



LEGEND  
MINING LIMITED

A.C.N. 060 966 145

ANNUAL REPORT

2000





*Aerial photo of Tailings Dam at Munnii Munnii*

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COMPANY DIRECTORY

**Directors**

Albert Kevin Robert Watson (Chairman)  
Murray Vincent McDonald (Managing Director)  
Ian David Cowden

**Secretary**

Ross Gregory Ledger

**Registered Office**

Suite 1  
46 Ord Street  
PO Box 626  
WEST PERTH WA 6005  
Telephone: (08) 9322 3700  
Facsimile: (08) 9322 3800

**Share Registry**

Advanced Share Registry Services  
Level 6  
200 Adelaide Terrace  
PERTH WA 6000  
Telephone: (08) 9221 7288  
Facsimile: (08) 9221 7869

**Bankers**

National Australia Bank  
1238 Hay Street  
WEST PERTH WA 6005

**Auditors**

KPMG  
Chartered Accountants  
152-158 St Georges Terrace  
PERTH WA 6000

**Home Exchange**

Australian Stock Exchange Ltd  
2 The Esplanade  
PERTH WA 6000

CHAIRMAN'S REPORT

Dear Shareholder,

**INTRODUCTION**

This is the sixth Annual Report and Financial Statements to be presented to Shareholders of Legend Mining Limited. The review of activities and financial reports contain comprehensive information which I recommend you read.

**SILVER**

During the year under review silver sales realised \$9.16 million gross for the Munni Munni Joint Venture from 1,070,545 ounces at an average price of \$8.56 per ounce. The continuing strong international price for silver coupled with the more favourable exchange rate resulted in a higher return average per ounce being achieved than for 1999.

A Notice of Intent applying for approval to treat the tailings was prepared and lodged with the Department of Minerals & Energy in December 2000 and has now been approved. An independent feasibility study was completed late January 2001 and forwarded to our Joint Venture Partner East Coast Minerals NL (ECM) for approval to proceed with the extraction of the silver. We support the conclusions and recommendations of the feasibility study. As yet no decision from ECM has been made to treat the tailings.

**CARLOW CASTLE**

Carlow Castle gave us some exciting results during the calendar year 2000 with an increased resource and many new first priority targets which we will follow up this year.

During the year your Company has been active in seeking opportunities to further develop the Company assets including adding value to Carlow Castle. We continue to evaluate projects which projects are consistent with the Company's objectives to produce early cashflow for Legend.

**JOINT VENTURE TENEMENTS**

On the 13 February 2001 Legend entered into a contract to gain control of a further 60% of the Munni Munni silver, palladium and platinum Joint Venture ground. Currently Legend has 30% and will pursuant to the contract acquire a further 60% from ECM at the end of the earning period leaving ECM with 10%. This contract is subject to Supreme Court litigation wherein Legend is seeking specific performance of the contract.

In more detail Legend paid ECM a deposit of \$25,000 and the balance of \$975,000 is payable over one and a half years subject to a 60 day due diligence period followed by a formal Joint Venture and Farmin Agreement with ECM.

Legend will earn the additional 60% interest by spending a further \$4.5 million on exploration for silver, palladium, platinum, and other metals over a 3 year Farmin period. The opportunity for Legend to increase its interest arose when ECM advised that it had received an offer it intended to accept for six sevenths of ECM's interest in the Joint Venture. However it is Legend's position that under a pre-emptive right held by Legend ECM was obliged to first offer the deal to Legend and Legend on the 13 February 2001 accepted the offer. Legend has expedited proceedings through the Supreme Court of Western Australia and expects an early resolution.

Legend has held 500,000 ordinary shares in ECM for a number of years. A strategic decision has been made by your Company to sell down this share holding, because it is no longer in the interests of Legend to retain these shares. A structured and orderly sell off of that share holding has commenced and will have the advantageous effect in practical terms of subsidising the cost of legal proceedings.

**GENERALLY**

I take this opportunity to thank my fellow Directors, the Company Secretary and the Company's professional advisors for their strong support of the Company during the calendar year 2000. However, the most noticeable support was from our existing and loyal Shareholders and your Directors look forward to a strong calendar year 2001 for Legend Mining Limited.

Yours sincerely



A K Watson  
CHAIRMAN



REVIEW OF ACTIVITIES

**Elizabeth Hill Silver Mine, Munni Munni Project**

As at 31st December 2000, Joint Venture participants are:	Legend Mining Limited	30%
	East Coast Minerals NL	70%

Underground mining and treatment of high grade silver ore continued at the Elizabeth Hill silver mine throughout the calendar year, and was completed in December 2000. Main achievements included:

- Upgrading of underground mining operations from exploration/trial mining to a continuous production basis from January 2000.
- Hoisting of 16,608 wet tonnes of stope ore and development material from between 55m - 102m below surface.
- Treatment of 16,828 dry tonnes through the on-site gravity treatment plant, compared to 10,467t in 1999. Calculated head grade averaged 3,623g/t silver (116.5oz/t) during 2000, a substantial increase from 1,970g/t (63.3oz/t) in 1999.
- Production of 1,170,308 ounces of silver during the year (339,636oz in 1999). Three huge “nuggets” comprising mainly native silver were recovered, the largest being approximately 180kg in weight.
- Metallurgical recoveries averaged 60% for the year, a marked improvement from the 51% recorded in 1999.
- Silver sales in 2000 realised \$9.16 million from 1,070,545 ounces at an average price of \$8.56. Sales made subsequent to 31 December 2000, from silver mined and milled during 2000 totalled \$376,972 from 43,885 ounces at an average price of \$8.59. Continuing strong US\$ silver prices and favourable exchange rates resulted in a higher average price being achieved than for 1999.
- A Notice of Intent applying for approval to treat the tailings by agglomeration and heap leach was prepared and lodged with the Department of Minerals and Energy in December 2000 and approved in March 2001. An independent bankable feasibility study dated 10th January 2001 shows that a Probable Ore Reserve of 27,086 dry tonnes of tailings containing 1,113,900 ounces of silver is available for treatment and that a substantial profit can be expected, on the assumptions made at that time.

At the Elizabeth Hill silver mine, 40 kilometres south of Karratha in the Pilbara region of Western Australia, operations during calendar 2000 saw the successful mining and treatment of the high grade underground resource defined during the previous year. Full scale production stoping was commenced in mid-March, following upgrading of the ventilation circuit in the first quarter of the calendar year.

The underground resource estimate was reported last year as 24,100t (indicated plus inferred) containing 3.26 million ounces of silver between 55-105m depth. Actual production to end of 2000 was 27,295 tonnes containing 2.62 million ounces of silver, representing 113% of resource tonnes for 80% of estimated silver content. The difference is largely due to mining dilution, development outside resource boundaries and non-recovery of some ore sterilised in pillars within the underground workings.

Treatment of the underground ore was through an on-site modular gravity treatment plant, which was acquired on a lease/hire arrangement. The plant comprises a crushing circuit, ball mill, in-line pressure jig, Falcon concentrator and two gravity tables. Process water was provided from dewatering of the underground mine, and electricity was supplied from a diesel generator powerhouse located adjacent to the plant.



REVIEW OF ACTIVITIES

**Elizabeth Hill Silver Mine, Munni Munni Project (cont'd)**

A total of 16,828 dry tonnes of mainly stope ore was treated through the plant during 2000. The mill was initially run on a single shift 12 hour per day operation. Lack of ore feed in the first Quarter was caused by restrictions to underground access imposed by the Department of Minerals and Energy, which were lifted once upgrades to mine ventilation were approved in March 2000.

Target throughput of 2,000 tonnes per month was exceeded from April to July, with the plant on double shift continuous operation. Throughput was controlled at 4 tonnes per hour after metallurgical evaluation showed that silver recoveries could be significantly improved by finer grind size. Average calculated recovery for the year was 60%, compared to 51% for 1999.

Milling operations returned to campaign treatment of three weeks on, one week off from October 2000 as continuity of ore feed supply diminished. Mining operations were placed on care and maintenance in early December pending delineation of further ore pods, and milling ceased in mid-December. The treatment plant remains on site.

Head grades through the plant averaged 3,623g/t silver (116.5oz/t) during the year, reflecting the change in mining operation from development in 1999 to continuous underground production from the main high grade silver pod in 2000. A total of 1,170,308 ounces of silver was recovered compared to 339,636oz in 1999.

Three huge "nuggets" of predominantly native silver to 180kg were recovered during the year, and the largest of these specimens was sold to a private collector. The second largest nugget is currently on display at the Perth Mint.

Silver sales during the calendar year of 1,070,545 ounces realised \$9.16 million. The average price was \$8.56 per ounce, an increase from 1999 due to favourable exchange rates and continuing strong US\$ silver price. Since the end of 2000, the remaining 43,885 ounces of silver produced in that year has been sold for \$376,972 at an average price of \$8.59 per ounce. A decrease in the US\$ silver price during first Quarter 2001 has more than been compensated for by the weakening of the Australian dollar.

Most of the revenue in 2000 was received from sales of silver concentrates to Rand Refineries, South Africa. Coarse native silver was also treated and sold at AGR Perth. Some specimen samples were sold to dealers and private individuals, receiving a premium above the value of contained silver.

A shallow 40 hole 1,495m program of RC drilling was carried out during October 2000 to further test silver mineralisation between the mine workings and surface. This detailed work failed to confirm previous irregularly-spaced drilling results, which were hampered by recovery problems due to abundant groundwater, and downgraded the inferred shallow resource estimated in 1999. Approximately 7,000t of mineralisation averaging 700ppm Ag was outlined to a depth of 41m, but a formal resource estimate has not yet been presented by the Joint Venture Manager.

At the end of milling in December 2000, the tailings dam adjacent to the gravity plant contained an estimated 27,086 dry tonnes averaging 1,279g/t silver (41.1oz/t), which equates to 1,113,900 ounces of contained silver. An independent feasibility study by John W. MacIntyre & Associates Pty Ltd reviewed the metallurgical accounts and concluded that the material contained in the tails dam is a Probable Ore Reserve under Clause 41 of the 1999 Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code).

A Notice of Intent applying for approval to treat the tailings by agglomeration and heap leach was prepared and lodged with the Department of Minerals and Energy in mid December 2000. A draft works approval was received from the Department of Environmental Protection in February 2001, and formal approval has now been received

Legend is keen to commence heap leach treatment of the tailings as soon as possible, as a substantial profit is anticipated from feasibility modelling. Alternative treatment routes including contract processing were examined during the year but these are considered less attractive in terms of returns to the Joint Venture and/or project risk.



REVIEW OF ACTIVITIES

**Carlow Castle (Legend 100%)**

Legend believes this project has potential to support a stand-alone mining operation, and continuing exploration will be targeted on this objective. Carlow is located eight kilometres southwest of Roebourne and 40 kilometres northeast of the Elizabeth Hill silver mine.

Considerable exploration including RC drilling and costeaning was carried out during 2000 over the newly discovered Carlow South zone and surrounding area, including the historic Carlow Castle main workings. A central high grade core of gold-copper-cobalt mineralisation was successfully defined at Carlow South, within a broader mineralised halo.

<b>Carlow South Resource</b>	<b>1,331,000 tonnes at 1.38g/t Au, 0.56% Cu</b>	<b>from surface to 100m depth</b>
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Contained metal equates to approximately 57,000 ounces of gold and 7,470 tonnes of copper. The resource is classified in accordance with the 1999 JORC Code as follows:

<b>Main Lode:</b>	Indicated	30,000 tonnes at 10.0g/t Au, 1.40% Cu	from surface to 30m depth
	<u>Inferred</u>	<u>61,000 tonnes at 10.0g/t Au, 1.40% Cu</u>	<u>from 30m to 100m depth</u>
	Total	91,000 tonnes at 10.0g/t Au, 1.40% Cu	from surface to 100m depth
<b>Halo:</b>	Inferred	1,240,000 tonnes at 0.75g/t Au, 0.50% Cu	from surface to 100m depth

Detailed ground geophysics over an area of 1.5 square kilometres centred on the Carlow Main/Carlow South area has resulted in definition of twelve First Priority induced polarisation targets and a further nine resistivity targets similar in nature to the high grade Main Lode mineralisation.

**Radio Hill West (Legend 40%)**

Joint Venture operator Titan Resources NL, reported in their Annual Report 2000 that "A promising target for nickel mineralisation has been proposed on the Dingo intrusion located within the Radio Hill West joint venture area held by Legend Mining NL. A programme of detailed ground geophysics is being carried out (August 2000) to further define drill targets."

Since that report, Titan has completed a major aerial geophysical survey in the region, including Radio Hill West which is 25 kilometres south of Karratha. A significant geophysical anomaly has been confirmed on the Dingo intrusion and a RC drilling programme is planned to commence in April 2001.

**Twin Table Hills (Legend 100%)**

Evaluation of exploration results to date and continuing research has been undertaken during the year. Further field work is planned to evaluate the geochemically anomalous contact of the Andover Intrusion with greenstones of the Roebourne Group for Carlow Castle-style mineralisation, as soon as the Mining Lease applications are granted.

**Emerald (Legend 69%)**

Geological evaluation has continued, and further drill testing for small high grade gold targets is proposed. Legend has increased its interest in the project by sole funding of exploration since late 1997. Discussions regarding possible farm out are continuing with interested parties.

**LEGEND MINING LIMITED**

**REVIEW OF ACTIVITIES**

**TENEMENT DIRECTORY**

Tenement No. (Application*)		Registered Holder/Applicant	Shares Held
<b>MUNNI MUNNI</b>	M47/340	LEGEND MINING LIMITED	30/100
	M47/341	LEGEND MINING LIMITED	30/100
	M47/342	LEGEND MINING LIMITED	30/100
	M47/343	LEGEND MINING LIMITED	30/100
	E47/587	LEGEND MINING LIMITED	30/100
	M47/414*	LEGEND MINING LIMITED	30/100
	M47/415*	LEGEND MINING LIMITED	30/100
<b>CARLOW CASTLE</b>	E47/562	LEGEND MINING LIMITED	100/100
	M47/409*	LEGEND MINING LIMITED	100/100
	E47/932*	LEGEND MINING LIMITED	100/100
	E47/957*	LEGEND MINING LIMITED	100/100
	E47/967*	LEGEND MINING LIMITED	100/100
	P47/944	LEGEND MINING LIMITED	100/100
	P47/945	LEGEND MINING LIMITED	100/100
	M47/417*	LEGEND MINING LIMITED	100/100
	M47/490*	LEGEND MINING LIMITED	100/100
	M47/491*	LEGEND MINING LIMITED	100/100
	<b>BRADLEY WELL</b>	E47/1049*	LEGEND MINING LIMITED
<b>MOUNT SHOLL</b>	E47/966*	LEGEND MINING LIMITED	100/100
<b>TWIN TABLE HILLS</b>	M47/462*	LEGEND MINING LIMITED	100/100
	M47/463*	LEGEND MINING LIMITED	100/100
	M47/493*	LEGEND MINING LIMITED	100/100
	M47/494*	LEGEND MINING LIMITED	100/100
<b>RADIO HILL WEST</b>	E47/567	LEGEND MINING LIMITED	40/100
	M47/466*	LEGEND MINING LIMITED	40/100
	M47/457*	LEGEND MINING LIMITED	100/100
<b>RAILWAY</b>	E47/1048*	LEGEND MINING LIMITED	100/100
<b>EMERALD</b>	E30/118	LEGEND MINING LIMITED	69/100

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

LEGEND MINING LIMITED - ANNUAL REPORT 2000  
CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 January 2000 to 31 December 2000. These practices are dealt with under the following headlines: Board of Directors, Business Risks, Ethical Standards and Directors Dealings in Company Shares.

**1. BOARD OF DIRECTORS**

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

*Composition of Board*

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

Name	Position	Expertise
A K R Watson	Chairman	Banking & Finance
M V McDonald	Managing Director	Management
I D Cowden	Executive Director	Exploration & Mining Geologist

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

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

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

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

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

*Independent Professional Advice*

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

LEGEND MINING LIMITED - ANNUAL REPORT 2000  
CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS cont'd...

*Remuneration*

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

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

*Audit*

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

The responsibilities of the board ordinarily include:

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

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

2. BUSINESS RISKS

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

LEGEND MINING LIMITED - ANNUAL REPORT 2000  
CORPORATE GOVERNANCE STATEMENT

**3. ETHICAL STANDARDS**

The board subscribes to the statement of Ethical Standards as published by the Institute of Company Directors. All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

**4. DIRECTORS DEALINGS IN COMPANY SHARES**

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

DIRECTORS' REPORT

The board of directors of Legend Mining Limited ("the Company") have pleasure in submitting their report together with the consolidated financial report for the year ended 31 December 2000, and auditors report thereon.

1. DIRECTORS

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

*Albert Kevin Robert Watson*

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

*Murray Vincent McDonald*

Mr McDonald is a Certified Practising Accountant who has, over his last 21 years, participated in the management of a number of companies in the mining industry. Mr McDonald's expertise ranges from operational management of mining projects to resource project funding and implementation. He is a member of the Taxation Institute of Australia, an affiliate member of the Australasian Institute of Mining and Metallurgy and an affiliate member of the Securities Institute of Australia. He is the founder of Legend Mining Limited. Director since 1995.

*Ian David Cowden*

Appointed 18 July 2000, Mr Cowden (FausIMM CPGeo MAIG) is a consulting geologist who has had over 28 years experience in the exploration and mining industry worldwide. He had held executive and senior positions in junior explorers and major international mining companies, with emphasis on feasibility studies and successful development and mining of a range of commodities including gold and silver.

Mr T C Meiklejohn resigned as a director of the company on 18 July 2000.

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

Name	Shares	Options
A K R Watson	-	-
M V McDonald	7,525,001	3,166,667
I D Cowden	-	200,000

- (c) No director has an interest, whether directly or indirectly, in a contract or proposed contract with the Company, other than as disclosed in note 20.

DIRECTORS' REPORT

**2. PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the year were mineral exploration and mining of silver.

**3. DIVIDENDS**

No amounts have been paid or declared as dividends during the course of the financial year.

**4. REVIEW OF OPERATIONS**

The details of the consolidated entity's exploration and mining activities during the year are included within the Review of Activities as set out on pages 5 to 10.

**5. STATE OF AFFAIRS**

The state of affairs of the consolidated entity was not affected by any significant changes during the financial year other than:

- On 7 March 2000, the Company issued 14,256,250 new options exercisable at 20 cents each on or before 31 March 2002, to raise \$427,687 to provide additional working capital.

**6. SIGNIFICANT EVENTS AFTER BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, other than:

On 13 February 2001, Legend entered into a contract to gain control of a further 60% of the Munni Munni silver, palladium and platinum Joint Venture ground. Currently Legend has 30% and will pursuant to the contract acquire a further 60% from East Coast Minerals NL (ECM) at the end of the earning period, leaving ECM with 10%.

The Company paid ECM a deposit of \$25,000, and the balance of \$975,000 is payable over one and a half years, subject to a 60 day due diligence period followed by a formal Joint Venture and Farmin Agreement with ECM.

East Coast Minerals NL has disputed the agreement. Legend has expedited proceedings through the Supreme Court of Western Australia and expects an early resolution.

**7. ENVIRONMENTAL REGULATION**

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

**8. LIKELY DEVELOPMENTS**

Likely developments in the operations of the consolidated entity, and expected results of those operations in subsequent financial years have been discussed, where appropriate, in the Chairman's Report on page 3 and Review of Activities set out on pages 5 to 10.

DIRECTORS' REPORT

9. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 31 December 2000 and the numbers of meetings attended by each director.

	No of Meetings Attended	No of Meetings held whilst a Director
Number of meetings attended by:		
Albert Kevin Robert Watson	7	7
Murray McDonald	7	7
Thomas Meiklejohn (resigned 18.07.00)	3	4
Ian David Cowden (appointed 18.07.00)	3	3

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

10. DIRECTORS' BENEFITS

Directors' benefits are set out in notes 19 and 20 of the financial report.

11. SHARE OPTIONS

The details of the options on issue by the Company are disclosed in note 18 to the financial report.

12. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

DIRECTORS' REPORT

13. DIRECTORS AND EXECUTIVES EMOLUMENTS

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

Director	Base Emoluments \$	Superannuation \$	Total \$
Mr A K Watson	25,000	1,375	26,375
Mr M McDonald	107,800	54,500	162,300
Mr T C Meiklejohn (resigned 18.07.00)	7,500	525	8,025
Mr I D Cowden (appointed 18.07.00)	5,000	-	5,000
<b>Officer</b>			
Mr R G Ledger	16,928	-	16,928

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

Dated at Perth this 20th day of March 2001.



*M V McDonald*  
MANAGING DIRECTOR

LEGEND MINING LIMITED

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Profit and Loss Statements  
for the year ended 31 December 2000

	Note	Consolidated		Company	
		2000	1999	2000	1999
		\$	\$	\$	\$
Operating loss before abnormal items and income tax	2,3 (a)	931,157	1,392,092	930,169	1,385,959
Abnormal items	3 (b)	-	(320,000)	-	(320,000)
Operating loss before income tax		931,157	1,072,092	930,169	1,065,959
Income tax attributable to operating loss	5	-	-	-	-
Operating loss after income tax, attributable to members of the Company		931,157	1,072,092	930,169	1,065,959
Accumulated losses at the beginning of the financial year		3,267,624	2,195,532	3,273,946	2,207,987
Accumulated losses at the end of the financial year		4,198,781	3,267,624	4,204,115	3,273,946

The above Profit and Loss Statements should be read in conjunction with the accompanying notes.

LEGEND MINING LIMITED

**B a l a n c e S h e e t s**  
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		Consolidated		Company	
	Note	2000	1999	2000	1999
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash	7	685,741	336,919	685,641	336,819
Receivables	8	409,107	161,698	409,107	161,292
Inventory	9	644,063	130,800	644,063	130,800
<b>Total current assets</b>		<u>1,738,911</u>	<u>629,417</u>	<u>1,738,811</u>	<u>628,911</u>
<b>NON-CURRENT ASSETS</b>					
Investments	10	67,148	96,113	67,148	96,113
Plant & equipment	11	138,621	142,733	133,387	136,917
Exploration, evaluation & development expenditure	12	772,072	2,243,493	772,072	2,243,493
<b>Total non-current assets</b>		<u>977,841</u>	<u>2,482,339</u>	<u>972,607</u>	<u>2,476,523</u>
<b>TOTAL ASSETS</b>		<u>2,716,752</u>	<u>3,111,756</u>	<u>2,711,418</u>	<u>3,105,434</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable	13	183,164	300,173	183,164	300,173
Borrowings	14	290,370	217,584	290,370	217,584
Provisions	15	127,982	9,293	127,982	9,293
<b>Total current liabilities</b>		<u>601,516</u>	<u>527,050</u>	<u>601,516</u>	<u>527,050</u>
<b>TOTAL LIABILITIES</b>		<u>601,516</u>	<u>527,050</u>	<u>601,516</u>	<u>527,050</u>
<b>NET ASSETS</b>		<u>2,115,236</u>	<u>2,584,706</u>	<u>2,109,902</u>	<u>2,578,384</u>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	16	5,411,416	5,377,416	5,411,416	5,377,416
Reserves	17	902,601	474,914	902,601	474,914
Accumulated losses		(4,198,781)	(3,267,624)	(4,204,115)	(3,273,946)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>2,115,236</u>	<u>2,584,706</u>	<u>2,109,902</u>	<u>2,578,384</u>

The above Balance Sheets should be read in conjunction with the accompanying notes.

**LEGEND MINING LIMITED**

**Statements of Cash Flows  
for the year ended 31 December 2000**

	Note	Consolidated		Company	
		2000	1999	2000	1999
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers & silver proceeds		2,478,036	415,076	2,478,036	415,076
Payments to suppliers and employees		(2,158,235)	(1,674,831)	(2,158,235)	(1,673,834)
Interest received		24,146	30,544	24,146	30,544
Interest paid		(1,495)	(3,514)	(1,495)	(3,514)
Net cash Provided by/(used in) operating activities	21 (ii)	342,452	(1,232,725)	342,452	(1,231,728)
<b>Cash flows from investing activities</b>					
Payments for exploration, evaluation & development activities		(324,532)	(756,047)	(324,532)	(756,047)
Payments for property, plant & equipment		(40,735)	(96,961)	(40,735)	(96,961)
Settlement received for legal dispute		-	320,000	-	320,000
Payments for investments		-	(27,500)	-	(27,500)
Proceeds from sale of investments		127,534	-	127,534	-
Net cash used in investing activities		(237,733)	(560,508)	(237,733)	(560,508)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares & options		461,687	1,101,225	461,687	1,101,225
Share option issue expenses		-	(23,896)	-	(23,896)
Net cash provided by financing activities		461,687	1,077,329	461,687	1,077,329
Net increased/(decrease) in cash held		566,406	(715,904)	566,406	(714,907)
Cash at the beginning of the financial year		119,335	835,239	119,235	834,142
<b>Cash at the end of the financial year</b>	21 (i)	<b>685,741</b>	<b>119,335</b>	<b>685,641</b>	<b>119,235</b>

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

**Notes to the Financial Statements  
for the year ended 31 December 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of accounting**

The accounts are a general purpose financial report which have been prepared in accordance with the applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. The accounting policies have been consistently applied unless otherwise stated. The accounts have been prepared on the basis of historic costs and do not take into account changing money values or except where stated current valuations of non-current assets.

**(b) Going Concern**

The consolidated entity has incurred a loss during the period of \$931,157, net cash generated in operating activities was \$342,452 and had a working capital surplus, as at 31 December 2000, of \$1,137,395. The accounts have been prepared on the going concern basis which contemplates the establishment of profitable operations (principally from its Munni Munni tailings operations) and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- Cash flow forecasts of the consolidated entity for the forthcoming year given the following factors:
  - revenues expected from successful treatment of the tailings dam at Munni Munni.
  - continued effort by the Directors and management on cost containment in an effort to reduce cash used in operating activities and improve profitability.

**(c) Valuation of Non-Current Assets**

The carrying amounts of all non-current assets, except for exploration evaluation and development expenditure (refer note 1(d)), are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current assets exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

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

The Company's policy with respect to exploration expenditure is to use the "area of interest" method. Under this method, expenditure is carried forward on the following basis:-

- (i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or to write off exploration and evaluation costs.
- (ii) Exploration and evaluation costs related to an area of interest are written off as incurred, except costs are carried forward provided the rights to tenure of the area are current and provided that one of the following conditions is met:
  - such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
  - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area are continuing.

Notes to the Financial Statements  
for the year ended 31 December 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd...

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

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

(e) **Taxation**

The liability method of tax effect accounting is adopted. However the directors consider it prudent not to recognise the future income tax benefits for tax losses and accordingly tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(f) **Plant and equipment**

Plant and equipment are brought to account at cost less, where applicable, accumulated depreciation. The depreciation amount of all fixed assets is depreciated over their useful lives, commencing from the time the asset is held ready for use. The depreciation rate used for plant and equipment ranges from 10% to 40%.

(g) **Investments**

(i) *Investments in Shares* – Investments in shares are carried at the lower of cost and recoverable amount. Gains and losses are included in the operating loss before income tax. Dividends are brought to account as they are received.

(ii) *Controlled Entities* – Investment in the controlled entity is carried in the Company's accounts at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss account when they are declared by the controlled entity.

(iii) *Joint Venture* – The Consolidated Entity's interest in an unincorporated joint venture is brought to account by including its interest in the following amount in the appropriate categories in the balance sheet and profit and loss account:

- each of the individual assets employed by the Joint Venture;
- liabilities incurred by the economic entity in relation to the Joint Venture and liabilities for which it is jointly and/or severally liable; and
- expenses incurred in relation to the Joint Venture.

(h) **Share Issue Expenses**

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

Notes to the Financial Statements  
for the year ended 31 December 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd...

(i) Earnings per share

(i) *Basic Earnings per share*

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

(ii) *Diluted Earnings per share*

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

(j) Rehabilitation and restoration costs

Provisions are made for mine site rehabilitation and restoration on an incremental basis during the course of mine life (which includes the mine closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

(k) Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(l) Principles of consolidation

The term "consolidated entity" means the parent entity and controlled entities. The consolidated financial statements include as controlled entities all entities in which the economic entity holds directly or indirectly, more than 50% of the voting rights, and any other entities where it is considered that control can be exercised with less than 50% of the voting rights. The controlled entity is listed in note 25 to the accounts. All inter entity balances and unrealised profits and losses on transactions are eliminated. Where necessary, accounting policies dissimilar within the controlled entity have been made consistent with the policies adopted by the consolidated entity.

(m) Receivables

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(n) Revenue Recognition

Sales revenue comprises revenue earned from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the control of goods passes to the customer. Other income is recognised as it accrues.

**Notes to the Financial Statements  
for the year ended 31 December 2000**

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

**(o) Inventory**

Inventory is valued at the lower of cost and net realisable value. Cost is allocated on an average basis and includes fixed and variable overhead costs directly related to mining activities.

**(p) Accounts payable**

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 60 days.

**(q) Foreign currency**

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

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

**(r) Comparative figures**

Comparative figures are for the financial year ended 31 December 1999. The comparative figures for prior years are amended where appropriate to reflect any change in classification in the current year.

Consolidated		Company	
2000	1999	2000	1999
\$	\$	\$	\$

**2. REVENUE**

Revenue from operating activities:

Sales of goods	2,749,162	552,151	2,749,162	552,151
Other revenue:				
Interest received or due and receivable	24,146	30,544	24,146	30,544
	2,773,308	582,695	2,773,308	582,695

Revenue from outside operating activities:

Gross proceeds from sale of investments	127,534	-	127,534	-
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**LEGEND MINING LIMITED**

**Notes to the Financial Statements  
for the year ended 31 December 2000**

	Consolidated		Company	
	2000	1999	2000	1999
	\$	\$	\$	\$
<b>3. OPERATING LOSS</b>				
(a) The operating loss before abnormal items and income tax has been arrived at after charging/(crediting) the following specific items:				
Exploration expenditure written off	32,331	133,796	32,331	133,796
Depreciation	44,847	25,879	44,847	22,360
Interest expense	1,495	3,514	1,495	3,514
Movement in provision for annual leave	18,690	(14,975)	18,690	(14,975)
Reversal of provision for diminution of investments	-	(21,113)	-	(21,113)
Movement in provision for doubtful debts	-	54,750	-	54,750
Amortisation of exploration, evaluation development expenditure	1,746,116	-	1,746,116	-
Provision for rehabilitation	100,000	-	100,000	-
Profit on disposal of investments	(40,946)	-	(40,946)	-
<hr/>				
(b) Abnormal items (tax effect: \$nil; 1999: \$nil):				
Settlement of legal dispute (i)	-	320,000	-	320,000
<hr/>				
(c) Auditors' Remuneration				
Audit services:				
Auditors of the company	17,000	12,500	17,000	12,500
<hr/>				
<b>4. EARNINGS PER SHARE</b>				
Basic (loss) per share (cents)	(2.83)	(3.31)	(2.82)	(3.29)
<hr/>				

	2000	1999	2000	1999
	Number	Number	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings/(loss) per share	32,954,032	32,393,772	32,954,032	32,393,772
<hr/>				

Diluted earnings/(loss) per share

Options are considered to be potential ordinary shares. If the options on issue were to be exercised, it would not result in a diluted earnings/(loss) per share inferior to the basic earnings/(loss) per share. For this reason, the diluted earnings/(loss) per share figure has not been calculated and disclosed.

Notes to the Financial Statements  
for the year ended 31 December 2000

	Consolidated		Company	
	2000	1999	2000	1999
	\$	\$	\$	\$

5. INCOME TAX

- (a) The prima facie income tax benefit on the operating loss reconciles to the income tax expense in the accounts as follows:

Operating loss	(931,157)	(1,072,092)	(930,169)	(1,065,959)
Income tax benefit calculated at 34% (1999 36%) of the operating loss	(316,593)	(385,953)	(316,257)	(383,745)
Add/(less) tax effect of permanent difference:				
Non-deductible expenditure	8,156	3,591	8,156	3,591
Tax losses not brought to account as future income tax benefits	308,437	382,362	308,101	380,154
Income tax benefit attributed to operating loss	-	-	-	-

- (b) Future income tax benefits not taken to account

The potential future income tax benefits arising from tax losses and timing difference have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Tax losses carried forward @ 30%				
Timing differences @ 30%	397,442	749,252	332,146	686,956
	65,784	23,056	65,784	23,056
	463,226	772,308	397,930	710,012

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

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

LEGEND MINING LIMITED

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Notes to the Financial Statements  
for the year ended 31 December 2000

	Consolidated		Company	
	2000	1999	2000	1999
	\$	\$	\$	\$
<b>6. SEGMENT INFORMATION</b>				
The Company operates in one industry segment being mineral exploration and production, and in one geographical segment being Australia				
<b>7. CASH</b>				
Cash on hand	200	200	100	100
Deposits – at call	685,541	336,719	685,541	336,719
	685,741	336,919	685,641	336,819
<b>8. RECEIVABLES (Current)</b>				
Trade Debtors	463,857	192,731	463,857	192,325
Less provision for doubtful trade debtors	(54,750)	(54,750)	(54,750)	(54,750)
Other Debtors	-	23,717	-	23,717
	409,107	161,698	409,107	161,292
<b>9. INVENTORY (Current)</b>				
Concentrate stock – at net realisable value	119,198	130,800	119,198	130,800
Tailings stockpile – at net realisable value	524,865	-	524,865	-
	644,063	130,800	644,063	130,800

**LEGEND MINING LIMITED**

**Notes to the Financial Statements  
for the year ended 31 December 2000**

	Note	Consolidated		Company	
		2000	1999	2000	1999
		\$	\$	\$	\$
<b>10. INVESTMENTS (Non Current)</b>					
Shares in Controlled Entity	25	-	-	-	-
Shares in listed companies at lower of cost and market value		67,148	96,113	67,148	96,113
Total non-current investments		<u>67,148</u>	<u>96,113</u>	<u>67,148</u>	<u>96,113</u>

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

**11. PLANT & EQUIPMENT**

Plant & equipment – at cost		245,202	203,884	220,799	179,481
Less accumulated depreciation		106,581	61,151	87,412	42,564
Total plant & equipment		<u>138,621</u>	<u>142,733</u>	<u>133,387</u>	<u>136,917</u>

**12. EXPLORATION, EVALUATION  
& DEVELOPMENT EXPENDITURE  
(Non Current)**

Costs carried forward in respect of areas of interest:

Expenditure brought forward		2,243,493	1,621,242	2,243,493	1,621,242
Expenditure incurred during the year		307,026	756,047	307,026	756,047
Amortisation charged		(1,746,116)	-	(1,746,116)	-
Expenditure written off during the year		(32,331)	(133,796)		(133,796)
Balance carried forward		<u>772,072</u>	<u>2,243,493</u>	<u>772,072</u>	<u>2,243,493</u>

The Munni Munni silver mine was on care maintenance as at balance date. Balance carried forward represents projects in exploration & evaluation phase. The recoverability of exploration and evaluation expenditure carried forward is dependent upon the establishment of economic operations in the respective areas to which exploration and evaluation relates, or the future sale of the tenements for a consideration sufficient to cover their carrying value.

**13. ACCOUNTS PAYABLE (Current)**

Trade creditors		172,664	269,678	172,664	269,678
Other creditors and accruals		10,500	30,495	10,500	30,495
		<u>183,164</u>	<u>300,173</u>	<u>183,164</u>	<u>300,173</u>

LEGEND MINING LIMITED

Notes to the Financial Statements  
for the year ended 31 December 2000

	Note	Consolidated		Company	
		2000 \$	1999 \$	2000 \$	1999 \$
<b>14. BORROWINGS (Current)</b>					
Overseas bills purchased – secured	22	290,370	-	290,370	-
Bank overdraft – secured	22	-	217,584	-	217,584
		<u>290,370</u>	<u>217,584</u>	<u>290,370</u>	<u>217,584</u>
<b>15. PROVISIONS (Current)</b>					
Provision for rehabilitation		100,000	-	100,000	-
Provisions for annual leave		27,982	9,293	27,982	9,293
		<u>127,982</u>	<u>9,293</u>	<u>127,982</u>	<u>9,293</u>
<b>16. SHARE CAPITAL</b>					
32,968,005 (1999: 32,798,005) ordinary shares, fully paid		<u>5,411,416</u>	<u>5,377,416</u>	<u>5,411,416</u>	<u>5,377,416</u>
<i>Movements in ordinary share capital</i>					
Balance at the beginning of the financial year		5,377,416	4,775,001	5,377,416	4,775,001
Shares issued					
- Nil (1999: 3,025,000) shares issued for cash		-	597,815	-	597,815
- 170,000 shares (1999: 23,000) issued from the exercise of options		34,000	4,600	34,000	4,600
		<u>5,411,416</u>	<u>5,377,416</u>	<u>5,411,416</u>	<u>5,377,416</u>
<b>17. RESERVES</b>					
Option premium reserve		<u>902,601</u>	<u>474,914</u>	<u>902,601</u>	<u>474,914</u>

On 31 March 2000, the Company issued 14,256,250 options exercisable at 20 cents each on or before 31 March 2002, to raise \$427,687 to provide additional working capital.

LEGEND MINING LIMITED

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Notes to the Financial Statements  
for the year ended 31 December 2000

18. OPTIONS

The Company had on issue options over fully paid ordinary shares as follows:

Number of options	Expiry date	Exercise date	Exercise price
30,643,750	31/03/02	Any time prior to expiry	20 cents

On 31 March 2000, the company issued 14,256,250 options at a price of 3 cents to subscribe for ordinary shares at 20 cents each exercisable on or before 31 March 2002.

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

Consolidated		Company	
2000	1999	2000	1999
\$	\$	\$	\$

19(a) REMUNERATION OF DIRECTORS

Income paid or payable or otherwise made available to the directors from the Company or any related party.

201,700	197,480	201,700	197,480
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The number of directors whose income from the Company or related bodies corporate was within the following bands:

	Number		Number	
	2000	1999	2000	1999
\$0 - \$9,999	2	-	2	-
\$10,000 - \$19,999	-	1	-	1
\$20,000 - \$29,999	1	1	1	1
\$150,000 - \$159,999	-	1	-	1
\$160,000 - \$169,999	1	-	1	-

19(b) REMUNERATION OF EXECUTIVES

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

\$160,000 - \$169,999	1	1	1	1
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Total remuneration received, or due and receivable by executive officers of the Company whose income is \$100,000 or more

\$162,300	\$154,680	\$162,300	154,680
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Notes to the Financial Statements  
for the year ended 31 December 2000

20. RELATED PARTIES

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

Albert K R Watson

Murray V McDonald

Thomas C Meiklejohn (resigned 18 July 2000)

Ian D Cowden (appointed 18 July 2000)

- (b) Information on the remuneration of directors is set out in note 19.

- (c) Related party transactions

Mr T C Meiklejohn and Woodlane Holdings Pty Ltd (a company controlled by Mr Meiklejohn) received fees for the provision of technical services to the Company during the year the aggregate amount charged for such services was \$17,500 (1999: \$48,650) which has not been included in remuneration of Directors at note 19(a). Mr Meiklejohn resigned as a director of the company on 18 July 2000.

Mr I D Cowden and Iana Pty Ltd (a company controlled by Mr Cowden) received fees for the provision of geological services to the company during the year. The aggregate amount charged for such services was \$31,774 (1999 \$48,624) which has not been included in remuneration of directors at note 19(a). Mr Cowden was appointed as a director of the company on 18 July 2000.

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

- (e) Directors holdings of shares and share options.

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

	2000 Number Held	1999 Number Held
Ordinary Shares	7,525,001	7,795,001
Options over ordinary shares	3,366,667	3,855,122

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

During the year directors and director related entities disposed of 270,000 ordinary shares of Legend Mining Limited. Of the options issued during the year, Nil were issued to directors and director related entities.

LEGEND MINING LIMITED

Notes to the Financial Statements  
for the year ended 31 December 2000

21. NOTES TO STATEMENTS OF CASH FLOWS

(i) Reconciliation of Cash

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

	Note	Consolidated		Company	
		2000 \$	1999 \$	2000 \$	1999 \$
Cash on hand	7	200	200	100	100
Deposits – at call	7	685,541	336,719	685,541	336,719
Bank overdraft	14	-	(217,584)	-	(217,584)
		<u>685,741</u>	<u>119,335</u>	<u>685,641</u>	<u>119,235</u>
 (ii) Reconciliation of operating loss after income tax to net cash used in operating activities.					
Operating loss after abnormals and income tax		(931,157)	(1,072,092)	(930,169)	(1,065,959)
Less items classified as investing activities:					
Settlement received for legal dispute		-	(320,000)	-	(320,000)
Add (less) non cash items:					
Amortisation		1,746,116	-	1,746,116	-
Depreciation		44,847	25,879	44,847	22,360
Exploration expenditure written off		32,331	133,796	32,331	133,796
Movement in provision for annual leave		18,690	(14,975)	18,690	(14,975)
Reversal of provision for diminution of investments		-	(21,113)	-	(21,113)
Provision for doubtful debts		-	54,750	-	54,750
Provision for rehabilitation		100,000	-	100,000	-
		<u>1,010,827</u>	<u>(1,213,755)</u>	<u>1,011,815</u>	<u>(1,211,141)</u>

LEGEND MINING LIMITED

Notes to the Financial Statements  
for the year ended 31 December 2000

	Consolidated		Company	
	2000	1999	2000	1999
	\$	\$	\$	\$
Change in assets & liabilities:				
(Increase) in receivables	(247,409)	(149,094)	(247,815)	(150,711)
Decrease (Increase) in inventory	(513,263)	(130,800)	(513,263)	(130,800)
(Decrease)/increase in accounts payable	(197,983)	260,924	(198,655)	260,924
Increase in borrowing	290,370	-	290,370	-
Net Cash provided/(Used) in				
Operating Activities	342,542	(1,232,725)	342,452	(1,231,728)

(iii) Financing facilities.

Refer Note 22.

## 22. FINANCING ARRANGEMENTS

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

Total facilities				
Overseas bills purchased facility	500,000	250,000	500,000	-
Bank overdraft	-	250,000	-	250,000
	500,000	500,000	500,000	250,000
Facilities utilised:	290,370	-	290,370	-
Overseas bills purchased facility	-	217,584	-	217,584
Bank overdraft	290,370	217,584	290,370	217,584
	290,370	217,584	290,370	217,584
Facilities available:	209,630	-	209,630	-
Overseas bill purchased facility	-	32,416	-	32,426
Bank overdraft	209,630	32,416	209,630	32,416
	209,630	32,416	209,630	32,416

### *Overseas Bills Purchase Facility*

Interest on this facility is charged at prevailing market rates plus 3.50%. The facility is secured by a mortgage debenture over the Company's assets and undertakings and a letter of lien over the Company's shares in East Coast Minerals NL.

### *Bank Overdraft*

Repaid during the year.

Notes to the Financial Statements  
for the year ended 31 December 2000

23. COMMITMENTS FOR EXPENDITURE

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the company will be required to outlay in 2001 amounts of approximately \$105,560 (1999: \$131,108) in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Minerals and Energy. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

(b) Mining plant rental commitments

The company and its joint venture partner, East Coast Minerals NL ("the rentors") have entered into a rental agreement for the rental of mining plant for their Munni Munni operations for a period of not less than 12 months. In the next 12 months the company's share of rental commitment is to a maximum of \$36,000. Under the terms of the agreement, the company has the right at any time, to terminate the rental agreement without notice and without assigning a reason provided that the rentors pay the owner of the mining plant \$30,000 in satisfaction of all obligations and liabilities of the rentors to the owner.

Notes to the Financial Statements  
for the year ended 31 December 2000

Consolidated		Company	
2000	1999	2000	1999
\$	\$	\$	\$

24. AMOUNTS RECEIVABLE IN FOREIGN CURRENCIES

The Australian dollar equivalents of unhedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:

*United States dollars*

Amounts receivable:

Current	403,507	137,075	403,507	137,075
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Amount payable:

Current	(290,370)	-	(290,370)	-
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25. INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2000	Interest Held 1999
Arbotech Pty Ltd	Ordinary	100%	100%

KPMG has not acted as auditor for Arbotech Pty Ltd. The company has effectively been dormant during the year.

Notes to the Financial Statements  
for the year ended 31 December 2000

26. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

1999	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non- Interest Bearing	Total
Financial assets:					
Cash	4.19%	336,719	-	200	336,919
Receivables		-	23,717	137,981	161,698
Investments	4.36%	-	-	96,113	96,113
		336,719	23,717	234,294	594,730
Financial liabilities:					
Bank overdraft	10.25%	217,584	-	-	217,584
Accounts payable	-	-	-	300,173	300,173
		217,584	-	300,173	517,757
2000					
Financial assets:					
Cash	4.60%	685,541	-	200	685,741
Receivables	-	-	-	409,107	409,107
Investments	-	-	-	67,148	67,148
		685,541	-	476,455	1,161,996
Financial liabilities:					
Bank overdraft	-	-	-	183,164	183,164
Accounts payable	10.5%	290,370	-	-	290,370
		290,370	-	183,164	473,534

(b) Credit Risk Exposures

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

*On-Balance Sheet Financial Instruments*

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

The consolidated entity sets its silver principally to two customers, one based in Australia and the other in South Africa. The consolidated entity does not consider this to be significant concentration of credit risk. Concentrations of credit risk on trade debtors due from customers are: Mining – 100% (1999: 100%)

Notes to the Financial Statements  
for the year ended 31 December 2000

26. FINANCIAL INSTRUMENTS DISCLOSURE cont'd

(c) Net Fair Value of Financial Assets and Liabilities

*On-Balance Sheet Financial Instruments*

The company's financial assets and liabilities in current assets and liabilities in the balance sheet are carried at amounts that approximate fair value.

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

	2000 Carrying Amount \$	2000 Net Fair Value \$	1999 Carrying Amount \$	1999 Net Fair Value \$
Investments in listed corporations	67,148	157,009	96,113	206,301

27. INTEREST IN JOINT VENTURE OPERATIONS

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

Joint Venture	Project	Activity	2000 Interest	1999 Interest
Munni Munni Joint Venture	Elizabeth Hill	Silver Exploration	30%	30%
Titan Resources NL	Radio Hill West	Nickel Exploration	40%	40%
Emerald Joint Venture	Mt Ida Greenstone Belt	Nickel/Gold Exploration	69%	51%

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

	Consolidated		Company	
	2000 \$	1999 \$	2000 \$	1999 \$
<b>Current Assets</b>				
Inventory	644,063	130,800	644,063	130,800
<b>Non-current Assets</b>				
Plant and equipment – net book value	138,621	113,293	133,387	113,293
Exploration, evaluation and development expenditure	103,189	1,783,840	103,189	1,783,840
<b>Total assets</b>	<b>885,873</b>	<b>2,027,933</b>	<b>880,639</b>	<b>2,027,933</b>

**Notes to the Financial Statements  
for the year ended 31 December 2000**

For the year ended 31 December 2000 the contribution of the Munni Munni Joint Venture to the operating loss of the Company and the consolidated entity was operating expenses of \$1,276,618 (1999: \$1,251,388) and for Emerald Joint Venture a loss of \$3,576 (1998: loss \$46,356)

**28. SIGNIFICANT EVENTS AFTER BALANCE DATE**

On 13 February 2001, Legend entered into a contract to gain control of a further 60% of the Munni Munni silver, palladium and platinum Joint Venture ground. Currently Legend has 30% and will acquire the further 60% from East Coast Minerals NL (ECM) at the end of the earning period, leaving ECM with 10%.

The Company has paid ECM a deposit of \$25,000 and a balance of \$975,000 is payable over one and a half years, subject to a 60 day due diligence period followed by a formal Joint Venture and Farmin Agreement.

ECM has disputed the agreement. Legend has expedited proceedings through the Supreme Court of Western Australia and expects an early resolution.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Legend Mining Limited:
  - (a) the financial statements and notes, set out on pages 18 to 38, are in accordance with the Corporations Law, including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
    - (ii) complying with Accounting Standards and the Corporations Regulations; 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

Signed in accordance with a resolution of the directors.



*M V McDonald*  
DIRECTOR

*20 March 2001*  
Dated

INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF  
LEGEND MINING NL



*Scope*

We have audited the financial report of Legend Mining Limited for the financial year ended 31 December 2000, consisting of the profit and loss accounts, balance sheets, statements of cash flows, accompanying notes and the directors' declaration set out on pages 18 to 39. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and consolidated entity's financial position, and performance as represented by the results of their operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

*Audit Opinion*

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

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 December 2000 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

  
KPMG  
Chartered Accountants

  
T Hart  
Partner

*Perth*  
*Dated: 16 March 2001*

**LEGEND MINING LIMITED**

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**S H A R E H O L D E R   I N F O R M A T I O N**

The issued capital of the company as at 27 March 2001 is 32,968,005 ordinary fully paid shares of 20 cents each, with 30,643,150 options over the unissued capital of the company.

**Distribution of Share and Option holders as at 27 March 2001**

	Fully Paid Shares	March 2002 Options (\$0.20)
1 - 1,000	20	14
1,001 - 5,000	105	105
5,001 - 10,000	188	58
10,001 - 100,000	356	168
100,001 and over	45	59
	714	404

Number of holding no less than a marketable parcel (1,000 shares) 20

**Substantial Shareholder as at 27 March 2001**

Murray McDonald 7,525,001

**Top 20 Shareholders as at 27 March 2001**

Name	Total Holdings	% Issue Capital
Murray McDonald	7,525,001	22.82
SAVWA Pty Ltd	1,190,000	3.61
William Henry Hernstadt	1,102,681	3.34
Consolidated Underwriting Corp Pty Ltd	1,100,000	3.33
John Kirou Family Account	500,000	1.52
Peter John and Ellen Sharpe	450,000	1.36
James Thomas McKerrow	410,000	1.24
Anthanasios Kirou and Ristana Kirou	350,000	1.06
Ulrich Woermann	348,550	1.06
Tony and Shane Lambert	344,378	1.04
Victor and Susan Levy	310,000	0.94
Jerene Hernstadt	300,000	0.91
Chinoor Pty Ltd	300,000	0.91
Inter-China Holdings Pty Ltd	300,000	0.91
VRY Nominees	290,000	0.88
Citicorp Nominees Pty Ltd	285,000	0.86
Ceil Comfort Home Insolation	275,000	0.83
Tammy Atkins	254,662	0.77
Mr Pat Volpe	250,000	0.76
Allan William Poulter	205,000	0.62
	16,100,272	48.77

LEGEND MINING LIMITED

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SHAREHOLDING INFORMATION c o n t ' d . . .

Top 20 Optionholders as at 27 March 2001

31 March 2002 Series

Name	Total Holdings	%
KDDG Nominees Pty Ltd (MM Super fund)	3,468,455	11.31
Murray McDonald	3,166,667	10.33
John Kirou Family Account	1,000,000	3.26
Donald Wayne Ferguson	998,783	3.26
Bernard Lawrence Wilkins	962,825	3.14
May – 96 Pty Ltd	880,000	2.80
Peter John and Ellen Sharpe	858,500	2.80
Athanasios and Ristana Kirou	850,000	2.77
Inter China Holdings Pty Ltd	600,000	1.96
Sharpe Super Fund Account and Sharpe Family Account	591,501	1.95
Gemlisa Pty Ltd	562,500	1.83
SAVWA Pty Ltd	550,000	1.79
Mr. Dimitrios Graikos Family Account	537,328	1.75
Ulrich Woermann	521,775	1.70
Mexport Pty Ltd	350,000	1.14
Colosseum Securities Pty Ltd	275,000	0.89
Affron Pty Ltd	270,000	0.88
Foster Family Account	263,000	0.86
David Anthony Hall	254,700	0.83
Arthur Leslie and Carmen Maria Wells	250,000	0.81
	17,211,034	56.02

NOTES

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# LEGEND MINING LIMITED

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