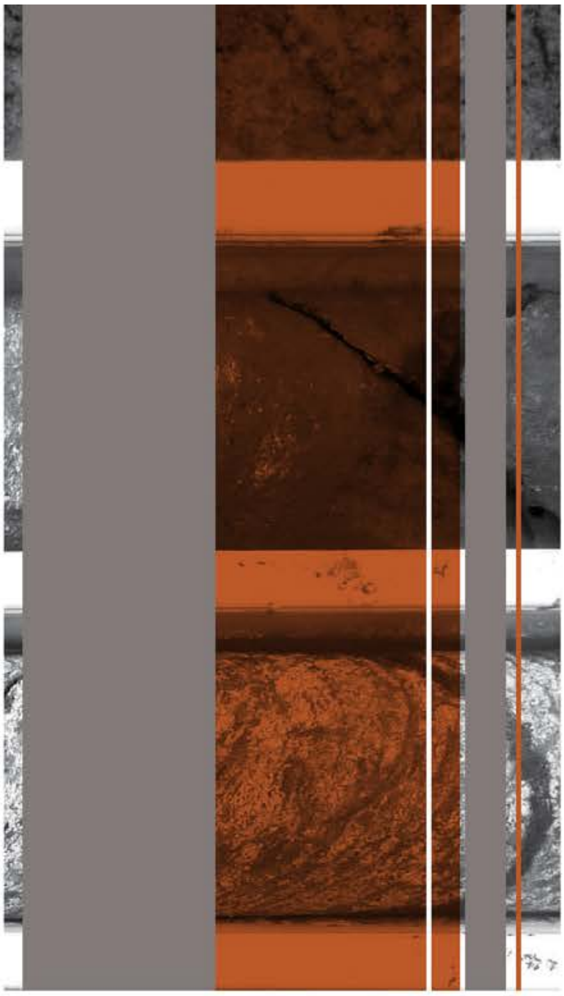


Legend mining limited

Annual Report 2011

CONTENTS

Web

www.legendmining.com.au

Email

legend@legendmining.com.au

ASX Code
LEG – ordinary shares

COMPANY DIRECTORY

Directors

Michael William Atkins (Chairman)
Mark William Wilson (Managing Director)
Dermot Michael Ryan (Non-executive Director)

Secretary

Dennis Wilkins

Registered Office

Level 2
640 Murray Street
WEST PERTH WA 6005

Telephone: (08) 9212 0600
Facsimile: (08) 9212 0611

Bankers

National Australia Bank
1232 Hay Street
WEST PERTH WA 6005

Auditors

Stantons International
Level 2 / 1 Walker Avenue
WEST PERTH WA 6005

Home Exchange

Australian Securities Exchange
2 The Esplanade
PERTH WA 6000

Share Registry

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Lawyers

Hilary Macdonald
Suite 23, 18 Stirling Highway
NEDLANDS, WA 6009

Dear Shareholder

The past year has seen Legend build on its 2010 exploration success at its flagship Ngovayang iron ore project in Cameroon, to deliver further positive exploration results.

Important milestones included:

- Execution of a co-operation letter of intent with Sundance Resources Limited for access to port and rail infrastructure,
- Metallurgical test work from the Alpha prospect producing a high grade concentrate (70.8%Fe) with very low impurities,
- Identification of a substantial global exploration target at Melombo East (300mt±100mt),
- Completion of an internal study carried out by independent consultants which provided an estimate of capital costs and operating costs, based on the global exploration target and limited metallurgical test work, to demonstrate the potential for a substantial commercial project with favourable logistics and costs.

The Company's ability to advance the Ngovayang project and in particular the Melombo East Prospect, has attracted the interest of POSCO Africa (Pty) Ltd, a subsidiary of South Korean steel maker POSCO, and subsequent to the end of the financial year Legend and POSCO Africa signed an MOU for the negotiation of an exploration joint venture. POSCO was primarily attracted to Legend's Ngovayang project due to its attractive infrastructure, enhanced by its proximity to the proposed Sundance Resources port near Kribi.

Legend has boosted its treasury by a capital raising of circa $7.2million in November 2011, and the settlement of the sale of its Mt Gibson Gold Project and associated infrastructure for $7million in March 2012.

Legend now looks forward to 2012 with the prospects of completing the exploration joint venture with POSCO, and with a treasury balance in excess of $17million. The immediate objective is to identify a resource to allow a feasibility study to be carried out, and to explore other prospects at the Project, in particular at the Plateau prospect, to define additional resources.

Legend continues to be well served by its Managing Director Mark Wilson and his exploration and corporate team both in Australia and in Cameroon.

I would also like to acknowledge the efforts of outgoing local Managing Director of our Cameroon subsidiary Camina, Mr Francis Mabou. I also welcome the new local General Manager, Mr Guillaume Negou Tela.

On behalf of the Board I would like to thank all our employees for their dedication and professionalism.

Chairman

30 March 2012

PROJECTS

Legend Mining Limited ("Legend") focussed its exploration effort during 2011 on advancing the Ngovayang Project in Cameroon.

Following a full review of the Pilbara and Mt Gibson projects it was decided to divest these assets.

Figure 1: Location of Projects

CAMEROON PROJECT (Iron Ore, Gold)

The Ngovayang Project in Cameroon comprises three granted exploration permits (EP144, EP195 and EP221) covering an area of approximately 2,970km^2 and is considered prospective for iron ore and gold, see Figure 1. Discovery of 50Mt of direct shipping ore (DSO) is the primary objective, however magnetite-gneiss ore (lower grade but potential very high tonnage) is also being targeted. 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, see Figure 2, which will greatly assist the exploration phases of work and potentially facilitate a start-up production transport system to port. In May 2011 Legend announced the signing of an access co-operation letter of intent with Sundance Resources Ltd relating to opportunities for how Sundance's proposed infrastructure of port and rail may benefit Legend's project.

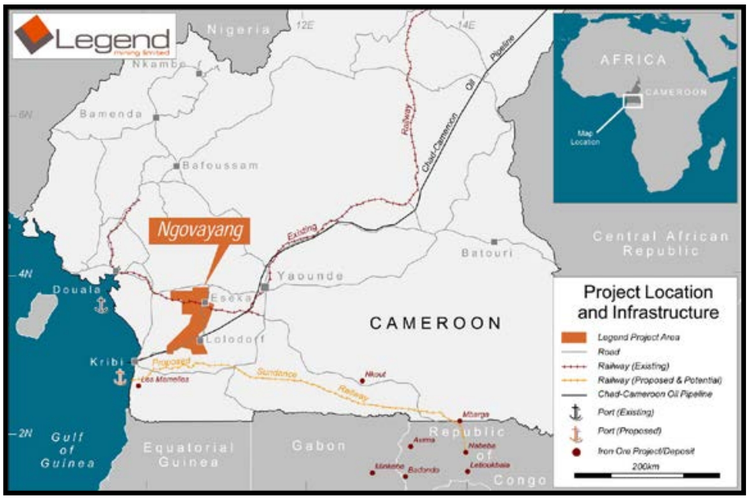


Figure 2: Cameroon Project Location and Infrastructure

Exploration activities at Ngovayang during 2011 included; geological mapping, geochemical sampling, preliminary metallurgical testwork and geophysical magnetic modelling, which culminated in the drilling of 40 diamond holes for 3,449m (DH016-55) at five prospects. These prospects namely; Hill 335, Hill 419, Melombo North, Melombo West and Melombo East are described in detail below and shown on Figure 3.

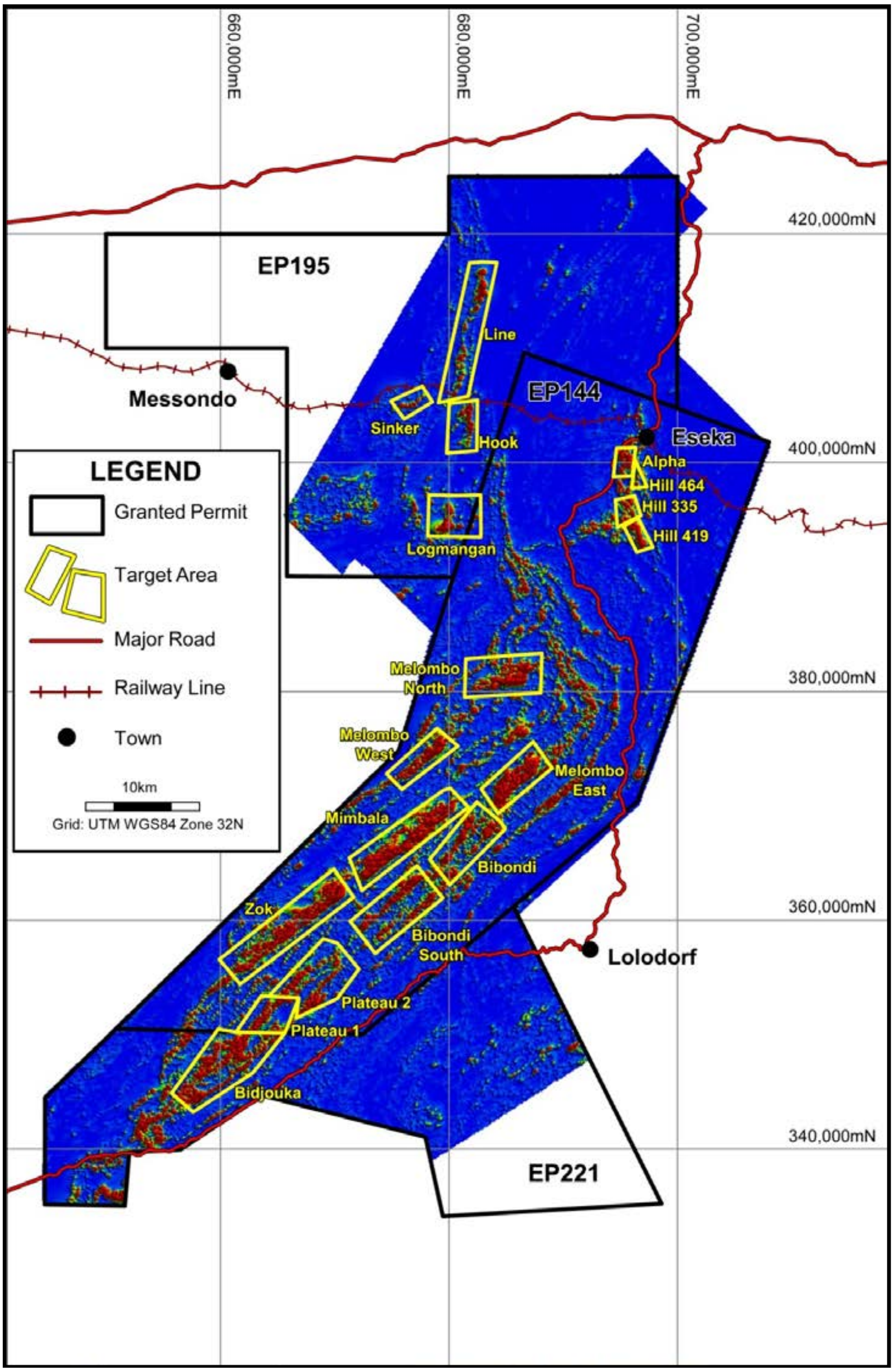


Figure 3: Ngovayang Project – Aeromagnetic Image with Drill Target Areas (Analytical Signal of Total Magnetic Intensity)

Eseka Region – (Hill 335 & Hill 419)

Following on from the initial diamond drillhole programme at the Hill 464 and Alpha prospects (NESD001-015) during 2010, the man portable diamond drilling rigs were moved to the southern part of Eseka to test Hill 335 and Hill 419, see Figure 4. Nine diamond drillholes NESD016-024, for a total of 772.1m were completed at the Hill 335 and Hill 419 prospects, see Table 1.

Table 1: Diamond Drillhole Details – Hill 335 & Hill 419

Hole ID	Easting	Northing	Prospect	Dip/Azimuth	Final Depth
NESD016	696036	394509	Hill 335	-90/000	102.5
NESD017	695998	394737	Hill 335	-90/000	77.9
NESD018	696295	395307	Hill 335	-90/000	100.5
NESD019	696871	393012	Hill 419	-90/000	36.0
NESD020	696694	393229	Hill 419	-90/000	155.6
NESD021	696554	393829	Hill 419	-90/000	83.9
NESD022	696866	393013	Hill 419	-90/000	128.9
NESD023	697049	392626	Hill 419	-90/000	35.9
NESD024	694664	393278	Hill 419	-90/000	50.9
Total					**772.1**

NESD001-015 details reported previously (ASX announcement 30 September 2010).
Drilling utilised an Ingetrol man portable diamond drilling rig – HQ and NQ core sizes.
Co-ordinates: Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere.

Drillholes NESD016 and NESD017 at Hill 335 intersected magnetite-quartz-garnet gneiss, over thicknesses of 57m and 61m respectively, with an indicative iron grade of 22-24% Fe as measured from the Niton XRF analyser, see Figure 4. This unit was the targeted iron rich lithology identified in outcrop just above the Nyong River and a strike extent of at least 250m is now indicated. The drilling has successfully tested the magnetic source and the extent of the iron rich lithology.

At Hill 419, drillholes NESD020-22 also intersected the magnetite-quartz-garnet gneiss, with thicknesses of 86m, 34m and 79m respectively, over a strike length of at least 1.2km, see Figure 4. Drillhole NESD022 was assayed in its entirety at nominal 4m intervals, or to geological boundaries, and analysed for a full iron ore suite, see Table 2.

Table 2: Magnetite Gneiss Intersection – NESD022

Hole	From	To	Interval	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
NESD022	0	98	98	28.8	48.5	4.6	0.10	1.0

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

The simplified geology of the Hill 335 and Hill 419 area comprises a weathered saprolite/saprock profile between 21-37m thick overlying magnetite-quartz-garnet gneiss, with an underlying unit of quartz-biotite-garnet-chlorite gneiss. A long section of the Hill 335 and Hill 419 area is presented in Figure 5. The magnetite-quartz-garnet gneiss intersected at Hill 335 (57-61m thick) and Hill 419 (34-86m thick) is the same lithological unit encountered in several drillholes at the Alpha prospect, some 4km to the north.

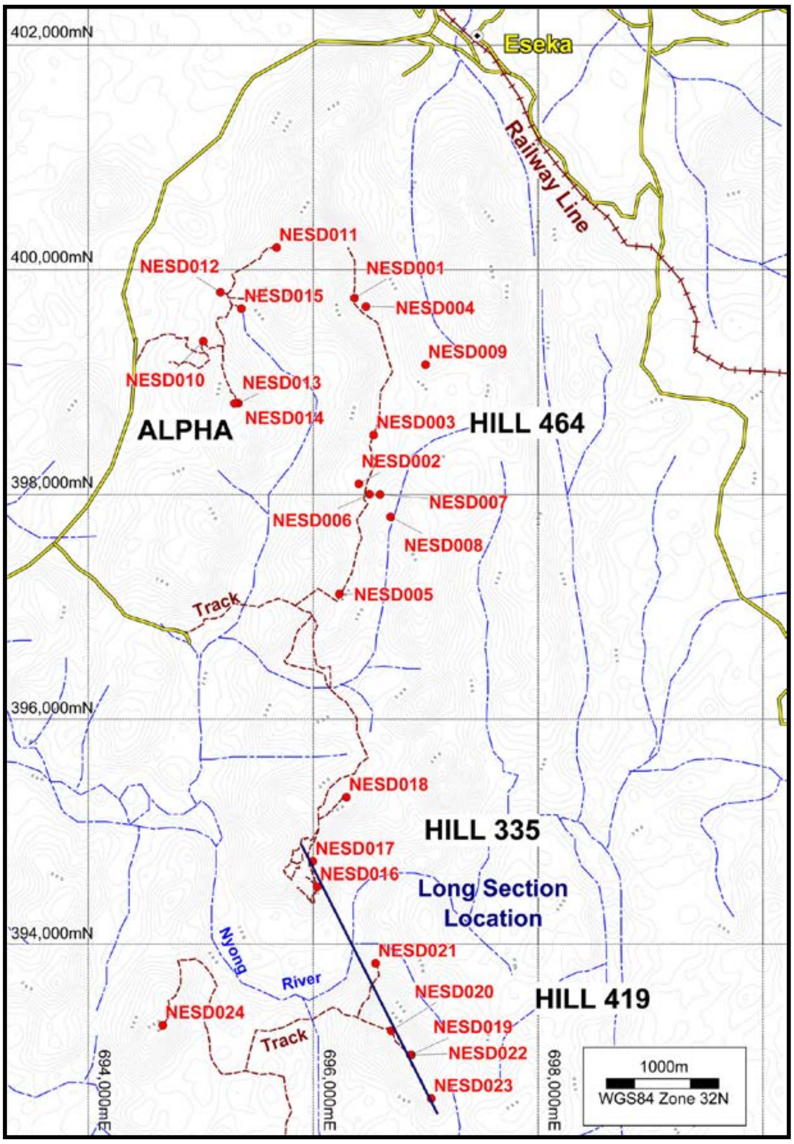


Figure 4: Eseka Region Diamond Drillhole Location over Topography

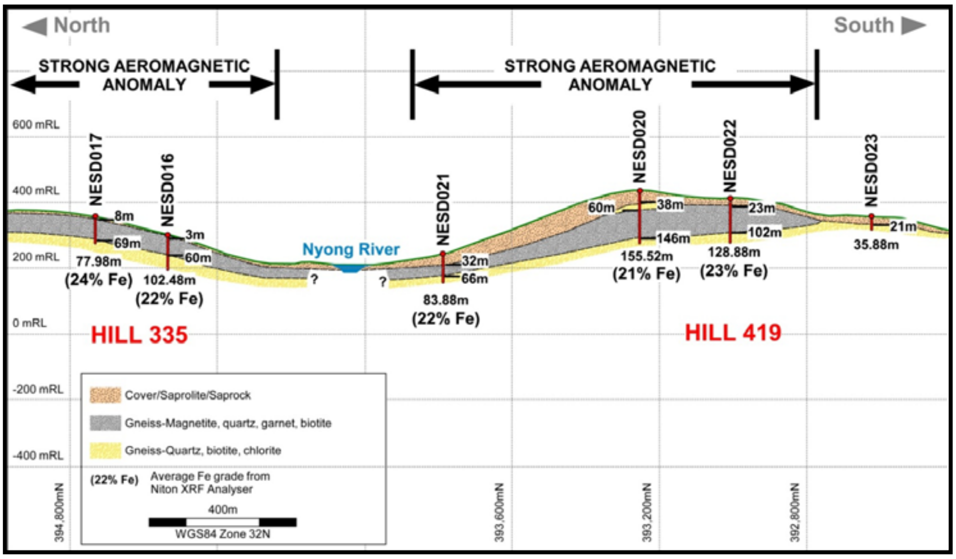


Figure 5: Hill 335 and Hill 419 Long Section

Metallurgical Testwork – Alpha Prospect

Consultants Independent Metallurgical Operations (IMO) were contracted to undertake preliminary Davis Tube Recovery (DTR) testwork on sample Met1; a 4m composite of half NQ drillcore taken from diamond drillhole NESD011 (46-50m) at the Alpha Prospect. The metallurgical sample was taken from within a 33.8m interval with an average grade of 29.6% Fe, see Table 3. The rock type sampled was a strongly banded magnetite-quartz-garnet gneiss containing medium to coarse grained disseminated magnetite throughout, see Photo 1.

Table 3: Magnetite Gneiss Intersection – NESD011								
Hole	**From**	**To**	**Interval**	**Fe%**	**SiO_2%**	**Al_2O_3%**	**P%**	**LOI%**
NESD011	21.3	55.1	33.8	29.6	49.5	3.9	0.09	0.7

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

It should be noted here, that this is a representative sample, selected to provide an indication of the metallurgical character of the magnetite-quartz-garnet gneiss with respect to magnetite weight recovery and quality of the concentrate. The testwork was completed in two stages, based initially on a (conservative) fine grind size of 38µm, followed by a second stage focussed on establishing a first pass optimal grind size.

Photo 1 : Magnetite-quartz-garnet-chlorite Gneiss (Drillhole NESD011)

Table 4 summarises the DTR product grades for Met1.

Table 4: Stage 1 – DTR Product Grades for Sample Met1								
Product	**Mass %**	**Fe Distribution%**	**Fe%**	**SiO_2%**	**Al_2O_3%**	**P%**	**S%**	**LOI%**
Head	100	100	31.45	47.48	2.98	0.097	0.070	-0.89
Concentrate	35.1	79.6	71.33	0.92	0.23	0.004	0.016	-3.34
Tailing	64.9	20.4	9.88	72.66	4.47	0.147	-	-

Assay Method Fe, SiO_2, Al_2O_3, P, S by fusion XRF – Amdel Limited, Perth.
LOI – Loss on Ignition at 1,000^{0}C determined gravimetrically. Results based on P_{100} size of 38µm.

The results from Stage 1 indicated that based on a 35.1% mass recovery, high iron grades with low levels of impurities were achievable from Met1. Stage 2 testing was undertaken to provide an indication of the ability to maintain iron recovery and concentrate quality at coarser sizes. Stage 2 testing involved DTR tests at four different grind (P_{80}) sizes from 44µm up to 121µm. Average results across this grind size range are summarised in Table 5.

Table 5: Stage 2 – Average DTR Product Grade for Sample Met1							
Mass %	**Recovery %**	**Fe%**	**SiO_2%**	**Al_2O_3%**	**P%**	**S%**	**LOI%**
36.8	82.7	70.8	1.42	0.20	0.006	0.028	-3.30

Key points from the Stage 2 testwork are:

- Average DTR concentrate mass recovery 36.8%;
- Average DTR concentrate grade 70.8% Fe (31.1 % FeO);
- DTR grade maintained at coarser size; 71.5% Fe (P_{80} 44µm) and 69.9% Fe (P_{80} 121µm);
- Average iron recovery 82.7% from a 31.5% Fe head grade;
- Direct Reduction (DR) quality concentrate indicated on moderate grind size (P_{80}) of 90µm to 120µm;
- Potential for Blast Furnace (BF) concentrate up to a grind size (P_{80}) of 180µm;
- Low silica and sulphur grades indicate that processing may not require reverse flotation trim on silica and sulphur;
- Low phosphorous, averaging 0.005% to 0.006%.

The results of this preliminary testwork are highly encouraging, as it indicates that magnetite bearing gneiss can be beneficiated into a saleable magnetite concentrate with low impurities. Magnetite bearing gneiss has been intersected at the four Eseka prospects and in outcrop further south in the Ngovayang Project.

Melombo North Prospect

Following the completion of drilling in the Eseka region at Hill 419 in March 2011, the drilling rig was mobilised to Melombo North to test several coincident magnetic and topographic highs. The Melombo North drilling programme comprised a total of 10 diamond drillholes, (NMELD001-010) for 946.1m. Details of the drilling are provided in Table 6 and shown on Figure 6.

Table 6: Diamond Drillhole Details – Melombo North

Hole ID	Easting	Northing	Dip/Azimuth	Final Depth
NMELD001	685606	380977	-90/000	81.9
NMELD002	686012	381026	-90/000	148.4
NMELD003	686255	381008	-90/000	58.5
NMELD004	686846	382311	-90/000	83.9
NMELD005	686176	382055	-90/000	75.0
NMELD006	686703	381865	-90/000	38.8
NMELD007	686696	381864	-90/000	117.6
NMELD008	685517	381930	-90/000	138.0
NMELD009	684293	381153	-90/000	132.0
NMELD010	687213	381927	-90/000	72.0
Total				**946.1**

Drilling utilised an Ingetrol man portable diamond drilling rig – HQ and NQ core sizes.

Co-ordinates: Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere.

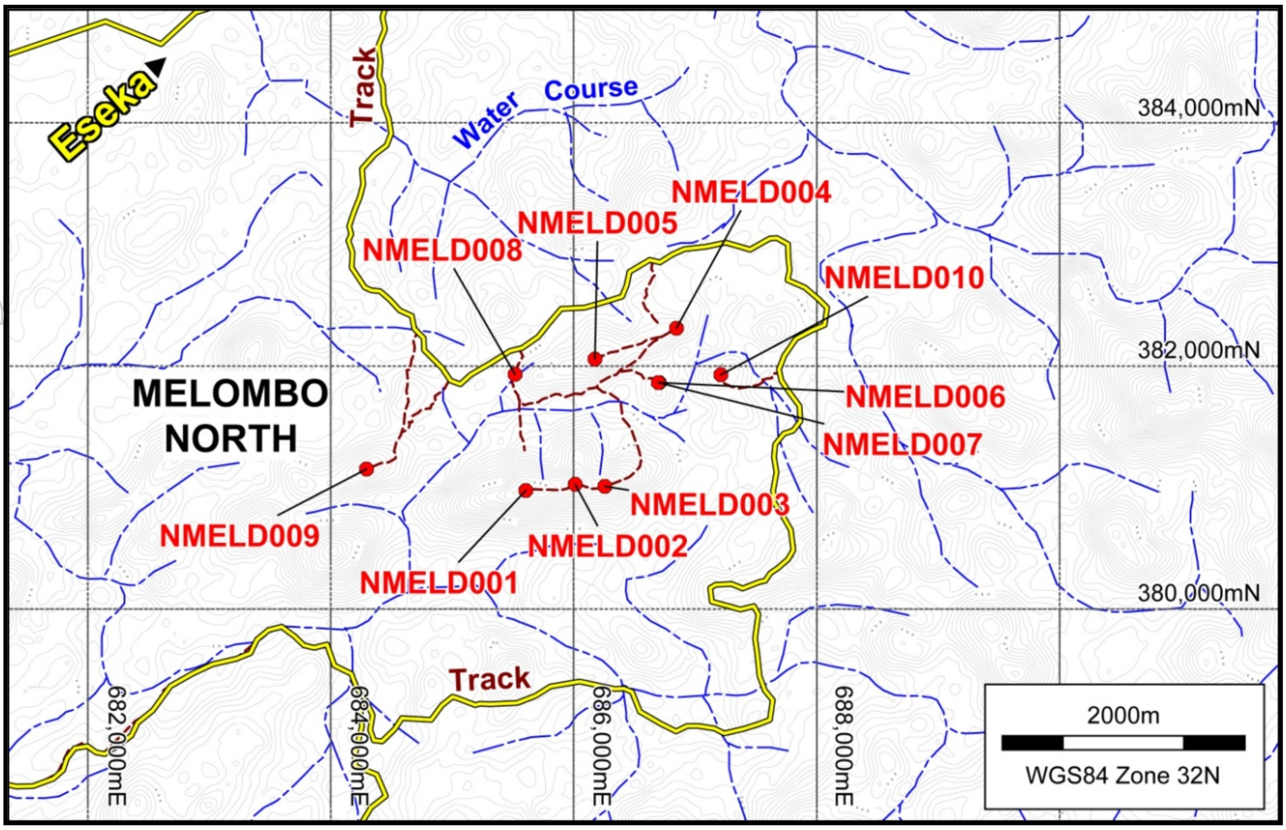


Figure 6: Melombo North Diamond Drillhole Location over Topography

Significant thicknesses of magnetite gneiss were intersected in drillholes NMELD002 & NMELD007 at the Melombo North target. Both holes were assayed in their entirety at nominal 4m intervals or to geological boundaries, and analysed for a full iron ore suite. The best intersections from the two holes are summarised in Table 7.

Table 7: Summary of Magnetite Gneiss Intersections

Hole	From	To	Interval	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
NMELD002	42.5	133.7	91.2	23.1	50.2	8.4	0.062	-0.6
Including	42.5	92.3	49.8	29.0	45.0	6.8	0.065	-1.4
NMELD007	0	105.4	105.4	29.5	39.8	9.3	0.051	3.7
*Including	0	36.4	36.4	38.9	23.9	9.8	0.045	10.1

**This intersection comprises weathered magnetite gneiss containing goethitic material, evidenced by higher Fe and LOI values and lower SiO_2.*

Assay Method: Fe, SiO_2, Al_2O_3, P by fusion XRF – OMAC Laboratory, Ireland.

LOI – Loss on Ignition at $1,000^0$C determined gravimetrically.

These intersections indicate that magnetite gneiss of significant thickness and grade are present at Melombo North. The fact that nine of the ten holes completed intersected "magnetic" rocks of variable intensity and thickness explains the aeromagnetic anomaly.

Melombo West Prospect

Geological mapping over the Melombo West Prospect identified sporadic outcrop/subcrop of magnetite gneiss over a strike length of approximately 4km associated with a SW-NE trending ridge, see Figure 7.

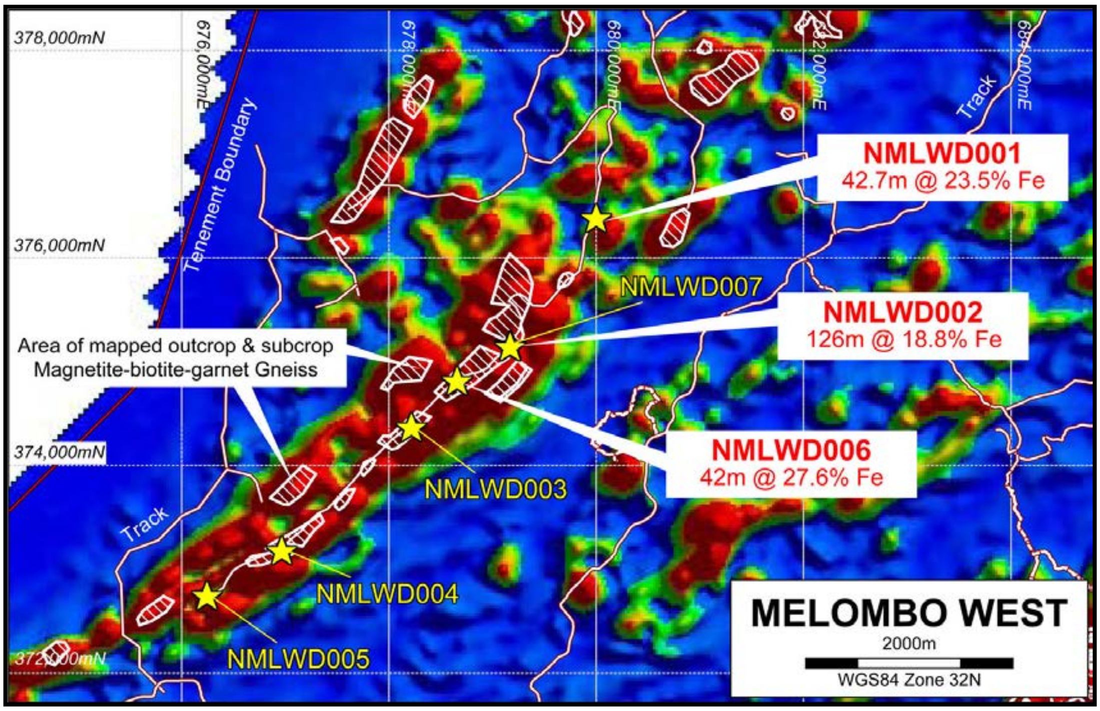


Figure 7: Drillhole Location with Magnetite Gneiss over Aeromagnetic Image

Diamond drilling at the Melombo West Prospect comprised seven drillholes, (NMLWD001-007) for a total of 698.6m. The drilling was testing a 6km NE-SW trending ridge with associated aeromagnetic high containing occasional outcrop of garnet-magnetite gneiss, see Figure 7. All drillholes intersected magnetic units of variable intensity, explaining the aeromagnetic feature. Details of the drilling are provided in Table 8.

Table 8: Diamond Drillhole Details – Melombo West

Hole ID	Easting	Northing	Dip/Azimuth	Final Depth
NMLWD001	680004	376406	-90/000	117.0
NMLWD002	679174	375179	-90/000	126.0
NMLWD003	678217	374389	-90/000	99.0
NMLWD004	676967	373203	-90/000	96.0
NMLWD005	676244	372767	-90/000	90.0
NMLWD006	678657	374838	-60/135	83.8
NMLWD007	679171	375168	-60/135	86.8
Total				**698.6**

Drilling utilised an Ingetrol man portable diamond drilling rig – HQ and NQ core sizes.
Co-ordinates: Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere

Significant thicknesses (42m to 126.0m) of banded/interlayered gneiss with variable magnetite-garnet-biotite-chlorite content were intersected in the four most northeastern holes over a minimum length of 2km. Assay results from three diamond drillholes (NMLWD001, 002, 006) are presented in Table 9.

Table 9: Melombo West – Diamond Drillhole Results								
Hole	**From**	**To**	**Int**	**Fe%**	**SiO_2%**	**Al_2O_3%**	**P%**	**LOI%**
NMLWD001	55.1	97.8	42.7	23.5	49.1	10.6	0.046	-0.01
Incl.	79.7	94.7	15.0	30.3	45.4	6.6	0.083	-0.01
NMLWD002	0	126.0 EOH	126.0	18.8	50.4	14.4	0.029	1.11
Incl.	0	28.6	28.6	24.7	41.7	14.1	0.031	4.86
Incl.	33.8	43.3	9.5	22.7	49.6	11.9	0.035	-0.01
Incl.	68.8	93.5	24.7	19.4	50.7	14.3	0.029	-0.01
Incl.	102.2	126.0 EOH	23.8	19.7	49.8	14.8	0.027	-0.01
NMLWD006	0	42.0	42.0	27.6	42.2	10.6	0.060	6.23

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

The Melombo West intersections are encouraging as they are similar in character and tenor to those announced at the Alpha, Hill 335, Hill 419 and Melombo North targets in the north of the Ngovayang Project area. Further interpretation and evaluation is required to assess the potential of magnetite at Melombo West.

Melombo East Prospect

The Melombo East Prospect is a large (6km x 1.5km) complex aeromagnetic feature, which follows the dominant NE-SW trend of the southern Ngovayang massif, see Figure 3. Detailed geological mapping has defined two large areas (2km x 1km) and (1.5km x 0.8km) of outcropping and subcropping magnetite±biotite±garnet gneiss, as shown on Figure 8.

Up to the end of 2011, 14 diamond drillholes had been drilled (DH042-055). Nine drillholes reached the designed depth, three were abandoned due to bad ground conditions, and a further two holes yet to be completed for a total of 1,032.2m. Details of the programme are provided in Table 10, while drillhole locations are shown on Figure 8 in relation to aeromagnetics and mapped magnetite gneiss.

Table 10: Melombo East - Diamond Drillhole Details				
Hole ID	**Easting**	**Northing**	**Dip/Azimuth**	**Final Depth**
DH042	686065	373167	-60/135	16.5*
DH043	686398	372915	-90/000	96.0
DH044	685676	372406	-90/000	150.0
DH045	686082	373171	-90/000	30.0*
DH046	685435	371695	-90/000	100.4
DH047	685664	371930	-90/000	84.0
DH048	685351	371421	-90/000	100.4
DH049	684773	370886	-90/000	100.7
DH050	684313	371615	-90/000	15.2*
DH051	684305	371618	-90/000	100.0
DH052	684605	371523	-90/000	89.1
DH053	685020	371068	-90/000	101.7
DH054	684578	372111	-90/000	30.0**
DH055	684834	371194	-90/000	18.2**
Total				**1,032.2**

***** *Drillhole not completed due to bad ground conditions.*

****** *Drillhole depth at 16 December 2011 when programme was stopped for Christmas.*

Drilling utilised an Ingetrol man portable diamond drilling rig – HQ and NQ core sizes.

Co-ordinates: Universal Transverse Mercator WGS84, Zone 32, Northern Hemisphere.

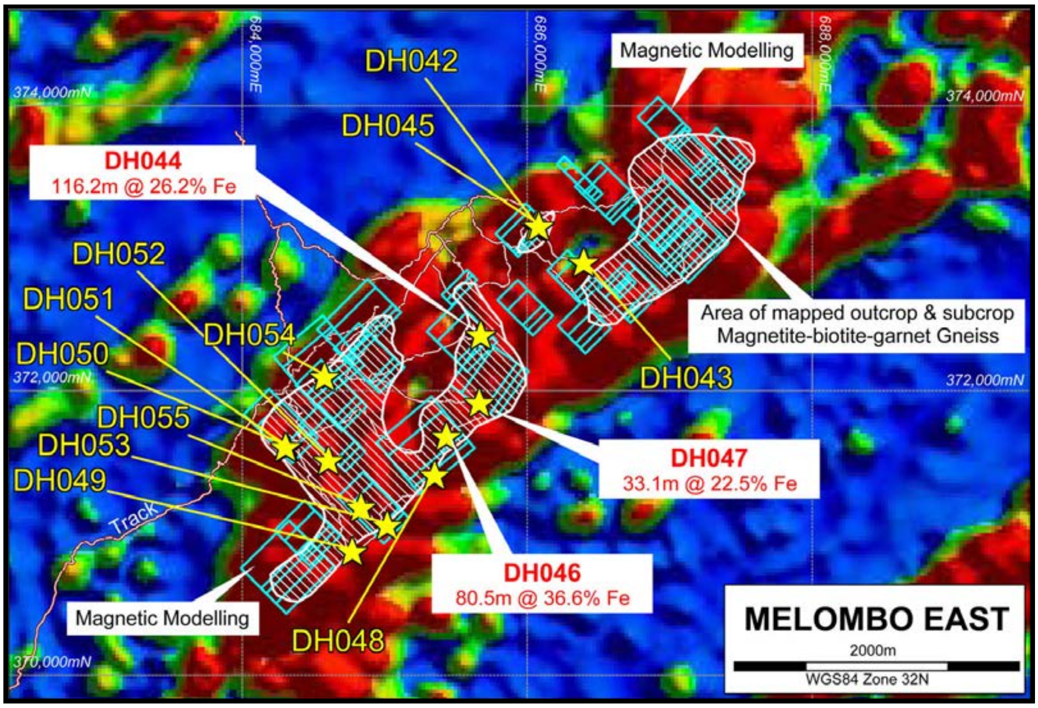


Figure 8: Drillhole Location with Magnetite Gneiss Outcrop/Subcrop over Aeromagnetics with 2D Modelled Bodies

Significant thicknesses (80-134m) of magnetite bearing gneiss were intersected in four drillholes; DH044, DH046, DH051 and DH053, all of which ended in magnetite gneiss. Of the remaining ten holes, including those either abandoned or incomplete, nine intersected magnetite gneiss and importantly six of these also ended in magnetite gneiss, see Table 11.

Table 11: Melombo East - Logged Magnetite Gneiss Intervals				
Hole ID	**From**	**To**	**Int**	**Description**
DH042	0	16.5 (EOH)	16.5	Hole not completed – ended in magnetite gneiss
DH043	-	-	-	No significant magnetite gneiss
DH044	16	150.0 (EOH)	**134.0**	Signif. intersection – ended in magnetite gneiss
DH045	0	30.0 (EOH)	30.0	Hole not completed – ended in magnetite gneiss
DH046	20	100.5(EOH)	**80.5**	Signif. intersection – ended in magnetite gneiss
DH047	0	56.6	56.6	67% of hole contains magnetite gneiss
DH048	0	34.5	34.5	34% of hole contains magnetite gneiss
DH049	31.4	50.4	19.0	Layered magnetite gneiss
	76.8	100.7(EOH)	23.9	Hole ended in magnetite gneiss
DH050	9.4	15.2 (EOH)	5.8	Hole not completed – ended in magnetite gneiss
DH051	0	100.0 (EOH)	**100.0**	Signif. intersection – ended in magnetite gneiss
DH052	75.2	82.6	7.4	8% of hole contains magnetite gneiss
DH053	15.6	101.6(EOH)	**86.0**	Signif. intersection – ended in magnetite gneiss
DH054	0	30.0 (EOH)	30.0	To be completed – currently in magnetite gneiss
DH055	0	18.2 (EOH)	18.2	To be completed – currently in magnetite gneiss

Note: Intersections are downhole widths and not necessarily true thicknesses.

Assay results from drillholes DH044, 046 and 047 are provided in Table 12.

Table 12: Melombo East – Diamond Drillhole Results								
Hole	**From**	**To**	**Int**	**Fe%**	**SiO_2%**	**Al_2O_3%**	**P%**	**LOI%**
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	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	13.1

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

Drillholes DH051 and DH053 were sent for assay and were reported in March 2012.

Melombo East has returned highly encouraging results, with respect to both magnetite gneiss intersection thickness and iron assay grade. The fact that ten of the drillholes contain magnetite gneiss in the bottom of the hole and with support from the magnetic modelling, suggests that magnetite gneiss thicknesses may be much greater.

Geophysical Modelling – Melombo East

As released to the ASX on 23 November 2011, Core Geophysics was contracted by Legend to undertake 2D and 3D magnetic modelling over the Melombo East Prospect with the aim of providing an estimate of the potential magnetite tonnage.

The modelling was completed on the analytical signal of the total magnetic intensity due to the low latitude of the project area, highlighting a number of discrete intense anomalies, see Figure 8. The anomalies extend over an area of 4.7km x 1km, with individual modelled bodies having strike lengths between 75-500m, widths between 50-200m and a vertical depth extent of 150m below surface. The bodies have an overall NE-SW strike, with dips between 45-60^0 to the northwest, which is consistent with observations from geological mapping.

The modelling, which used a number of assumptions and limitations[1], has indicated a potential tonnage of 400Mt of magnetite contained within a host unit of magnetite gneiss. This estimate has a perceived error of ±25%, giving a potential tonnage range of 300-500Mt[2].

The target has an expected grade range of 16-40% Fe, with the upper limit based on laboratory assay results from diamond drillholes DH044 and DH046 (ASX announcement 11 November 2011), and the lower limit based on economic modelling of a realistic cut-off grade.

[1]*The global exploration target for magnetite has been estimated based on the modelling of the analytic signal of the total magnetic intensity with the results determined according to a number of assumptions and limitations. In addition to those previously mentioned these may also include:*

- *The strike length of the modelled magnetic anomalies represents ore grade mineralisation;*
- *The geometry of the magnetic sources remain constant over their entire length;*
- *The model depth extent has been fixed to 150m based on initial drilling results, although this is not accurately known over the entire project;*
- *100% recovery and no dilution;*
- *The specific gravity of the mineralisation is 3.5t/m^3, though this has not been determined.*
- *A magnetic susceptibility of 1SI was used for all of the models which correlates to a theoretical 25% magnetic mineral content.*
- *No reconciliation for the material located above the calculated magnetic model and ground level has been applied and no correction or adjustment has been made for changes in the topography with respect to the model depth or width over its strike length.*
- *No correction for remanent magnetisation has been applied, even though it is likely to influence the magnetic responses within the prospect.*
- *The exploration target estimate presented here could change considerably if lower or higher magnetic susceptibilities or densities were used.*

[2]*Core consider the global tonnage estimate to equate to 400Mt with a perceived error of ±25% (300Mt-500Mt). The tonnage estimate is calculated down to a vertical depth of 150m below surface and assumes a density of 3.5g/cm^3. This estimate is based on a number of assumptions and limitations, is conceptual in nature and should be considered broadly indicative at best. It is not an indication of a mineral resource compliant with the JORC code and it is uncertain if further exploration will result in the determination of a mineral resource.*

Exploration Target
While the company remains optimistic it will report resources and reserves in the future at its Cameroon Project, any discussion in relation to exploration targets, resource potential, reserves or 'ore' is only conceptual in nature, there has been insufficient exploration to define a Mineral Resource at the company's Cameroon Project and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Subsequent to Report Date

Drilling recommenced at the Melombo East Prospect in late January 2012, with an additional 20 diamond drillholes completed to 29 February 2012. This brings the total number of holes completed at Melombo East to 34 (DH042-075) for a combined meterage of 2,349.2m.

Legend and POSCO Africa (Pty) Ltd signed a Memorandum of Understanding (MOU) in February 2012 whereby the parties will use best endeavours and co-operate to negotiate and agree an exploration joint venture in relation to Legend's Ngovayang iron ore project in Cameroon. The MOU is non-binding and non-exclusive and negotiations are at an advanced stage.

PILBARA PROJECT – (Nickel-Copper, Zinc-Copper, Copper-Gold, Iron Ore)

Legend's Pilbara Project area lies between 7km and 50km south of Karratha in the northwest of Western Australia (Figure 1). The company holds exploration rights through granted tenements, tenement applications and joint venture agreements over 686km^2 of land in the West Pilbara base metal district. A breakdown of land equity interests is tabulated below:-

PILBARA PROJECT EQUITY INTERESTS	AREA (km^2)
Legend (100%)	565
Mt Marie Joint Venture: Legend earning 70% from Fox Radio Hill PL	103
Munni Munni Joint Venture: East Coast Minerals NL 69.88% - Legend 30.12%	18
TOTAL	**686**

Legend settled the sale of its 30.12% interest in the Munni Munni Joint Venture to East Coast Minerals NL for the nominal sum of $1 and the full refund of the term deposits ($63,000) securing environmental bonds to Legend in July 2011. In August 2011 Legend announced a Sale Agreement over the balance of its Pilbara project tenements, including the sale of its wholly owned subsidiary Armada Mining Limited, with a wholly owned subsidiary of Karratha Metals Limited ("KML"). The sale is conditional upon KML successfully completing a capital raising and obtaining approval to list on the Australian Securities Exchange. The consideration is 10,000,000 fully paid shares in KML. The settlement date was scheduled on or before 15 December 2011 and has been extended for a further six months to 15 June 2012 by the purchaser, with the payment of $50,000 to Legend.

MT GIBSON – (Zinc-Copper, Gold)

The Mt Gibson Project is located 290km northeast of Perth in Western Australia (Figure 1), and lies within the Yalgoo-Singleton Greenstone Belt in the southern Murchison Province.

Mt Gibson operated for 12 years as a gold mine from 1986 following the discovery of gold in surface laterite. The operation produced 870,000 ounces of gold from 16.5Mt of ore at an average grade of 1.68g/t. The gold operation remains on care and maintenance.

During 2011 Legend continued extensive rehabilitation programmes including revegetation trials over the tailings dam facility and the plant site which could ultimately reduce the environmental bonds.

The Mt Gibson Project was sold to Extension Hill Pty Ltd with settlement occurring on 13 March 2012 with the consideration of $6.8M and the $1.4M Term Deposit monies securing environmental bonds being paid to Legend.

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 consultant to 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.

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;
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 may undergo periodic formal assessment, however no formal procedure has been put in place to carry out this task. 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 three directors, one of which, Mr Michael Atkins, is 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**	A Nomination Committee has been established and 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 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, 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.
3.3	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, 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.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/Comment
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 woman 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 committee comprises all three directors on the Board (including an executive director) with the Company Secretary as the secretary of the audit committee. The Board considers this is appropriate at this stage of the Company's development.
	• consists of a majority of independent directors	**N/A**	The audit committee does not consist of a majority of independent directors. However, the Board believes that this is both appropriate and acceptable at this stage of the Company's development.
	• is chaired by an independent chair, who is not chair of the board	**N/A**	The Company has established an audit committee consisting of the Company Secretary, one executive director and two non-executive directors, only one of which is classified as independent. As there is only one independent director who is also the Chairman of the Board, it is not possible at this stage to have an independent Chairman that is not Chairman of the Board. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs outweighing the potential benefits.
	• has at least three members	**A**	
4.3	The audit committee should have a formal charter	**A**	The audit 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**	

A = Adopted
N/A = Not Adopted

	ASX Principle	Status	Reference/Comment
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 to identify, assess, monitor and change operational, compliance and material business risks.
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 Risk Committee is made up of all Board members. The Committee is responsible for overseeing and approving risk management strategy and policies, internal compliance and non-financial internal control. As the Company grows and the number of Board members increases, the Company is aiming to put in place a separate Risk Committee which will report to the Board on the system of risk management and make appropriate recommendations to ensure the adequacy of the risk management system.

A = Adopted
N/A = Not Adopted

	ASX Principle	Status	Reference/Comment
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	**N/A**	The Company has established a Remuneration Committee.
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors	**N/A**	The Company has established a Remuneration Committee consisting of one executive director and two non-executive directors, only one of whom is classified as independent. As there is only one independent director, it is not possible to have a majority of independent directors. Sourcing alternative directors to strictly comply with this Principle is considered expensive, with costs outweighing the potential benefits.
	• is chaired by an independent director	**N/A**	The Company has established a Remuneration Committee consisting of one executive director and two non-executive directors, only one of whom is classified as independent. As there is only one independent director, it is not possible to have an independent Chairman that is not the Chairman of the Board. Sourcing alternative directors to strictly comply with this Principle is considered expensive, with costs outweighing the potential benefits.
	• has at least three members	**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 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 2011.

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)

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 2011.

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 2010 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 companies Westgold Resources Ltd and Azumah Resources Ltd.

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

- 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. On 2 July 2010, Mr Wilson became and is currently a non-executive director of ASX listed company Eureka Energy Limited ("EKA"). He served as a director of Duketon Goldfields NL in 1995/1996 and of Cambrian Resources NL (Servicepoint Ltd) from 1999 to 2003.

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTD)

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. With the exception of ENT, Mr Ryan has not served as a director of any other publicly listed companies.

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 and non-executive director of Minemakers Limited.

3. EARNINGS PER SHARE

Basic loss per share:	0.241 cents
Diluted loss per share:	0.241 cents

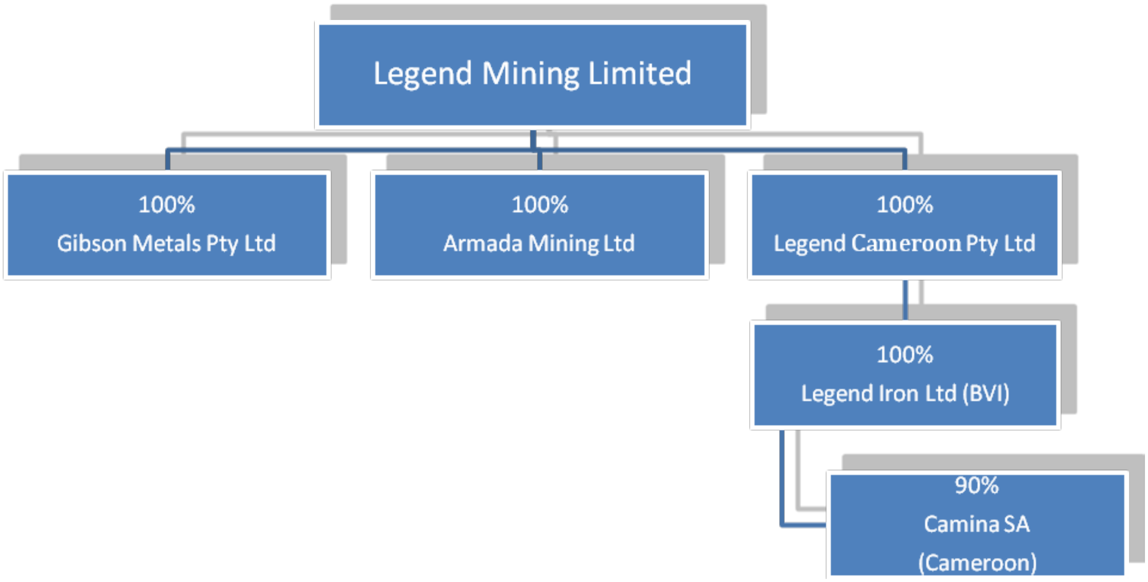
4. DIVIDENDS

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, gold and base metal (zinc-copper-gold, nickel-copper, zinc-copper and copper-gold) deposits in Australia and West Africa.

Employees

The consolidated entity had a staff of 58 employees at 31 December 2011 (2010: 27 employees).

6. OPERATING AND FINANCIAL REVIEW

Results of Operations

The net loss after income tax of the consolidated entity for the year was $4,250,169 (2010: profit $1,769,977).

Review of Operations

The Directors' Review of Activities for the year ended 31 December 2011 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 $1,046,209 and was expensed to the income statement (2010: $306,374).
Deferred Exploration Costs: Total deferred expenditure on tenements capitalised during the year amounted to $5,768,709 (2010: $5,976,439).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2011 Legend has:

- Conducted a capital raising in November 2011, receiving $7.2 million (before costs) for the issue of 240 million ordinary shares.

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 1,246,800,000 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
During the financial year, options have been exercised to acquire 9,000,000 fully paid ordinary shares in Legend Mining Limited at a weighted average exercise price of 4 cents per share.

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

(a) Sale of Mt Gibson Gold Project
On 13 March 2012, the sale of the Mt Gibson Gold Project to Extension Hill Pty Ltd was settled. Legend received $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.

(b) POSCO Joint Venture
Legend and POSCO Africa (Pty) Ltd signed a Memorandum of Understanding (MOU) in February 2012 whereby the parties will use best endeavours and co-operate to negotiate and agree an exploration joint venture in relation to Legend's Ngovayang iron ore project in Cameroon. The MOU is non-binding and non-exclusive and negotiations are at an advanced stage.

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

(i) Directors

M Atkins	Chairman (non-executive)
M Wilson	Managing Director
D Ryan	Non-Executive Director

(ii) Executives

F Mabou	Camina Managing Director (resigned 14 February 2012)
D Wilkins	Company Secretary (appointed 8 July 2011)
T Walsh	Company Secretary (resigned 8 July 2011)
L Sapor	Exploration Manager (appointed 1 May 2011)
D Waterfield	Exploration Manager (resigned 21 January 2011)
P Petrovic	Systems Administrator

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 30 May 2006 when shareholders approved the aggregate remuneration of $200,000 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 (CONTD)

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 employment contract commenced on 1 July 2011 and terminates on 30 June 2012 at which time the Company may choose to commence negotiations to enter into a new employment contract. The significant terms of the contract are:

- Mr Wilson receives remuneration of $320,000 per annum inclusive of statutory 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 three months' written notice or by providing payment in lieu of notice period (based on the fixed component of his remuneration); and
- The Company may terminate Mr Wilson's contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Wilson is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

13. REMUNERATION REPORT (CONTD)

Mr Michael Atkins, is employed under contract. The current contract commenced on 1 July 2011. The significant terms of the contract are:

- Mr Atkins receives a fixed fee of $72,000 per annum (including superannuation) as remuneration for service;
- 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. The significant terms of the contract are:

- Mr Ryan receives a fixed fee of $45,000 per annum (including superannuation) as remuneration for service;
- 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 Francis Mabou, is employed under contract. His contract commenced on 5 February 2010 and was terminated by mutual agreement on 14 February 2012. The significant terms of the contract were:

- Mr Mabou received remuneration of an equivalent in CFA francs of the sum of USD $109,080 per annum.

Mr Dennis Wilkins, is employed under contract via his company DWCorporate Pty Ltd (DWC). The current contract commenced on 8 July 2011. The significant terms of the contract are:

- DWC receives a monthly retainer of $1,750 with additional fees charged on an hourly basis;
- DWC may terminate this engagement by giving four months written notice; and
- The Company may terminate DWC's contract by providing four months written notice.

Mr Tony Walsh, was employed under contract via his company Tony Walsh Corporate Services (TWCS). The current contract commenced on 22 January 2009. The significant terms of the contract are:

- TWCS receives a fee of $200 per hour (plus GST);
- TWCS to provide the services of Brett White as joint company secretary and chief financial officer at $75 per hour (plus GST);
- TWCS may terminate this engagement by giving two months written notice; and
- The Company may terminate TWCS's contract by providing two months written notice.

Mr Tony Walsh resigned as joint company secretary and Mr Brett White resigned as joint company secretary and chief financial officer on 8 July 2011.

Mr Derek Waterfield, was employed under contract. His contract commenced on 1 January 2009. The significant terms of the contract were;

- Mr Waterfield received remuneration of $185,000 per annum inclusive of statutory superannuation;
- Mr Waterfield may resign from his position and thus terminate his contract by giving 1 month written notice; and
- The Company may terminate Mr Waterfield's employment contract by providing 1 month written notice or by providing payment in lieu of notice period.

13. REMUNERATION REPORT (CONTD)

Mr Derek Waterfield resigned from Legend Mining on 21 January 2011.

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.

Compensation of Key Management Personnel for Year Ended 31 December 2011

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 remuneration
Director								
M Atkins	2011	63,306	5,697	-	-	69,003	-	-
(Windamurah P/L)	2010	60,550	5,450	-	-	66,000	-	-
M Wilson	2011	261,468	23,532	-	24,637	309,637	-	-
(Hostyle P/L)	2010	209,126	50,000	-	-	259,126	-	-
D Ryan	2011	38,991	3,509	-	-	42,500	-	-
	2010	-	40,000	-	-	40,000	-	-
Executive								
F Mabou	2011	88,994	-	-	-	88,994	-	-
	2010	99,450	-	-	-	99,450	-	-
D Wilkins	2011	50,101	-	-	-	50,101	-	-
T Walsh & B White	2011	55,637^	-	-	-	55,637	-	-
	2010	117,975^	-	-	-	117,975	-	-
L Sapor	2011	113,333	10,200	-	9,807	133,340	-	-
D Waterfield +	2011	43,603	4,023	-	(36,514)	11,112	-	-
	2010	152,922	15,276	-	(16,973)	151,225	-	-
P Petrovic	2011	88,358	-	-	-	88,358	-	-
	2010	87,010	-	-	-	87,010	-	-
Total	2011	803,791	46,961	-	(2,070)	848,682	-	-
	2010	727,033	110,726	-	(16,973)	820,786	-	-

^ An amount of $53,802 (2010: $112,275) 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.

+ Mr Derek Waterfield resigned on 21 January 2011

Options and rights over equity instruments granted as compensation 2011 to directors and executives.

No options have been granted to directors or executives from 1 January 2011 to the date of this report.

Details of vesting profiles of options granted as remuneration to each director and executives of the company.

No options have vested, or are vesting, with any director or executive of the company from 1 January 2011 to the date of this report.

13. REMUNERATION REPORT (CONTD)

Exercise of options granted as compensation

31-Dec-11 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

*Closing balance at respective dates of resignation.

31-Dec-10 Name	Balance at beginning of year 1 Jan 2010	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2010	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

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 2011 or 2010.

13. REMUNERATION REPORT (CONTD)

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 2010 or 2011 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-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	-	-	-	500,000*
L Sapor	-	-	-	-	-
D Waterfield	4,000,000	-	-	-	4,000,000*
P Petrovic	1,300,000	-	-	-	1,300,000
	137,000,000	-	-	-	137,000,000

*Closing balance at respective dates of resignation.

31-Dec-10	Balance 1-Jan-10	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-10
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
T Walsh	500,000	-	-	-	500,000
D Waterfield	4,000,000	-	-	-	4,000,000
P Petrovic	1,300,000	-	-	-	1,300,000
	137,000,000	-	-	-	137,000,000

*Opening balance at 4 February 2010.

13. REMUNERATION REPORT (CONTD)

Shareholdings of Directors and Key Management Personnel

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	-	-	-	200,000*
L Sapor	-	-	-	-	-
D Waterfield	1,000,000	-	-	-	1,000,000*
P Petrovic	200,000	-	-	-	200,000
	47,668,809	-	-	-	47,668,809

* Closing balance at respective dates of resignation.

31-Dec-10	Balance 1-Jan-10	Granted as compensation	On exercise of options	Net change	Balance 31-Dec-10
Directors					
M Atkins (Windamurah P/L) (Alkali Exploration P/L)	1,558,334	-	-	-	1,558,334
M Wilson (Chester Nominees WA P/L)	30,000,000	-	-	5,000,000	35,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-	-	-	1,025,000
Executives					
F Mabou	21,500,000*	-	-	(12,814,525)	8,685,475
T Walsh	200,000	-	-	-	200,000
D Waterfield	1,000,000	-	-	-	1,000,000
P Petrovic	200,000	-	-	-	200,000
	55,483,334	-	-	(7,814,525)	47,668,809

*Opening balance as 4 February 2010.

13. REMUNERATION REPORT (CONTD)

Other transactions and balances with Key Management Personnel

During the year DWCorporate Pty Ltd (an entity associated with Mr D Wilkins) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services and expenses was $50,101 (2010: N/A).

During the year Tony Walsh Corporate Services (an entity associated with Mr T Walsh) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services and expenses was $55,637 (2010: $117,975).

During the year Success Business Management (an entity associated with Mr P Petrovic) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services and expenses was $88,358 (2010: $87,010).

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	9	10
Mark Wilson	10	10
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)	1,558,334	5,000,000
M Wilson (Chester Nominees WA P/L)	35,000,000	55,000,000
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, Stantons International during the 2011 financial year.

We have received the Declaration of Auditor Independence from Stantons International, the Company's Auditor, this is available for review on page 84 and forms part of this report.

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

M.W.

Mark Wilson
Managing Director

Dated this 30th day of March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $	Restated 2010 $
Continuing Operations			
Rental revenue	4(a)	500,000	507,500
Finance revenue	4(b)	280,553	408,067
Other income	4(c)	582,514	3,661,189
Employee benefits expense	4(d)	(543,439)	(420,137)
Deferred exploration expenditure written off	4(e)	(1,046,209)	(306,374)
Other expenses	4(f)	(4,657,147)	(579,995)
Corporate and administration expenses	4(g)	(1,003,426)	(746,139)
Finance costs	4(h)	(34,757)	(40,342)
Net (loss)/profit from continuing operations before income tax expense		(5,921,911)	2,483,769
Income tax benefit/(expense)	6	1,671,742	(713,792)
Net (loss)/profit from continuing operations for the year		**(4,250,169)**	**1,769,977**
Other comprehensive income			
Movement in foreign currency translation reserve		(342,743)	(607,053)
Other comprehensive income for the year, net of tax		(342,743)	(607,053)
Total comprehensive (loss)/income for the year		**(4,592,912)**	**1,162,924**
Net (loss)/profit attributable to:			
Members of Legend Mining Limited		(4,250,169)	1,793,569
Non-controlling interest		-	(23,592)
		(4,250,169)	**1,769,977**
Comprehensive (loss)/income attributable to:			
Members of Legend Mining Limited		(4,558,637)	1,247,221
Non-controlling interest		(34,275)	(84,297)
		(4,592,912)	**1,162,924**
(LOSS)/PROFIT PER SHARE (cents per share)			
Basic (loss)/profit for the year	5	(0.241)	0.106
Diluted (loss)/profit for the year	5	(0.241)	0.106

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	2011 $	Restated 2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	8,423,590	6,676,441
Trade & other receivables	9	28,565	105,785
Prepayments	10	50,375	88,113
Inventory		10,810	-
Other financial assets	11	4,311,250	8,602,503
		12,824,590	15,472,842
Assets of disposal group classified as held for sale	12	5,443,494	497,944
Total Current Assets		18,268,084	15,970,786
Non-current Assets			
Prepayments	10	376,547	-
Deferred tax asset	6	893,595	1,111,563
Other financial assets	11	66,134	1,548,061
Property, plant & equipment	13	1,177,201	725,014
Deferred exploration costs	14	10,797,751	11,202,478
Mineral rights acquisition costs	28	23,253,764	23,253,764
Total Non-current Assets		36,564,992	37,840,880
TOTAL ASSETS		54,833,076	53,811,666
LIABILITIES			
Current Liabilities			
Trade & other payables	15	667,194	325,467
Provisions	16	108,781	52,696
		775,975	378,163
Liabilities of disposal group classified as held for sale	12	1,646,337	-
Total Current Liabilities		2,422,312	378,163
Non-current Liabilities			
Provisions	16	43,273	1,529,254
Deferred tax liability	6	882,524	3,030,540
Total Non-current Liabilities		925,797	4,559,794
TOTAL LIABILITIES		3,348,109	4,937,957
NET ASSETS		51,484,967	48,873,709
EQUITY			
Equity attributable to equity holders of the parent			
Contributed Equity	17	60,171,922	53,075,655
Reserves	18	21,562,762	21,763,327
Accumulated losses		(30,129,909)	(25,879,740)
Total parent entity interest		51,604,775	48,959,242
Non-controlling interests		(119,808)	(85,533)
TOTAL EQUITY		51,484,967	48,873,709

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $	Restated 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		687,989	544,703
Payments to suppliers and employees		(1,658,705)	(1,821,488)
Interest received		272,458	402,971
Finance costs		(34,757)	(40,342)
Net cash flows used in operating activities	22(ii)	(733,015)	(914,156)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tenements and property, plant & equipment & scrap		301,055	41,529
Purchase of property, plant & equipment	13	(783,050)	(594,772)
Payment for deposit on property, plant and equipment	10	(376,547)	
Payment for the purchase of investments		-	(1,681,643)
Proceeds from the sale of investments	4(c)	2,324,641	5,229,110
Payment for exploration and evaluation		(6,247,517)	(4,087,553)
Dividends received	4(c)	74,667	68,000
Refund of/(payment for) performance bonds		92,927	(2,011)
Net cash flows used in investing activities		(4,613,824)	(1,027,340)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		7,560,000	3,180,000
Receipts for share issue that did not proceed	15	71,130	-
Payments of share issue transaction costs		(448,009)	-
Net cash flows from financing activities		7,183,121	3,180,000
Net increase in cash and cash equivalents		1,836,282	1,238,504
Cash and cash equivalents at the beginning of year		6,676,441	5,437,937
Effects of exchange rate movements on cash and cash equivalents		(89,133)	-
Cash and cash equivalents at end of year	22	8,423,590	6,676,441

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Issued Capital $	Foreign Currency Translation Reserve $	Share Option Premium Reserve $	Accumulated Losses $	Non-controlling interests $	Total Equity $
At 1 January 2010	38,420,414	-	10,545,911	(27,673,309)	-	21,293,016
Profit/(Loss) for the year	-	-	-	1,793,569	(23,592)	1,769,977
Other comprehensive income	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	(546,348)	-	-	(60,705)	(607,053)
Total comprehensive profit for the year	-	(546,348)	-	1,793,569	(84,297)	1,162,924
Acquisition of 90% of Camina	12,250,000	-	11,003,764	-	-	23,253,764
Non-controlling interest acquired	-	-	-	-	(1,236)	(1,236)
Share based payments	-	-	760,000	-	-	760,000
Issue of shares	3,360,000	-	-	-	-	3,360,000
Cost of issue of share capital	(954,759)	-	-	-	-	(954,759)
At 31 December 2010	53,075,655	(546,348)	22,309,675	(25,879,740)	(85,533)	48,873,709
At 1 January 2011	53,075,655	(546,348)	22,309,675	(25,879,740)	(85,533)	48,873,709
Loss for the year	-	-	-	(4,250,169)	-	(4,250,169)
Other comprehensive loss	-	(308,468)	-	-	(34,275)	(342,743)
Total comprehensive loss for the year	-	(308,468)	-	(4,250,169)	(34,275)	(4,592,912)
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	60,171,922	(854,816)	22,417,578	(30,129,909)	(119,808)	51,484,967

The accompanying notes form part of these financial statements

NOTE 1: CORPORATE INFORMATION

The financial report of Legend Mining Limited (the Company) for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 30 March 2012.

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 2011 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.

NOTE 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.

(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) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Change in Accounting Policy

The Group changed its accounting policy relating to the capitalisation of certain exploration expenditure incurred by its Cameroon based subsidiary, Camina SA, for the financial year ending 31 December 2011. Previously expenses related to the running costs of the subsidiary company including office rent, staffing and travel costs, were expensed as they were incurred. The Group has now elected to classify all expenditure incurred in Cameroon as exploration and evaluation costs and treat in accordance with the policy at note 2(c)(ix).

The change in policy was made as the Board believes it will result in the financial statements providing reliable and more relevant information about the effects of these transactions on the Group's financial position and financial performance. The change in policy has been made in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group has retrospectively applied the change in accounting policy as if it had always applied and therefore has restated exploration and evaluation expenditure in relation to each area of interest for comparative purposes. As the operations in Cameroon were acquired during the 2010 year, the earliest comparative information requiring restatement is the year ended 31 December 2010, there was no effect to the opening balances to the 2010 year.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

The impact of the change in accounting policy is as follows:

	31 December 2010	Increase / (Decrease)	Restated 31 December 2010
	$	$	$
Statement of Financial Position (Extract)			
Deferred exploration costs	10,649,056	553,422	11,202,478
NET ASSETS	48,320,287	553,422	48,873,709
Reserves	21,789,151	(25,824)	21,763,327
Accumulated losses	(26,409,544)	529,804	(25,879,740)
Non-controlling interests	(134,975)	49,442	(85,533)
TOTAL EQUITY	48,320,287	553,422	48,873,709

Statement of Financial Position amounts other than those mentioned above were not affected by the retrospective adoption of the revised accounting policy.

Statement of Comprehensive Income (Extract)			
Employee benefits expense	(630,521)	210,384	(420,137)
Deferred exploration expenditure written-off	(329,180)	22,806	(306,374)
Other expenses	(640,697)	60,702	(579,995)
Corporate and administration expenses	(1,098,098)	351,959	(746,139)
Net profit for the year	**1,124,126**	**645,851**	**1,769,977**
Movement in foreign currency translation reserve	(514,624)	(92,429)	(607,053)
Total comprehensive income for the year	**609,502**	**553,422**	**1,162,924**

New Accounting Standards

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011;
- AASB 132 *Financial Instruments: Presentation (amendment)* effective 1 February 2010;
- AASB Int 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011; and
- *Improvements to AASBs* (May 2010).

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

AASB 132 Financial Instruments: Presentation (Amendment)

The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements in Australia, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to AASBs

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- AASB 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- The amendments to AASB 3 are effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of AASB 3.
- AASB 7 *Financial Instruments — Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- AASB 101 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income may be either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to AASBs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of AASB 3 (as revised in 2008));
- AASB 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards);
- AASB 127 *Consolidated and Separate Financial Statements*; and
- AASB 134 *Interim Financial Statements*.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB Int 13 *Customer Loyalty Programmes* (determining the fair value of award credits); and
- AASB Int 19 *Extinguishing Financial Liabilities with Equity Instruments*.

(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 1054: Australian Additional Disclosures (applicable for annual reporting periods commencing on or alter 1 July 2011).

  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 and revises disclosures in the following areas:
  (a) Compliance with Australian Accounting Standards
  (b) The statutory basis or reporting framework for financial statements
  (c) Whether the financial statements are general purpose or special purpose
  (d) Audit fees
  (e) Imputation credits

- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods commencing on or after 1 July 2012).

  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.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012).

  These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.

- 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

- 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 2010-2.

- AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2013).

  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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11.

- 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.

- 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

- 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.

(d) 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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:

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.

Provision for Rehabilitation

Rehabilitation costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated level of inflation.

The ultimate costs of rehabilitation is uncertain and cost can vary in response to many factors including changes to the relevant legal requirement, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(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%
Leased plant and equipment	22.5%

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.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(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.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

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.

Mining information is stated at cost.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

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 are accounted for in 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.

(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:

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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 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:

(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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xxii) Interest in a jointly controlled operation

The Group has three interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interest in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations. For details of joint ventures please refer note 26.

(xxiii) 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.

NOTE 3: NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated entity were:
- exploration for iron, gold and base metal deposits in Australia and West Africa.

NOTE 4: REVENUE AND EXPENSES

	Note	2011 $	2010 $
Revenues and expenses from continuing operations			
a) Rental Revenue			
Rental revenue		500,000	507,500
b) Finance Revenue			
Bank interest received and receivable		280,553	408,067
c) Other Income			
Fair value gain on investments held for trading		-	3,015,420
Gain on disposal of property, plant & equipment	(i)	37,797	41,529
Profit on sale of investments	(ii)	-	499,037
Field work completed by Legend Geologists		45,014	31,048
Office sublease		15,000	-
Gain on sale of tenements	f(i)	407,014	-
Dividends received		74,667	68,000
Plant & equipment hire		180	6,155
Other		2,842	-
		582,514	3,661,189
(i) Gain/(loss) on disposal of property, plant & equipment comprises:			
Proceeds on sale		85,000	41,529
Carrying value of assets disposed		(47,203)	-
		37,797	41,529
(ii) (Loss)/profit on sale of investments comprises:			
Proceeds on sale of listed shares		2,324,641	5,229,110
Carrying value of investments disposed		(2,627,335)	(4,730,073)
(Loss)/profit on sale of listed shares		(302,694)	499,037
d) Employee Benefits Expense			
Salaries & on-costs		516,341	412,204
Other employee benefits		27,098	7,933
		543,439	420,137
e) Deferred Exploration Expenditure written off			
Write down of deferred exploration expenditure	14	1,046,209	306,374

NOTE 4: REVENUE AND EXPENSES (CONTD)

	2011 $	2010 $
f) Other Expenses		
Depreciation	30,901	118,019
Foreign exchange loss	16,246	91,049
Impairment of goodwill	-	11,122
Rehabilitation expenses	303,422	354,418
Loss on sale of tenements (i)	-	5,387
Fair value loss on investments held for trading	3,780,668	-
Realised loss on sale of investments (c)(ii)	302,694	-
Exploration expenditure not capitalised	223,216	-
	4,657,147	579,995
(i) Profit/(loss) on disposal of tenements comprises:		
Proceeds on sale	939,500	60,000
Carrying value of assets disposed	(532,486)	(65,387)
	407,014	(5,387)
g) Corporate and administration expenses		
Fees – Audit/Tax	88,200	103,563
Fees – ASX	60,538	61,854
Fees – Share registry	26,487	27,019
Consultancy Fees	220,768	112,037
New project assessment	-	1,523
Office rent	111,399	144,480
Legal expenses	4,787	9,607
Travel expenses	122,273	59,302
Other expenses	368,974	226,754
	1,003,426	746,139
h) Finance costs	34,757	40,342

NOTE 5: PROFIT/(LOSS) PER SHARE	2011 $	2010 $
(a) Reconciliation of earnings to net profit/(loss):		
Net (Loss)/Profit	(4,250,169)	1,793,569
(Loss)/Profit used in the calculation of basic earnings per share	(4,250,169)	1,793,569
(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	1,763,585,733	1,692,501,486
Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	1,763,585,733	1,696,306,248

NOTE 6: INCOME TAX

	2011 $	2010 $
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge/(benefit)	-	-
Under/(Over) Provision of Prior Year	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,699,057)	713,792
Under/(Over) Provision of Prior Year	27,315	-
Income tax (benefit)/expense reported in the income statement	(1,671,742)	713,792

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:

	2011 $	2010 $
Accounting (loss)/profit before tax from ordinary activities	(5,921,911)	2,483,769
Accounting (loss)/profit before income tax	(5,921,911)	2,483,769
At the Group's statutory income tax rate of 30%	(1,776,573)	745,131
Expenditure not allowed for income tax purposes	154,333	78,613
Gross up of imputation credits	9,600	8,743
Recognition of tax losses arising from conversion of unused imputation credits	-	(16,285)
Utilisation of imputation credits to offset tax payable	(32,000)	(12,857)
Small & general business tax break	-	(11,984)
Under/(Over) Provision of Prior Year	27,315	-
Deductible equity raising costs	(54,417)	(77,569)
Income tax expense/(benefit) reported in the consolidated income statement	(1,671,742)	713,792
Income tax expensed directly to equity		
Relating to equity costs	(971)	14,759
Deferred tax (income)/expense recognised in equity	(971)	14,759
Current Income Tax Liability	-	-

Deferred Income Tax

Deferred income tax at 31 December related to the following:

	2011 $	2010 $
Consolidated		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(1,133,499)	(1,393,028)
Investments	-	(1,630,259)
Accrued interest income	(6,362)	(7,253)
Gross deferred income tax liabilities	(1,139,861)	(3,030,540)
Less amounts classified as held for sale	257,337	-
Amount disclosed as deferred tax liability	(882,524)	(3,030,540)

NOTE 6: INCOME TAX (CONTD)

	2011 $	2010 $
Deferred tax assets		
Losses available to offset against future taxable income	149,663	432,222
Capital losses available to offset against future capital gains	-	-
Provision for rehabilitation	416,700	444,578
Other provisions	58,550	51,409
Property, plant & equipment	66,382	53,842
Share based costs on equity	85,007	84,036
Investments	89,136	-
Other	28,157	45,476
Gross deferred tax assets	893,595	1,111,563

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.

NOTE 7: SEGMENT INFORMATION

Operating Segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

NOTE 7: SEGMENT INFORMATION (CONTD)

The Consolidated Entity operates in one operating segment and two geographical segments, being mineral exploration in Australia and West Africa. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

Primary Reporting – geographical segments

The geographical segments of the consolidated entity are as follows:

	Australia		West Africa		Total	
	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$
Revenue	1,363,067	4,576,756	-	-	1,363,067	4,576,756
Segment Result	(4,250,169)	2,005,894	-	(235,917)	(4,250,169)	1,769,977
Segment Assets	42,382,123	47,613,607	12,450,953	6,198,059	54,833,076	53,811,666
Segment Liabilities	(2,891,072)	(4,853,215)	(457,037)	(84,742)	(3,348,109)	(4,937,957)

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.

NOTE 8: CASH AND CASH EQUIVALENTS

	2011	2010
	$	$
Cash at bank and in hand	3,423,590	2,676,441
Deposits at call	5,000,000	4,000,000
	8,423,590	6,676,441

Cash at bank earns interest at floating rates based on daily bank deposit rates.
Deposits at call earn interest on a 30, 60, 90 and 180 day term basis at bank deposit rates.

NOTE 9: TRADE AND OTHER RECEIVABLES

	2011	2010
	$	$
Current		
Trade Receivables	7,357	44,832
Other Receivables	21,208	60,953
	28,565	105,785

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.

NOTE 10: PREPAYMENTS

	Note	2011 $	2010 $
Current			
Prepayments		50,375	88,113
Non-current			
Deposit on acquisition of property, plant and equipment (a)		376,547	-

(a) The Group has paid a deposit in relation to the acquisition of items of plant and equipment to be delivered to site in Cameroon. A commitment exists for further payments of US$457,412 in relation to these items.

NOTE 11: OTHER FINANCIAL ASSETS

	Note	2011 $	2010 $
Current			
Performance and other bonds (a)		1,389,000	-
Shares in Pilbara Minerals Ltd – at market value (b)		43,750	122,500
Shares in Independence Group – at market value (c)		2,268,000	8,480,003
Shares and options in Nemex Resources Ltd – at market value (d)		610,500	-
		4,311,250	8,602,503
Non-current			
Performance and other bonds (a)		66,134	1,548,061

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 Pilbara Minerals were on hand at 31 December 2011. The shares had a market value of $0.025 each at 31 December 2011 ($0.07 at 31 December 2010).

(c) Shares in Independence Group – 600,000 Independence Group were on hand at 31 December 2011. The shares had a market value of $3.78 each at 31 December 2011 (1,066,000 shares at $7.95 at 31 December 2010).

(d) Shares and options in Nemex Resources Ltd – 3,300,000 shares and 1,650,000 options were on hand at 31 December 2011. The shares had a market value of $0.16 each and the options had a market value of $0.05 each at 31 December 2011 (2010: nil holding).

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.

NOTE 12: DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2011 $	2010 $
Assets		
Deferred exploration costs	5,443,494	497,944
	5,443,494	497,944
Liabilities		
Provisions	1,389,000	-
Deferred tax liability	257,337	-
	1,646,337	-

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 $6.8M 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.

On 30 August 2011 Legend announced its intention to sell Armada Mining Limited, its 100% owned subsidiary, as well as the remaining tenements at its Pilbara project to Karratha Metals Limited ("KML"). The sale is conditional on KML successfully completing a capital raising and obtaining approval to list on the Australian Securities Exchange with the consideration being 10,000,000 fully paid ordinary shares in KML. The fair value of the shares has been estimated at $2 million. As a result, the carrying value of Armada Mining Limited and the separate tenements at the Pilbara project has been written down to $2 million at balance date.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Total
	$	$	$
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
At 1 January 2010			
net of accumulated depreciation	49,707	243,133	292,840
Additions	173,566	418,495	592,061
Acquisition of Camina SA (note 28)	-	2,711	2,711
Depreciation expense	(59,737)	(102,861)	(162,598)
At 31 December 2010			
Net of accumulated depreciation	163,536	561,478	725,014
At 1 January 2010			
Cost	284,040	602,354	886,394
Accumulated depreciation	(234,333)	(359,221)	(593,554)
Net carrying amount	49,707	243,133	292,840
At 31 December 2010			
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

NOTE 14: DEFERRED EXPLORATION COSTS

	Note	2011 $	2010 $
Deferred exploration and evaluation costs		10,797,751	9,529,975
Deferred mining information		-	1,672,503
		10,797,751	11,202,478
Deferred exploration and evaluation costs			
At 1 January, at cost		9,529,975	6,245,930
Exchange differences		(181,677)	-
Expenditure incurred during the year		5,768,709	5,976,439
Transfer of Camina acquisition deposit		-	(1,900,000)
Assets reclassified as held for sale		(3,273,047)	(497,944)
Expenditure acquired during the year	28	-	11,924
Expenditure written off during the year	14(i)	(1,046,209)	(306,374)
At 31 December, at cost	14(ii)	10,797,751	9,529,975
Deferred mining information			
At 1 January, at cost		1,672,503	1,672,503
Assets reclassified as held for sale		(1,672,503)	-
At 31 December, at cost	14(ii)	-	1,672,503

Note:

(i) Carrying values for certain tenements were reviewed and subject to the following conditions being met;

(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;

it was decided to write off the carrying values ($1,046,209) of the affected tenements.

(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.

NOTE 15: TRADE AND OTHER PAYABLES

	2011 $	2010 $
Current – unsecured		
Trade payables	228,823	121,765
Other payables and accruals	367,241	203,702
Funds received for share issue that did not proceed (a)	71,130	-
	667,194	325,467

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.

NOTE 16: PROVISIONS

	2011 $	2010 $
Current		
Employee benefits	108,781	52,696
Non-Current		
Employee benefits	43,273	47,327
Provision for restoration – Pilbara	-	92,927
Provision for restoration – Mt Gibson	-	1,389,000
	43,273	1,529,254
Number of employees at year end	58	27
Movement in provision for restoration:		
Carrying amount at beginning of the year	1,481,927	1,479,916
Additional provision	196	2,011
Provision released on sale of project	(93,123)	-
Liabilities reclassified as held for sale	(1,389,000)	-
Carrying amount at year end	-	1,481,927

A provision for restoration is 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. No provisions were used or released during the year

NOTE 17: CONTRIBUTED EQUITY

	2011 $	2010 $
Ordinary shares		
Issued and fully paid	63,373,386	55,711,385
Issue costs	(3,201,464)	(2,635,730)
	60,171,922	53,075,655

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

NOTE 17: CONTRIBUTED EQUITY (CONTD)

Movement in ordinary shares on issue 2010	**No**	**$**
At 1 January 2010	1,259,350,801	40,101,386
11-Jan-10 Issue of shares for cash	120,000,000	3,360,000
5-Feb-10 Issue of shares to acquire Cameroon Project	350,000,000	12,250,000
	1,729,350,801	55,711,386

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.

NOTE 18: RESERVES

Movement in reserves	**Foreign currency translation reserve $**	**Share option premium reserve $**
At 1 January 2010	-	10,545,911
Share based payments	-	11,763,764
Foreign currency translation	(546,348)	-
At 31 December 2010	(546,348)	22,309,675
Share based payments	-	107,903
Foreign currency translation	(308,468)	-
At 31 December 2011	(854,816)	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.

NOTE 19: SHARE OPTIONS

	Number	Exercise price cents per share
Unlisted options – Expiry date 22 May 2012		
At 1 January 2011	2,400,000	4.25 cents[1]
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2011	2,400,000	4.25 cents
Unlisted options – Expiry date 16 December 2014		
At 1 January 2011	9,000,000	5.3 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2011	9,000,000	5.3 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2011	200,000,000	4 cents
Options issued	-	-
Options exercised	(8,750,000)	4 cents
Options expired/lapsed	-	-
At 31 December 2011	191,250,000	4 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2011	30,000,000	6 cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2011	30,000,000	6 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2011	-	-
Options issued	400,000,000	0 cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2011	400,000,000	0 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2011	-	-
Options issued	400,000,000	0 cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2011	400,000,000	0 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2011	-	-
Options issued	200,000,000	4 cents
Options exercised	(250,000)	4 cents
Options expired/lapsed	-	-
At 31 December 2011	199,750,000	4 cents

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

NOTE 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:

	2011 $	2010 $
Expense arising from issue of 30 million options to brokers	-	760,000
Expense arising from grant of 14.4 million options to brokers	107,903	-
Expense arising from Share Based Option Plan	107,903	760,000

(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.

NOTE 20: SHARE-BASED PAYMENT PLANS (CONTD)

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.
(ii) capital raising costs – 30,000,000 options were granted to Cunningham Securities as compensation for the commission on the share issue dated 11 January 2010.

(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:

	2011 No.	2011 WAEP ($)	2010 No.	2010 WAEP ($)
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	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	71,400,000	0.0417	71,400,000	0.0417
Exercisable at the end of the year	71,400,000	0.0417	71,400,000	0.0417

The outstanding balance as at 31 December 2011 is represented by:
(i) 2,400,000 options over ordinary shares with an exercise price of $0.0425 each, exercisable from 22 May 2008 to 22 May 2012.
(ii) 9,000,000 options over ordinary shares with an exercise price of $0.053 each, exercisable from 16 December 2009 to 16 December 2014.
(iii) 60,000,000 options over ordinary shares with an exercise price of $0.04 each, exercisable from 4 December 2009 to 4 February 2015.

NOTE 20: SHARE-BASED PAYMENT PLANS (CONTD)

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

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding balance at the beginning of the year	170,000,000	0.044	140,000,000	0.040
Granted during the year	14,400,000	0.050	30,000,000	0.060
Exercised during the year	-	-	-	-
Outstanding at the end of the year	184,400,000	0.044	170,000,000	0.044
Exercisable at the end of the year	184,400,000	0.044	170,000,000	0.044

The outstanding balance as at 31 December 2011 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.

(d) Option pricing model

ExSOP

The fair value of the share options granted under the ExSOP during the current year were measured at the value as invoiced by the supplier.

NOTE 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.

Allowance for impairment on trade receivables

For the year ended 31 December 2011 the Company made a provision for impairment loss relating to amounts owed by related parties of $829,834 (2010 ($353,010)). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

(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.

	2011	**2010**
	$	**$**
Gibson Metals Pty Ltd	319,118	278,121
Armada Mining Limited	9,532	49,293
Legend Cameroon Pty Ltd	-	(391,247)
Camina SA	6,783,574	6,968,646

The balances outstanding to Legend Mining Limited at 31 December 2011 are as follows:

	Note	**2011**	**2010**
		$	**$**
Gibson Metals Pty Ltd		5,785,763	5,466,645
Armada Mining Limited		566,827	557,295
Legend Cameroon Pty Ltd		18,777	18,777
Camina SA		13,752,220	6,968,646
		20,123,587	13,011,363
Provision for impairment		(6,371,367)	(5,541,534)
Balance		13,752,220	7,469,829

As at 31 December 2011 Legend Mining BVI Ltd also owed $7,539 (2010: $7,539) to Legend Mining Cameroon Pty Ltd.

NOTE 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	2011 $	2010 $
Cash on hand		8,562	300
Cash at bank		3,415,028	2,676,141
Deposits at call		5,000,000	4,000,000
	8	8,423,590	6,676,441

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

	2011	2010
Net (loss)/profit after tax	(4,250,169)	1,769,977
Adjusted for:		
Net gain on disposal of property, plant & equipment	(37,797)	(41,529)
Net (gain)/loss on sale of tenements	(407,014)	5,387
Depreciation	30,901	118,019
Dividends received	(74,667)	(68,000)
Foreign exchange loss	(206)	(564,520)
Loss/(gain) on sale of investments	302,694	(499,037)
Fair value loss/(gain) on investments	3,780,668	(3,015,420)
Deferred exploration expenditure written off	1,046,209	306,374
Rehabilitation expenses	303,422	-
Exploration expenditure not capitalised	223,216	-
Income tax (benefit)/expense	(1,671,742)	713,792
	(754,485)	(1,274,957)
Change in operating assets and liabilities:		
Decrease/(increase) in prepayments	-	(35,281)
Decrease in receivables	77,220	407,059
Increase/(decrease) in provision for annual leave	56,085	(3,457)
(Decrease)/increase in provision for long service leave	(4,054)	12,377
Increase/(decrease) in payables	(107,977)	(21,908)
Increase in rehabilitation provision	196	2,011
Net cash used in operating activities	(733,015)	(914,156)

Non cash financing and investment activities

During the financial year, 14,400,000 options over ordinary shares were granted to Azure Capital as part consideration for brokerage fees in November 2011 (options issued in January 2012) and were valued at $107,903.

During the financial year, on the sale of tenements the Group received as part consideration 3.3 million ordinary shares valued at $660,000 and 1.65 million listed options valued $66,000 in Nemex Resources Ltd.

Also during the financial year, 2,000,000 ordinary shares were issued pursuant to services rendered valued at $102,000.

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

NOTE 23: COMMITMENTS

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay in 2012 amounts of approximately $1,441,722 (2011: $2,524,410) in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Industry & Resources. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

Note: This is the maximum commitment for exploration, to fully meet DOIR requirements. In practice, Legend has routinely applied for and been granted exemptions from meeting these requirements on a tenement by tenement basis. As a result the actual amount required to be expended on exploration in Australia is expected to be less than $1.44 million, while still holding all the tenements in good standing.

(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 year commencing 1 November 2011. The lease commitment is $120,000 for the first year and $124,800 for the second year.

(c) Commitments for the purchase of property, plant and equipment

The Group has paid a deposit in relation to the acquisition of items of plant and equipment to be delivered to site in Cameroon. A commitment exists for further payments of US$457,412 in relation to these items.

NOTE 24: INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2011	Interest Held 2010
Gibson Metals Pty Ltd	Ordinary	100%	100%
Armada Mining Ltd	Ordinary	100%	100%
Legend Cameroon Pty Ltd	Ordinary	100%	100%
Legend Iron Ltd (BVI)	Ordinary	100%	100%
Camina SA	Ordinary	90%	90%

NOTE 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:

2011	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
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
2010					
Financial assets:					
Cash and cash equivalents	4.58%	2,676,441	4,000,000	-	6,676,441
Other financial assets	4.77%	-	1,531,927	16,134	1,548,061
		2,676,441	5,531,927	16,134	8,224,502

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 $90,563. 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:

	Note	Carrying Amount 2011 $	2010 $
Cash and cash equivalents	8	8,423,590	6,676,441
Trade and other receivables	9	28,565	105,785
Performance bonds	11	1,455,134	1,548,061
		9,907,289	8,330,287

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

The Company's maximum exposure to credit risk at the reporting date was $9,907,289 (2010: $8,330,287).

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

31 December 2010	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	325,467	(325,467)	(325,467)

	6 months or less	6 months to 1 year	1 to 5 years	Total
Liquid financial assets				
Cash and cash equivalents	8,423,590	-	-	8,423,590
Trade and other receivables	28,565	-	-	28,565
	8,452,155	-	-	8,452,155
Financial liabilities				
Trade and other payables	667,194	-	-	667,194
Net inflow/(outflow)	7,784,961	-	-	7,784,961

(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 2011		31 December 2010	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Held for trading financial assets	2,922,250	2,922,250	8,602,503	8,602,503
Cash and cash equivalents	8,423,590	8,423,590	6,676,441	6,676,441
Performance and other bonds	1,455,134	1,455,134	1,548,061	1,548,061
Trade and other receivables	28,565	28,565	105,785	105,785
Trade and other payables	(667,194)	(667,194)	(325,467)	(325,467)
	12,162,345	12,162,345	16,607,323	16,607,323

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

(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 $2,922,250 at 31 December 2011. 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 $292,225.

(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.

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 US$8,006 ($7,868) as at 31 December 2011.

<u>Sensitivity</u>
As at 31 December 2011, 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 2011, if the US Dollar strengthens by 10% against the Australian Dollar, pre-tax profit for the year would have been $788 higher. If the US Dollar weakens by 10% against the Australian Dollar, pre-tax profit for the year would have been $714 lower.

NOTE 26: INTEREST IN JOINT VENTURE ASSETS

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

Joint Venture	**Project**	**Activity**	**2011 Interest**	**2010 Interest**
Mount Marie Joint Venture	Pilbara	Nickel, Copper & Zinc Exploration	40%	-
Munni Munni Joint Venture	Elizabeth Hill	Silver Exploration	-	30.12%

Net assets employed in the joint ventures totalling nil (2010: $868,596) are included as deferred exploration expenditure carried forward in the financial statements. The Mount Marie Joint Venture is included in the Pilbara project classified as held for sale, refer note 12.

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

	2011	2010
	$	$
Current assets	13,775,097	15,203,776
Total assets	51,336,577	50,708,014
Current liabilities	298,769	247,100
Total liabilities	693,269	2,758,924
Net assets	50,643,308	47,949,090
Contributed equity	60,171,922	53,075,655
Accumulated losses	(31,946,192)	(27,436,240)
Share option premium reserve	22,417,578	22,309,675
	50,643,308	47,949,090
(Loss)/profit of the parent entity after tax	(4,509,952)	1,595,166
Total comprehensive (loss)/income of the parent entity	(4,509,952)	1,595,166

NOTE 28: BUSINESS COMBINATIONS – ACQUISITION OF A SUBSIDIARY

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

(i) Consideration transferred

The purchase of CAMINA was satisfied by the issue of 350M shares in Legend Mining Limited issued at 3.5 cents per share, 200M 5 year options and 800M 5 year performance options. The issue price of shares was based on the market price on the date of purchase.

	$
350M shares in Legend Mining Limited	12,250,000
200 million Legend 5 year options exercisable at 4 cents per option	5,263,764
400 million Performance options exercisable for nil consideration	4,620,000
400 million Performance options exercisable for nil consideration	1,120,000
	23,253,764

The fair value of the share options granted under the purchase of Camina are measured at the date of purchase using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

400 million Performance Options A issued to Camina Vendors

Expected volatility (%)	100.00
Risk-free interest rate (%)	5.1%
Expected life of option (days)	1826
Option exercise price ($)	0.000
Share price at measurement date ($)	0.035

A discount of 67% was applied as there was a significant probability that the performance hurdles required for the conversion of the options into shares would not be satisfied.

NOTE 28: BUSINESS COMBINATIONS – ACQUISITION OF A SUBSIDIARY (CONTD)

400 million Performance Options B issued to Camina Vendors

Expected volatility (%)	100.00
Risk-free interest rate (%)	5.1%
Expected life of option (days)	1826
Option exercise price ($)	0.000
Share price at measurement date ($)	0.035

A discount of 92% was applied as there was a significant probability that the performance hurdles required for the conversion of the options into shares would not be satisfied.

200 million Options issued to Camina Vendors

Expected volatility (%)	100.00
Risk-free interest rate (%)	5.1%
Expected life of option (days)	1826
Option exercise price ($)	0.040
Share price at measurement date ($)	0.035

Acquisition-related costs such as legal fees, consultancy and tax advisory fees have been written off in the year as incurred.

(ii) Assets acquired and liabilities assumed at the date of acquisition

The fair values of identifiable assets and liabilities of Camina as at the date of acquisition were:

	Carrying amount on date of acquisition $	Fair value on date of acquisition $
Cash at Bank	57,490	57,490
Trade Debtors	3,326	3,326
Exploration & Evaluation Costs	11,924	11,924
Plant & Equipment	2,711	2,711
Intangibles Assets	6,551	6,551
Trade Creditors	(38)	(38)
Long-term debt	(94,323)	(94,323)
Net liabilities	(12,359)	(12,359)
Group share of net liabilities acquired (90%)		(11,123)
Goodwill - Mineral rights acquisition costs		23,264,887*
Total consideration		23,253,764

*At 30 June 2010, the excess of the goodwill (Mineral rights acquisition costs) over the cost of acquisition was written off to the statement of comprehensive income.

The goodwill of $23,253,764 has been treated as mineral rights acquisition costs refer below.

NOTE 28: BUSINESS COMBINATIONS – ACQUISITION OF A SUBSIDIARY (CONTD)

	As at 31-Dec-11 $	As at 31-Dec-10 $
Gross carrying amount		
Balance at the beginning of the year	23,264,887	-
Amounts recognised from business combinations occurring in the year	-	23,264,887
Balance at the end of the year	23,264,887	23,264,887
Accumulated impairment losses		
Balance at the beginning of the year	11,123	-
Impairment losses recognised during the year	-	11,123
Balance at the end of the year	11,123	11,123
Net book value		
At the beginning of the year	23,253,764	-
At the end of the year	23,253,764	23,253,764

(iii) **Non-controlling interest**

The non-controlling interest (10%) in CAMINA SA recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $1,236. During the 2011 year, non-controlling interest share of losses amounted to $199,818 (2010: $139,639).

NOTE 29: AUDITOR'S REMUNERATION

	Consolidated 2011 $	2010 $
Remuneration of the auditor of the parent entity Stantons International for		
- auditing or reviewing the financial report	80,652	52,397

NOTE 30: 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.

NOTE 31: EVENTS AFTER THE BALANCE SHEET DATE

(a) Sale of Mt Gibson Gold Project

On 13 March 2012, the sale of the Mt Gibson Gold Project to Extension Hill Pty Ltd was settled. Legend received $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.

(b) POSCO Joint Venture

Legend and POSCO Africa (Pty) Ltd signed a Memorandum of Understanding (MOU) in February 2012 whereby the parties will use best endeavours and co-operate to negotiate and agree an exploration joint venture in relation to Legend's Ngovayang iron ore project in Cameroon. The MOU is non-binding and non-exclusive and negotiations are at an advanced stage.

NOTE 32: DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed this financial year.

There are no franking credits available for future reporting periods.

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 35-82, and the remuneration disclosures that are contained in the Remuneration report in the Directors report (pages 26–33), 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 2011 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 2011.

On behalf of the Board.

M.W.

Mark Wilson
Managing Director

Dated this 30th day of March 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

30 March 2012

Board of Directors
Legend Mining Limited
Level 2, 640 Murray Street
WEST PERTH, WA 6005

Dear Directors

RE: LEGEND MINING LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Legend Mining Limited.

As the Audit Director for the audit of the financial statements of Legend Mining Limited for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

J P Van Dieren
Director

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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 2011, 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 and fair presentation 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 control as the directors determine is 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 Australian 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 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 judgement, 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 control 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 control. 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.

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

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*.

Auditor's 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated 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 26 to 33 of the directors' report for the year ended 31 December 2011. 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

Auditor's opinion

In our opinion the remuneration report of Legend Mining Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

John P Van Dieren
Director

West Perth, Western Australia
30 March 2012

The issued capital of the company as at 26 March 2012 is 1,980,350,801 ordinary fully paid shares.

Distribution of Share Holders as at 26 March 2012

Fully Paid Shares			**Number of Holders**	**Number of Shares**
1	-	1,000	82	24,540
1,001	-	5,000	136	518,965
5,001	-	10,000	351	2,959,982
10,001	-	100,000	2,201	106,570,824
100,001		and over	1,477	1,870,276,490
			4,247	1,980,350,801
Number holding less than a marketable parcel			1,137	12,979,687

Top 20 Shareholders as at 26 March 2012

Name	**Total Holdings**	**% Issued Capital**
Yandal Investments Pty Ltd	344,750,000	17.41
Australian Gold Resources Pty Ltd	164,985,000	8.33
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	124,535,819	6.29
Ron Medich Properties Pty Ltd <The Ron Medich S/Fund A/C>	55,000,000	2.78
Mr John Francis Corr <Bawnlusk A/C>	53,500,000	2.70
HSBC Custody Nominees (Australia) Limited	40,894,332	2.06
Chester Nominees WA Pty Ltd <M W Wilson Super Fund A/C>	35,000,000	1.77
Mr Alexander Jason Elks	31,282,826	1.58
Karri Australia Pty Ltd	31,000,000	1.56
JP Morgan Nominees Australia Limited <Cash Income A/C>	26,800,782	1.35
Mr Paul Gabriel Sharbanee <The Scorpion Fund A/C>	20,358,080	1.03
UBS Wealth Management Australia Nominees Pty Ltd	19,759,365	1.00
Morgan Stanley Australia Securities (Nominee) Pty Ltd <No 1 Account>	16,370,406	0.83
Ron Medich Properties Pty Limited <Captain Cook A/C>	15,000,000	0.76
Laser Holdings Pty Ltd	10,000,000	0.50
Mr Philip Roy Trafford	10,000,000	0.50
Mr Brian McCubbing <B McCubbing Super Fund A/C>	9,000,000	0.45
Mr Francis Mabou	8,685,475	0.44
Mr Emmanuel Cheo Suh	8,500,000	0.43
Mr Jimmy Thomas & Mrs Ivy Ruth Ponniah	8,405,558	0.42
	1,033,827,643	52.20

Unlisted Option holders as at 26 March 2012

Class of options	**Number**	**Number of Holders**
22 May 2012 exercisable at 4.25 cents per share	2,400,000	5
16 December 2014 exercisable at 5.30 cent per share	9,000,000	5
4 February 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	400,000,000	18
4 February 2015 exercisable at nil cents per share	400,000,000	18

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

TENEMENT LISTING
AS AT 26 MARCH 2011

PILBARA PROJECT

Tenement	Status	Percentage Interest
E47/1178	Granted	100%
E47/1745	Granted	100%
E47/1746	Granted	100%
E47/1747	Granted	100%
E47/1797	Granted	100%
E47/1806	Granted	Earning 70% from Fox Radio Hill PL
E47/1807	Granted	Earning 70% from Fox Radio Hill PL
E47/1878	Granted	Earning 70% from Fox Radio Hill PL
P47/1360	Granted	100%
P47/1361	Granted	100%
P47/1362	Granted	100%
P47/1363	Granted	100%
P47/1364	Granted	100%
P47/1365	Granted	100%
P47/1366	Granted	100%
P47/1367	Granted	100%
P47/1368	Granted	100%
P47/1369	Granted	100%
P47/1370	Granted	100%
P47/1371	Granted	100%
P47/1372	Granted	100%
P47/1373	Granted	100%
P47/1374	Granted	100%
P47/1375	Granted	100%
P47/1380	Granted	100%
P47/1386	Granted	100%
P47/1112	Pending	100%
P47/1124	Pending	100%
P47/1126	Pending	100%
P47/1127	Pending	100%
P47/1131	Pending	100%
P47/1134	Pending	100%
P47/1528	Pending	100%

CAMEROON PROJECT

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