



LEGEND

MINING LIMITED

A.C.N. 060 966 175

HALF - YEAR FINANCIAL REPORT

30th JUNE 2005

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Mining Limited**
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COMPANY DIRECTORY

DIRECTORS

Michael Atkins (Chairman)
Dermot Ryan (Chief Executive Officer)
Mark Wilson (Executive Director)

COMPANY SECRETARY

Andrew Chapman

REGISTERED OFFICE

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AUDITORS

Ernst & Young
Chartered Accountants
11 Mounts Bay Road
PERTH WA 6000

SHARE REGISTRY

Advanced Share Registry Services Pty Ltd
110 Stirling Highway
NEDLANDS WA 6009

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HOME EXCHANGE

Australian Stock Exchange Ltd
2 The Esplanade
PERTH WA 6000

BANKERS

National Australia Bank
1232 Hay Street
WEST PERTH WA 6005

DIRECTORS' REPORT

Your Directors submit their report for the half year ended 30 June 2005.

DIRECTORS

The names of the company's directors in office during the half-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)

Dermot Ryan (Chief Executive Officer) (appointed 13 May 2005)

Mark Wilson (Executive Director) (appointed 13 May 2005)

Murray McDonald (resigned 15 April 2005)

Ian Cowden (resigned 30 May 2005)

Andrew Chapman (appointed 15 April 2005 and resigned 30 May 2005)

RESULTS OF OPERATIONS

The loss of the consolidated entity for the half-year was \$2,987,641 (2004: profit \$94,947) after income tax.

REVIEW OF OPERATIONS

On 10 January 2005, the shareholders of Legend Mining Limited ("the Company") voted overwhelmingly in favour of the takeover of Gidgee Resources Limited, a company associated with Mr Mark Creasy. Mr Creasy had lent the Company \$5 million in late 2004 via a convertible note, and had agreed to vend in Gidgee Resources Limited for a consideration of \$3 million of Legend Shares and Options. This transaction consolidated Legend's land position in the Gidgee greenstone belt to 2,600 sq kilometres, and allowed the Company to commence exploration on a larger scale and for larger deposits than was hitherto possible.

In mid January 2005 the decision was made to place the loss making Swan Bitter underground mine on temporary care and maintenance, due to lack of mineable ore reserves. Remaining underground production focused on mining of all fully developed stopes, and underground development was minimised. Underground operations ceased at the end of February, with the care and maintenance program for the mine being completed by March 9.

The care and maintenance programme in the processing plant was completed in early April with the mill being shut down and most mine employees and contractors being re-deployed. Gold production reflects the campaign milling programme which continued through January and February. Gold production for the half year totalled 6,860 ounces.

From the end of January, Legend initiated a major near mine exploration and resource extension drilling programme, with the objective of discovering gold resources that could become the basis for new ore reserves to allow full scale mining and milling to recommence, with a minimum three years mine life.

Although Legend's exploration focus has been almost exclusively on its Gidgee property during the reporting period, the Company will continue to review how best to advance the Karratha project and increase its value for shareholders.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditors, Ernst & Young which is attached to the Directors Report.

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



D Ryan

Dated this 13th day of September 2005

Perth, Western Australia

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

In relation to our review of the financial report of Legend Mining Limited for the half-year ended 30 June 2005, 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



G H Meyerowitz
Partner
Perth
13 September 2005

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

	Note	CONSOLIDATED	
		2005	2004
		\$	\$
Sales revenues	2	4,591,805	15,709,814
Cost of sales		(5,589,031)	(14,647,675)
Gross profit/(loss)		(997,226)	1,062,139
Other income	2	220,778	77,713
Other expenses		(11,107)	-
Exploration expenditure written off		(833,285)	(1,664)
Corporate head office costs		(1,128,295)	(773,057)
Profit/(loss) from continuing operations before tax and finance costs		(2,749,135)	365,131
Finance costs		(238,506)	(244,972)
Net profit/(loss) before income tax expense		(2,987,641)	120,159
Income tax benefit/ (expense)		-	(25,212)
Net profit/(loss) attributable to members of the entity		(2,987,641)	94,947
EARNINGS/(LOSS) PER SHARE (cents per share)			
Basic for profit/(loss) for the half-year		(0.022)	0.001
Diluted for profit/(loss) for the half-year		(0.022)	0.001

CONDENSED BALANCE SHEET
HALF-YEAR ENDED 30 JUNE 2005

	Notes	CONSOLIDATED	
		As At	As At
		30 June 2005	31 December 2004
		\$	\$
ASSETS			
Current Assets			
Cash assets		1,868,945	2,163,374
Receivables		178,883	418,584
Inventories		150,000	1,647,028
Total Current Assets		2,197,828	4,228,986
Non-current Assets			
Other financial assets		2,162,694	2,133,077
Property, plant and equipment		1,499,914	1,704,463
Deferred exploration & evaluation costs		16,459,638	5,946,701
Total Non-current Assets		20,122,246	9,784,241
TOTAL ASSETS		22,320,074	14,013,227
LIABILITIES			
Current Liabilities			
Payables		1,038,270	4,372,956
Interest-bearing liabilities		-	5,564,201
Provisions		34,455	128,352
Total Current Liabilities		1,072,725	10,065,509
Non-current Liabilities			
Interest-bearing liabilities		5,000,000	-
Provisions		2,120,000	2,120,000
Total Non-current Liabilities		7,120,000	2,120,000
TOTAL LIABILITIES		8,192,725	12,185,509
NET ASSETS		14,127,349	1,827,718
EQUITY			
Issued Capital	3	31,501,459	17,969,067
Share Option Premium Reserve		2,097,272	361,890
General Reserve		19,498	-
Accumulated losses		(19,490,880)	(16,503,239)
TOTAL EQUITY		14,127,349	1,827,718

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

	CONSOLIDATED	
	30 June 2005 \$	30 June 2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,600,119	15,430,574
Payments to suppliers and employees	(7,877,028)	(10,092,565)
Payments for exploration	(4,294,570)	(782,738)
Interest received	128,961	60,573
Borrowing costs	(353,102)	(124,416)
Net cash flows from/ (used) in operating activities	<u>(7,795,620)</u>	<u>4,491,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	95,555	7,300
Payments for property, plant & equipment	(61,051)	(135,229)
Payment of final amount due to vendor for the acquisition of the Gidgee Gold Project	-	(1,300,000)
Payment for mine properties & development	-	(3,025,269)
Performance Bond Term Deposit	-	(2,057,000)
Acquisition of subsidiary, net of cash acquired	170	-
Net cash flows from/ (used in) investing activities	<u>34,674</u>	<u>(6,510,198)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	7,119,512	3,242,250
Proceeds from issue of options	1,025,892	-
Payment of share issue costs	(129,240)	(162,000)
Proceeds from borrowings	-	2,000,000
Repayment of borrowings	(549,647)	(630,597)
Net cash flows from financing activities	<u>7,466,517</u>	<u>4,449,653</u>
Net increase/(decrease) in cash and cash equivalents	(294,429)	2,430,883
Cash and cash equivalents at the beginning of period	2,163,374	2,059,068
Cash and cash equivalents at end of period	<u>1,868,945</u>	<u>4,489,951</u>

**STATEMENT OF CHANGE IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

Consolidated	Issued Capital	Share Option Premium Reserve	Retained Earnings	General Reserve	Total Equity
	\$	\$	\$	\$	\$
At 01 January 2005	17,969,067	361,890	(16,503,239)	-	1,827,718
Profit/(loss) for the half- year	-	-	(2,987,641)	-	(2,987,641)
Unrealised gain on available-for-sale investments	-	-	-	19,498	19,498
Issue of Share Capital	8,446,672	(1,618)	-	-	8,445,054
Issue of Share Capital – Acquisition of Gidgee Resources Ltd	4,776,610	-	-	-	4,776,610
Issue of Share Options – Acquisition of Gidgee Resources Ltd	-	2,475,000	-	-	2,475,000
Exercise of Share Option – Acquisition of Gidgee Resources Ltd	825,000	(825,000)	-	-	-
Cost of Issue of Share Capital	(428,890)	-	-	-	(428,890)
Cost of Issue of Share Capital– Share based payment	(87,000)	87,000	-	-	-
At 30 June 2005	<u>31,501,459</u>	<u>2,097,272</u>	<u>(19,490,880)</u>	<u>19,498</u>	<u>14,127,349</u>
At 01 January 2004	13,230,447	361,890	(7,289,519)	-	6,302,818
Profit for the half-year	-	-	94,947	-	94,947
Issue of Share Capital	3,442,250	-	-	-	3,442,250
Cost of issue of Share Capital	(162,000)	-	-	-	(162,000)
At 30 June 2004	<u>16,510,697</u>	<u>361,890</u>	<u>(7,194,572)</u>	<u>-</u>	<u>9,678,015</u>

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Legend Mining Limited as at 31 December 04, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP')

It is also recommended that the half year financial report be considered with any public announcements made by Legend Mining Limited during the half year ended 30 June 2005 in accordance with disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 34 'Interim Financial Reporting' and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for available for sale financial assets that have been measured at fair value.
For the purpose of preparing the half-year financial report, the half year has been treated as a discrete reporting period.

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with IAS 34 'Interim Financial Reports'.

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 30 June 2004 and the full year ended 31 December 2004 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as at 1 January 2004, 31 December 2004 and 30 June 2004; and
- AIFRS profit for the half year 30 June 2004 and full year 31 December 2004, to the balances reported in the 30 June 2004 half year report and 31 December 2004 full year financial report prepared under AGAAP are detailed in Note 1(e) below

(c) Summary of significant accounting policies

(i) Basis of consolidation

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

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

All intercompany balances and 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.

Gidgee Resources Ltd has been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Gidgee Resources Ltd for the three-month period from its acquisition on 7 April 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(ii) Property, plant and equipment

Property, plant and equipment is 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%
Leased plant and equipment	22.5%

Impairment

The carrying values of property, plant and equipment are reviewed for impairment 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 such indication 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.

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.

(iii) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(iv) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less.

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

(v) Trade and other receivables

Trade receivables to be settled are carried at the amounts due. Specific provision is made for any accounts, the collection of which is considered doubtful. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at the nominal amount.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(vi) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as held for trading and available-for-sale, and are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale listed shares are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance date.

(vii) Joint Venture

The consolidated entity's share of assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of condensed income and balance sheet.

(viii) Inventories

Gold Dore

Inventories are valued at the lower of weighted cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs.

Ore

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs.

Gold In Circuit

Gold in circuit is valued at the lower of cost and net realisable value. The average cash cost of production for the month is used and allocated to gold that is in the circuit at period end. These costs include mining and production costs as well as commercial, environmental, health and safety expenses and stock movements.

Stores

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis.

(ix) Deferred exploration and evaluation 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.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

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

(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 reasonable estimate is made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement.

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.

(i) Rehabilitation provision

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made, based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. These increases are accounted for on a net present value basis.

Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in the earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology and other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(xi) Leased Assets

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statements on a straight-line basis over the lease term.

(xii) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of Goods

Revenue from the sale of goods (precious metals) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are said to have passed to the buyer, for precious metals, upon the outturn (refining) of the gold dore by the refining and selling agent.

Interest

Interest revenue is recognised as it is earned or as it accrues.

Rental Income

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

Dividends

Dividend revenue is recognised when the right to receive the dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

(xiii) Income tax

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 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.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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.

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.

(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 Balance Sheet.

Cashflows are included in the Cash Flow Statement on a gross basis. The GST components of cashflows arising from investing activities which are recoverable from, or payable to the ATO are classed as operating cashflows.

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

(xiv) Recoverable amounts of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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.

(xv) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

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.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(xvi) 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 two scenarios in place to provide these services:

- (a) 'Employees Share Option Plan', which provides benefits to eligible persons; and
- (b) Capital raising costs, which provide payment to stockbrokers and finance institutions for capital raising services and commissions.

The cost of these equity-settled transactions is measured by reference to the fair value of the service received at the date they are granted.

The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions 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 service provider becomes fully entitled to the award ('vesting date')

(xvii) Interest-bearing convertible notes

On the issue of the convertible note, the fair value of the liability component is determined by calculating the present value of the capital and interest stream using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specified in convertible note.

As the contingent settlement provisions allow for the holder to call for the face value if the default event occurs, the entire instrument has been classified as debt and there is no equity component.

Issue costs on the convertible notes have been expensed as incurred.

(xviii) Issued Capital

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

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(xix) Employee Benefits

Provision is made for employee annual leave 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 their nominal amounts based on remuneration rates 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 no-vesting sick leave will never be paid.

Long service leave entitlements do not apply.

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

(xx) Earnings per share

Basic EPS is calculated as net 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 loss attributable to members, adjusted for:

- (i) Costs of servicing equity (other than dividends).
- (ii) The after tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- (iii) 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.

(d) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirements to restate comparative information for AASB 132 and AASB 139
The Group has elected to adopt this exemption and has applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below:

(i) Reconciliation of the total equity as presented under AGAAP to that under AIFRS

	CONSOLIDATED		
	31-Dec-04	30-Jun-04	1-Jan-04
	\$	\$	\$
Total equity under AGAAP	1,827,718	9,678,017	6,302,818
Adjustments to equity			
De-recognition of gold bullion as revenue (A)	(906,954)	-	-
Recognition of gold bullion as movement in cost of sales (B)	906,954	-	-
Total equity under AIFRS	<u>1,827,718</u>	<u>9,678,017</u>	<u>6,302,818</u>

- (A). Gold Dore was recognised as revenue and as a cash equivalent under AGAAP, however it does not qualify for recognition under AASB 118 'Revenues'.
- (B). Gold Dore treated as a movement in cost of sales and as inventory under AASB 102 'Inventories'

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	CONSOLIDATED	
	Year ended 31-Dec-04	Half year ended 30-Jun-04
	\$	\$
(Loss) / Profit after tax as previously reported	(9,213,720)	94,947
Adjustments to profit		
De-recognition of gold bullion as revenue (A)	(906,954)	-
Recognition of gold bullion as movement in cost of sales (B)	906,954	-
(Loss) / Profit after tax under AIFRS	<u>(9,213,720)</u>	<u>94,947</u>

- (A) Gold Dore was recognised as revenue and as a cash asset under AGAAP, however it does not qualify for recognition under AASB 118 'Revenues'.
- (B) Gold Dore treated as a movement in cost of sales and as inventory under AASB102 'Inventories'

(iii) Explanation of material adjustments to the cash flow statements

	CONSOLIDATED		
	31-Dec-04	30-Jun-04	1-Jan-03
	\$	\$	\$
Cash on hand as previously reported	3,070,328	4,489,951	3,303,622
Adjustments to cash on hand			
De-recognition of gold bullion as cash asset (A)	(906,954)	-	-
Cash on hand under AIFRS	<u>2,163,374</u>	<u>4,489,951</u>	<u>3,303,622</u>

- (A) Gold Dore was recognised as a cash asset under AGAAP, however it does not qualify for recognition under AASB 118 'Revenues'.

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 2: REVENUE AND EXPENSES

CONSOLIDATED
30 June 2005 30 June 2004
\$ \$

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Revenues from ordinary activities

i. Operating activities		
Sales revenue	4,591,805	15,709,814
ii. Other Income		
Interest revenue	128,741	60,573
Rental income	15,000	4,282
Miscellaneous income	77,037	12,858
	220,778	77,713
iii. Expenses		
Depreciation & amortisation	169,168	2,637,725
Employee Benefits	55,960	231,486
Royalties paid	91,579	370,017
Salaries and wages expense	1,119,541	1,700,890

Note:

Mining and processing assets were placed on a care and maintenance basis at the end of February 2005. Depreciation has not been charged to Condensed Income Statement for the period March 2005 to June 2005.

NOTE 3: ISSUED CAPITAL

	Jun-05 \$	Dec-04 \$
<i>Ordinary shares</i>		
Issued and fully paid	32,452,548	18,404,266
Issue costs	(951,089)	(435,199)
	31,501,459	17,969,067
 <i>Movement in ordinary shares on issue</i>	 No	 \$
At 1 January 2005	170,633,328	18,404,266
14-Feb-05 Issued for cash on capital raising	82,788,999	4,967,330
17-Feb-05 Share-based payment transaction for capital raising costs	4,994,167	299,650
07-Apr-05 Acquisition of Gidgee Resources Ltd	75,000,000	4,776,610
27-Apr-05 Issued for cash on capital raising	20,000,000	2,153,800
11-May-05 Issued for cash on exercise of share options	161,828	25,892
30 June 05 Issue for cash & option premium on exercise of share option (share certificate issued 3 July 05).	25,000,000	1,825,000
	378,578,322	32,452,548

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 4: SEGMENT INFORMATION

The consolidated entity operates in one business and geographical segment being mineral exploration and gold mining within Australia.

NOTE 5: CHANGES IN COMPOSITION OF ENTITY

Acquisition of Gidgee Resources Ltd

On the 10 January 2005, the effective date, shareholders of Legend Mining Limited approved the 100% acquisition of Gidgee Resources Ltd.

On the 7 April 2005, the settlement date, Legend Mining Limited acquired 100% of the voting shares of Gidgee Resources Ltd, an unlisted public company based in Australia, involved in the mining industry.

In connection with the acquisition, Legend Mining Limited issued 75,000,000 ordinary shares with a fair value of \$0.0636 each based on the published price of the Legend Mining Limited shares at the effective date of acquisition and issued 75,000,000 share options with a binomial value of \$0.033 each. Both shares and options are held in escrow until 19 April 2006.

The fair value of the identifiable assets and liabilities of Gidgee Resources Ltd as at settlement date are:

	Recognised on acquisition	Carrying Value
	\$	\$
Cash at bank	170	170
Deferred exploration & development costs	7,602,636	351,808
	<u>7,602,806</u>	<u>351,978</u>
Loan Account Legend Mining Limited	(350,684)	(350,684)
Taxation payable	(512)	(512)
	<u>(351,196)</u>	<u>(351,196)</u>
Fair value of assets	7,251,610	<u>782</u>
Goodwill arising on acquisition	-	-
	<u>7,251,610</u>	
Consideration		
Shares issued at fair value	4,776,610	
Share options issued at fair value	2,475,000	
Total consideration	<u>7,251,610</u>	
The cash outlay on acquisition is as follows:		
Net cash acquired with subsidiary	170	
Cash paid	0	
Net cash flow	<u>170</u>	

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 6: SHARE OPTIONS

	Number	Exercise price cents per share
(i) Listed options – Expiry date 30 April 05		
At 1 January 2005	36,174,207	15cents
Options issued	-	
Options converted	(161,828)	
Options expired	(36,012,379)	
At 30 June 2005	<u>-</u>	
(ii) Unlisted options – Expiry date 30 May 2006		
At 1 January 2005	2,350,000	22cents
Options issued	-	
Options converted	-	
Options expired	-	
At 30 June 2005	<u>2,350,000</u>	22cents
Unlisted options – Expiry date 20 April 2007		
At 1 January 2005	-	
Options issued	15,000,000	20cents
Options converted	-	
Options expired	-	
At 30 June 2005	<u>15,000,000</u>	20cents
Unlisted options – Expiry date 30 July 2007		
At 1 January 2005	250,000	20cents
Options issued	1,200,000	20cents
Options converted	-	
Options expired	(1,200,000)	20cents
At 30 June 2005	<u>250,000</u>	20cents
Unlisted options – Expiry date 7 February 2008		
At 1 January 2005	-	
Options issued	2,000,000	10cents
Options converted	-	
Options expired	-	
At 30 June 2005	<u>2,000,000</u>	10cents
Unlisted options – Expiry date 31 May 2009		
At 1 January 2005	-	
Options issued	75,000,000	4cents
Options converted	(25,000,000)	4cents
Options expired	-	
At 30 June 2005	<u>50,000,000</u>	4cents
Unlisted options – Expiry date 30 July 2009		
At 1 January 2005	1,500,000	30cents
Options issued	-	
Options converted	-	
Options expired	-	
At 30 June 2005	<u>1,500,000</u>	30cents

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005**

NOTE 7: CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities.

No matter or circumstance has arisen since the end of the half-year to the date of this report which has significantly effected, or may significantly effect, the operations of the consolidated entity the results of those operations or the state of affairs of the consolidated entity.

NOTE 8: EVENTS AFTER THE BALANCE SHEET DATE

On the 2 August 2005 the Directors of Legend Mining Limited announced that the company had entered into an agreement with Oroya Mining Limited to acquire Moreing Pty Ltd, its wholly owned subsidiary and the sole proprietor of Mt Gibson Gold Pty Ltd.

The consideration consisting of \$3.25 million, comprised of \$250,000 cash and the issue of 30 million ordinary shares in Legend Mining Limited.

The financial effect of these events have not been recognised at the 30 June 2005.

NOTE 9: TAX CONSOLIDATION

As at 30 June, 2005 Legend Mining Limited and its subsidiaries had not formed a tax consolidated group. This will not have any material financial impact on the consolidated entity.

NOTE 10: ADDITIONAL INFORMATION

For the purpose of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Cash at bank and in hand	1,852,334	2,146,773
Short term deposits	16,611	16,601
	1,868,945	2,163,374

DIRECTORS' DECLARATION

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

In the opinion of the directors:

1. the financial statements and notes, of the consolidated entity:
 - a. Give a true and fair view of the financial position as at 30 June 2005 and the performance for the half-year ended on that date of the consolidated entity; and
 - b. Comply with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



D. Ryan
Director

Dated this 13th day of September 2005

Independent review report to members of Legend Mining Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Legend Mining Limited (the company) and the entities it controlled during the half-year, and the directors' declaration for the company, for the half-year ended 30 June 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

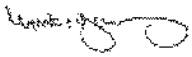
Independence


We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Legend Mining Limited and the entities it controlled during the half-year is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.


Ernst & Young


G H Meyerowitz
Partner
Perth
13 September 2005