Legend Mining Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes on pages 34-75, and the remuneration disclosures that are contained in the Remuneration report in the Directors report (pages 26–32), of the consolidated entity, are in accordance with the Corporations Act 2001, including;

i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

ii. Complying with Australian Accounting Standards' and the Corporations Regulations 2001; and

iii. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and

(b) 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 has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2012.

On behalf of the Board.

Mark Wilson
Managing Director

Dated this 1st day of March 2013

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Auditor's Independence Declaration to the Directors of Legend Mining Limited

In relation to our audit of the financial report of Legend Mining Limited for the year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
1 March 2013

GB:DR:LEGEND:010

ERNST & YOUNG

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Independent auditor's report to the members of Legend Mining Limited

Report on the financial report

We have audited the accompanying financial report of Legend Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2 (b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

GB:DR:LEGEND:009

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Legend Mining Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 27 to 33 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Legend Mining Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
1 March 2013

GB:DR:LEGEND:009

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. The information is current as at 18 March 2013.

1. Securities

Fully paid ordinary Shares

The number of holders of fully paid ordinary shares in the Company is 1,962,850,801. On a show of hands every holder of fully paid ordinary shares present in person or by proxy, shall have one vote. Upon a poll, every holder of fully paid ordinary shares present in person or by proxy has one vote for each fully paid ordinary shares held.

Distribution of Share Holders

Fully Paid Ordinary Shares			Number of Holders	Number of Shares
1	-	1,000	85	26,050
1,001	-	5,000	132	495,300
5,001	-	10,000	338	2,848,975
10,001	-	100,000	2,037	97,610,931
100,001		and over	1,384	1,861,869,545
			3,976	**1,962,850,801**
Number holding less than a marketable parcel			1,520	24,879,034

Top 20 Shareholders are as follows:

Name	Total Holdings	% Issued Capital
Yandal Investments Pty Ltd	344,750,000	17.56
Australian Gold Resources Pty Ltd	164,985,000	8.41
Brispot Nominees Pty Ltd	118,566,781	6.04
Ron Medich Properties Pty Ltd	70,000,000	3.57
Mikado Corporation Pty Ltd	53,500,000	2.73
Mr Paul Gabriel Sharbanee	49,050,000	2.50
Chester Nominees WA Pty Ltd	45,000,000	2.29
Mr Alexander Jason Elks	41,639,698	2.12
Karri Australia Pty Ltd	31,000,000	1.56
PHH Pty Limited	17,800,000	0.91
Bellarine Gold Pty Ltd	15,250,000	0.786
Mr Jimmy Thomas & Mrs Ivy Ruth Ponniah	12,077,462	0.62
Nefco Nominees Pty Ltd	10,550,000	0.54
Mr Philip Roy Trafford	10,000,000	0.51
Mr Gary Clive Berwyn Davies & Mrs Christine Ann Davies	10,000,000	0.51
Laser Holdings Pty Ltd	10,000,000	0.51
JP Morgan Nominees Australia Limited	9,226,254	0.47
Mr Brian McCubbing	9,000,000	0.46
Mr Emmanuel Cheo Suh	8,500,000	0.43
Mr Damien Michael O'Donnell & Mrs Carolyn Ann O'Donnell	7,967,183	0.406
	1,038,862,378	**52.93**

Substantial Shareholders

Substantial shareholders disclosed in substantial shareholder notices to the Company:

Name	Number of fully paid ordinary shares held	% of total Shares
Australian Gold Resources Pty Ltd and its associate Yandal Investments Pty Ltd	509,735,000	26.00
UBS AG and its related body corporate	105,983,420	5.40

Unlisted Option holders as at 18 March 2013 Class of options	Number	Number of Holders
16 December 2014 exercisable at 5.3 cents per share	9,000,000	5
21 December 2015 exercisable at 6.0 cents per share	30,000,000	1
4 February 2015 exercisable at 5.0 cents per share	14,400,000	1
4 February 2015 exercisable at 4.0 cents per share	191,250,000	9
4 February 2015 exercisable at 4.0 cents per share	199,750,000	22
4 February 2015 exercisable at nil cents per share(1)	400,000,000	18
4 February 2015 exercisable at nil cents per share (2)	400,000,000	18

Notes:

(1) The Options are exercisable once a JORC compliant resource of 250Mt of iron ore containing a minimum of 50Mt of direct shipping ore (**DSO**) is identified on the Cameroon permits.

(2) The Options are exercisable once a JORC compliant Resource of 2Bt of iron ore containing a minimum of 200Mt of DSO is identified on the Cameroon permits or the first US$60m from sales of ore from the Cameroon permits is achieved.

Each option holder holds more than 100,000 unlisted options each.

2. Tenement Information

Tenement	Location	Status	Percentage Interest
EP144	Cameroon	Granted	90%
EP195	Cameroon	Granted	90%
EP221	Cameroon	Granted	90%