



A.C.N. 060 966 145

## **HALF-YEAR REPORT**

**30th JUNE 2006**

## CONTENTS

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	<b>Page</b>
Company Directory	1
Directors' Report	2
Condensed Income Statement	4
Condensed Balance Sheet	5
Condensed Cash Flow Statement	6
Condensed Statement of Changes in Equity	7
Notes to the Financial Statements	8
Director's Declaration	18
Declaration of Auditor Independence	19
Independent Review Report	20

### Web

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

### Email

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

## COMPANY DIRECTORY

### Directors

Michael William Atkins (Chairman)  
Mark William Wilson (Managing Director)  
Robert John Perring (Executive Director - Technical)  
Dermot Michael Ryan (Non-executive Director)

### Secretary

Anthony Walsh

### Registered Office

Level 2  
640 Murray Street  
PO Box 626  
WEST PERTH WA 6005

Telephone: (08) 9212 0600

Facsimile: (08) 9212 0611

### Bankers

National Australia Bank  
1232 Hay St  
WEST PERTH WA 6005

### Auditors

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

### Home Exchange

Australian Stock Exchange Ltd  
2 The Esplanade  
PERTH WA 6000

### Share Registry

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009

Telephone: (08) 9389 8033

Facsimile: (08) 9389 7871

### Lawyers

Pullinger Readhead Lucas  
Level 1, Fortescue House  
50 Kings Park Road  
WEST PERTH WA 6005

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**DIRECTORS' REPORT**

The Directors submit their report for the half-year ended 30 June 2006.

**DIRECTORS**

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

Michael Atkins (Chairman, Non Executive Director)

Mark Wilson (Managing Director)

Robert Perring (Executive Director - Technical)(appointed 18 January 2006)

Dermot Ryan (Non Executive Director)

**NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

The principal activities of the Group are:

Exploration for gold and base metal (zinc-copper) deposits.

**RESULTS OF OPERATIONS**

The loss of the consolidated entity for the half-year was \$1,517,673 (2005: loss \$2,987,641) after income tax.

**REVIEW OF OPERATIONS**

A new Executive Management team was appointed in January 2006, being Mr Mark Wilson (Managing Director), Mr Robert Perring (Executive Director – Technical) and Mr Derek Waterfield (Exploration Manager). Mr Tony Walsh was appointed Company Secretary effective 1<sup>st</sup> July 2006.

Resolutions concerning a new capital raising, comprising a 1-for-3 non-renouncable rights issue and a debt-for-equity swap to raise a combined total of \$11.12 million, were put to shareholders at the Annual General Meeting in Perth on 30th May 2006. The debt-for-equity swap involves the early conversion of the Convertible Note held by Mr Mark Creasy's Yandal Investments Pty Ltd (Yandal) and the immediate exercise of 125 million options issued to Yandal as a result of the conversion. All resolutions were passed by unanimous vote at the meeting supported by a substantial majority of proxy votes received. The Directors advised the ASX on the 20 July 2006, that the Prospectus dated 6 June 2006 had closed. The new capital structure post the capital raisings has 861,437,644 fully paid shares and 305,909,440 options on issue with a cash balance on 20th July 2006 of \$8,067,799. All mortgages and security held by Yandal over the assets of the Company have been withdrawn and are in the process of being discharged. The funds raised will be used for exploration activities at the Company's Mt Gibson and Gidgee projects and general working capital requirements.

Drilling commenced at the Mt Gibson project in June 2006 and, as reported to the ASX on 28th July 2006, early results support the premise that Mt Gibson represents a large, fertile mineral system with the potential to host a base metal orebody. The nominal 60,000m of aircore drilling planned for the Gidgee project during the remainder of 2006 commenced in August 2006 as scheduled.


The mining and processing operations at the Mt Gibson and Gidgee projects remain on care and maintenance.

A mill clean at the Gidgee Mill was carried out during the half year with Legend's share of the recovered gold being 552 fine ounces which was sold for \$437,174.

**AUDITOR'S INDEPENDENCE DECLARATION**

We have received the Declaration of Auditor Independence from Ernst & Young, the Company's Auditor, this is available for review on page 19.

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

A handwritten signature in black ink, appearing to read 'M. Wilson', with a long horizontal stroke extending to the right.

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**M Wilson  
Managing Director**

**Dated this 12<sup>th</sup> day of September 2006**

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

**CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

		CONSOLIDATED	
	Note	2006	2005
		\$	\$
<b>Continuing Operations</b>			
Sales revenues	3(a)	-	4,591,805
Cost of sales		-	(5,549,965)
Gross loss		-	(958,160)
Rental revenue	3(b)	12,988	15,000
Finance revenue	3(c)	54,752	128,741
Other income	3(d)	461,163	77,037
Other expenses		(133,935)	(50,173)
Deferred exploration expenditure written off	3(g)	(631,008)	(833,285)
Corporate head office costs		(661,011)	(1,128,295)
Finance costs		(620,622)	(238,506)
Net loss from continuing operations before income tax expense		(1,517,673)	(2,987,641)
Income tax benefit/ (expense)		-	-
<b>Net loss attributable to members of the parent</b>		<b>(1,517,673)</b>	<b>(2,987,641)</b>
<b>LOSS PER SHARE (cents per share)</b>	<b>4</b>		
Basic for loss for the half-year		(0.33 cents)	(2.2 cents)
Diluted for loss for the half-year		(0.33 cents)	(2.2 cents)

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

**CONDENSED BALANCE SHEET  
AS AT 30 JUNE 2006**

	Notes	CONSOLIDATED	
		As at 30 June 2006 \$	As at 31 December 2005 \$
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents		1,583,194	407,977
Other financial assets	6	-	3,145,000
Trade & Other Receivables		47,414	52,288
Prepayments		71,479	29,617
Inventories		150,346	156,862
Total Current Assets		1,852,433	3,791,744
Non-current Assets			
Other financial assets	6	143,307	141,311
Property, plant & equipment	7	1,778,248	1,831,201
Deferred exploration costs	8	20,680,947	19,544,560
Total Non-current Assets		22,602,502	21,517,072
<b>TOTAL ASSETS</b>		<b>24,454,935</b>	<b>25,308,816</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade & Other Payables	9	1,284,938	621,865
Interest-bearing loans & borrowings	10	8,000,000	8,000,000
Provisions		62,853	62,134
Total Current Liabilities		9,347,791	8,683,999
Non-current Liabilities			
Provisions		3,208,000	3,208,000
Total Non-current Liabilities		3,208,000	3,208,000
<b>TOTAL LIABILITIES</b>		<b>12,555,791</b>	<b>11,891,999</b>
<b>NET ASSETS</b>		<b>11,899,144</b>	<b>13,416,817</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed Equity	11	37,035,962	37,035,962
Share Option Premium Reserve		447,272	447,272
Accumulated losses		(25,584,090)	(24,066,417)
<b>TOTAL EQUITY</b>		<b>11,899,144</b>	<b>13,416,817</b>

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

	CONSOLIDATED	
	30 June 2006	30 June 2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	32,443	4,600,119
Receipts from Gold sales from Mill clean	437,174	-
Payments to suppliers and employees	(788,616)	(7,877,028)
Payments for exploration and evaluation	(1,611,606)	(4,294,570)
Interest received	60,230	128,961
Interest paid	(413,943)	(353,102)
Net cash flows used in operating activities	(2,284,318)	(7,795,620)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant & equipment & scrap	-	95,725
Purchase of property, plant & equipment	(85,367)	(61,051)
Non refundable deposit on cancelled sale of Joint Venture Project	11,000	-
Net cash flows used in investing activities	(74,367)	34,674
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of Performance Bond Term Deposit	3,145,000	-
Proceeds from issue of ordinary shares	-	7,119,512
Proceeds from issue of options	-	1,025,892
Application monies on rights issue	388,902	-
Transaction costs of issue of shares	-	(129,240)
Repayment of borrowings	-	(549,647)
Net cash flows from financing activities	3,533,902	7,466,517
Net increase/(decrease) in cash and cash equivalents	1,175,217	(294,429)
Cash and cash equivalents at beginning of period	407,977	2,163,374
Cash and cash equivalents at end of period	1,583,194	1,868,945

**LEGEND MINING LIMITED**

**CONDENSED STATEMENT OF CHANGE IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Share Option Premium Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	\$	\$	\$	\$
At 1 January 2006	37,035,962	447,272	(24,066,417)	13,416,817
Loss for the half-year	-	-	(1,517,673)	(1,517,673)
Total income/ expense for the half-year	-	-	(1,517,673)	(1,517,673)
Cost of Issue of Share Capital	-	-	-	-
At 30 June 2006	37,035,962	447,272	(25,584,090)	11,899,144

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Share Option Premium Reserve</b>	<b>Accumulated Losses</b>	<b>Other Reserve</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$
At 1 January 2005	17,969,067	361,890	(16,501,294)	-	1,829,663
Loss for the half-year	-	-	(2,987,641)	-	(2,987,641)
Total income/ expense for the half-year	-	-	(2,987,641)	-	(2,987,641)
Unrealised gain on available-for-sale investments				19,498	19,498
Issue of Share Capital	7,446,672	(1,618)	-	-	7,445,054
Issue of Share Capital – Acquisition of Gidgee Resources Ltd	5,776,610	-	-	-	5,776,610
Issue of Share Options – Acquisition of Gidgee Resources Ltd	-	2,475,000	-	-	2,475,000
Exercise of Share Option – Acquisition of Gidgee Resources Ltd	825,000	(825,000)	-	-	-
Cost of Issue of Share Capital	(428,890)	-	-	-	(428,890)
Cost of Issue of Share Capital– Share based payment	(87,000)	87,000	-	-	-
At 30 June 2005	31,501,459	2,097,272	(19,488,935)	19,498	14,129,294



**LEGEND MINING LIMITED**  
**HALF-YEAR REPORT**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 1: CORPORATE INFORMATION**

The financial report of Legend Mining Limited (the Company) for the half-year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 12<sup>th</sup> day of September 2006.

Legend Mining Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The half-year financial report should be read in conjunction with the annual Financial Report of Legend Mining Limited as at 31 December 2005.

It is also recommended that the half-year financial report be considered together with any public announcements made by Legend Mining Limited and its controlled entities during the half-year ended 30 June 2006 in accordance with the continuance disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation**

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis except for available-for-sale investments which have been measured at fair value.

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

For the purpose of preparing the half-year financial report, the half-year has been treated as a discreet reporting period.

**(b) Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2005, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 January 2006, as described in Note 2(d).

**(c) Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of Legend Mining Limited and its subsidiaries as at 30 June 2006 ('the Group').

**LEGEND MINING LIMITED**  
**HALF-YEAR REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)**

**(d) Changes in accounting policy**

Australian Accounting Standards and UIG Interpretations that have recently been amended and are effective from 1 January 2006 are outlined in the table below.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date for standard*	Application date for group
2004-3	AASB 1: <i>First time adoption of AIFRS</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 124 <i>Related Party Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1028: <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-6	AASB 3: <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2005-9	AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> and AASB 132: <i>Financial Instruments: Disclosure and Presentation</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006
2006-1	AASB 121: <i>The effect of Changes in Foreign Currency Rates</i> .	No change to accounting policy required. Therefore no impact.	31 December 2006 **	1 January 2006
New interpretation	UIG 4: <i>Determining whether an arrangement contains a lease</i> .	No change to accounting policy required. Therefore no impact.	1 January 2007	1 January 2007
Revised standard	AASB 119: <i>Employee Benefits</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 January 2006

\* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

\*\* AASB 2206-1 is applicable for annual reporting periods ending on or after 31 December 2006.

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR 30 JUNE 2006**

	<b>CONSOLIDATED</b>	
	<b>30 June 2006</b>	<b>30 June 2005</b>
	\$	\$
<b>NOTE 3: REVENUE AND EXPENSES</b>		
<b>Revenues and expenses from continuing operations</b>		
<b>(a) Operating activities</b>		
Sales revenue	-	4,591,805
<b>(b) Rental Revenue</b>		
Rental revenue	12,988	15,000
<b>(c) Finance Revenue</b>		
Bank interest receivable	54,752	128,741
<b>(d) Other Income</b>		
Gold Sales from Mill clean	437,174	-
Net gains on disposal of property, plant & equipment	-	77,037
Non refundable deposit on Joint Venture sale	10,000	-
Hire of camp facilities	13,989	-
	461,163	77,037
<b>(e) Depreciation &amp; Amortisation</b>		
Depreciation	133,670	208,234
<b>(f) Employee Benefits</b>		
Employee Benefits	40,296	55,960
<b>(g) Deferred Exploration Expenditure written off</b>		
Write down of deferred exploration expenditure	631,008	833,285

Depreciation has not been charged to the Condensed Income Statement for the period 1 January 2006 to 30 June 2006, on assets that are placed under care and maintenance.

**NOTE 4: LOSS PER SHARE**

<b>(a) Reconciliation of earnings to net loss:</b>		
Net Loss	(1,517,673)	(2,987,641)
Loss used in the calculation of basic loss per share	(1,517,673)	(2,987,641)
<b>(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share</b>		
	458,578,322	138,071,923
<b>Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share</b>		
	458,578,322	138,071,923

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 5: SEGMENT INFORMATION**

The Company operates in one business and geographical segment, being the mining and exploration for gold and base metals (zinc & copper) in Australia.

**CONSOLIDATED**

**2006**                      **2005**  
**\$**                                      **\$**

**NOTE 6: OTHER FINANCIAL ASSETS**

**Current**

Performance bonds – bank deposit	-	3,145,000
	-	3,145,000

**Non-current**

Performance bonds – bank deposit	143,307	141,311
	143,307	141,311

(a) Terms and conditions relating to the above financial instruments

- Performance bonds– bank deposits are held as security for environmental and rental bonds held on 14 day term deposit at 5.31%, or at call.
- An Environmental bond Security Facility totalling \$3,145,000 was approved by Macquarie Bank Ltd on the 28 December 2005. This facility is secured by equity provided by Yandal Investments Pty Ltd and Mr Mark Creasy. The aggregate fee payable to both Macquarie Bank Ltd and Yandal Investments Pty Ltd is 2.1% and 9.5% respectively per annum.

**LEGEND MINING LIMITED**  
**HALF-YEAR REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 7: PROPERTY PLANT AND EQUIPMENT**

	Buildings	Plant and equipment	Leased plant and equipment	Capital works in progress	Total
<i>Consolidated</i>					
At 1 January 2006, net of accumulated depreciation	393,867	1,437,334	-	-	1,831,201
Additions	-	77,606	-	3,111	80,717
Transferred from capital work in progress	13,000	(13,000)	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	(42,473)	(91,197)	-	-	(133,670)
At 30 June 2006, Net of accumulated depreciation	364,394	1,410,743	-	3,111	1,778,248
At 1 January 2006					
Cost	455,725	2,459,634	-	-	2,915,359
Accumulated depreciation	(61,858)	(1,022,300)	-	-	(1,084,158)
Net carrying amount	393,867	1,437,334	-	-	1,831,201
At 30 June 2006					
Cost	468,725	2,524,240	-	3,111	2,996,076
Accumulated depreciation	(104,331)	(1,113,497)	-	-	(1,217,828)
Net carrying amount	364,394	1,410,743	-	3,111	1,778,248
<i>Consolidated</i>					
At 1 January 2005, net of accumulated depreciation	146,589	1,520,794	15,881	21,199	1,704,463
Project assets acquisition	284,040	84,160	-	-	368,200
Additions	-	84,724	-	-	84,724
Transferred from capital work in progress	-	21,199	-	(21,199)	-
Disposals	(2,666)	(71,790)	(14,779)	-	(89,235)
Depreciation expense	(34,096)	(201,753)	(1,102)	-	(236,951)
At 31 December 2005, net of accumulated depreciation	393,867	1,437,334	-	-	1,831,201
At 1 January 2005					
Cost	174,837	2,365,908	38,636	21,199	2,600,580
Accumulated depreciation	(28,248)	(845,114)	(22,755)	-	(896,117)
Net carrying amount	146,589	1,520,794	15,881	21,199	1,704,463
At 31 December 2005					
Cost	455,725	2,459,634	-	-	2,915,359
Accumulated depreciation	(61,858)	(1,022,300)	-	-	(1,084,158)
Net carrying amount	393,867	1,437,334	-	-	1,831,201

**LEGEND MINING LIMITED**  
**HALF-YEAR REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

	<b>CONSOLIDATED</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 8: DEFERRED EXPLORATION COSTS</b>		
Deferred exploration and evaluation	19,008,444	17,872,057
Deferred mining information	1,672,503	1,672,503
	20,680,947	19,544,560
<b>(a) Deferred exploration and evaluation costs</b>		
At 1 January at cost.	17,872,057	5,946,701
Expenditure incurred during the period	1,720,325	7,565,733
Acquisition of Gidgee Resources Limited	-	7,602,636
Acquisition of Mt Gibson Gold Project assets	47,070	1,259,800
Expenditure written off during the period	(631,008)	(4,502,813)
At 30 June 2006 / 31 December 2005 at cost.	19,008,444	17,872,057
<b>(b) Deferred Mining Information</b>		
At 1 January at cost.	1,672,503	-
Acquisition of Mt Gibson Gold Project assets	-	1,672,503
At 30 June 2006 / 31 December 2005 at cost.	1,672,503	1,672,503

**Note:**

- (1) As part of the continuing tenement rationalisation, Legend Mining Limited lodged new tenement applications over areas covered by Gidgee Resources Limited tenement application. Expenditure allocated to these Gidgee Resources Limited tenements was reassigned to the new tenement applications.
- (2) Recoverability of the carrying amount of the deferred exploration and evaluation costs is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

**NOTE 9: TRADE AND OTHER PAYABLES**

**Current**

Trade creditors	849,065	566,236
Other creditors & accruals	46,971	55,629
Rights Issue applications received	388,902	-
	1,284,938	621,865

Terms and conditions relating to the above financial instruments

- (i) Trade creditors 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) Rights Issue applications are non interest bearing.

**LEGEND MINING LIMITED**  
**HALF-YEAR REPORT**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

	<b>CONSOLIDATED</b>	
	<b>2006</b>	<b>2005</b>
	\$	\$
<b>NOTE 10: INTEREST BEARING LOANS AND BORROWINGS</b>		
<b>Current</b>		
Borrowings	3,000,000	3,000,000
Convertible note - secured	5,000,000	5,000,000
	8,000,000	8,000,000

Terms and conditions relating to the above financial instruments:

- a. The company borrowed \$5,000,000 from Yandal Investments Pty Ltd, on the 10 November 2004. The loan became a convertible note following approval by shareholders at the General Meeting on the 10<sup>th</sup> January 2005. The convertible note may be converted into 125 million shares at an exercise price of 4 cents per share, together with the issue of one option for each fully paid share and is exercisable on or before 31 May 2009. Interest is payable six monthly at 10% per annum. Yandal Investments Pty Ltd has a fixed and floating charge over the assets of Legend Mining Limited and a registrable mortgage of tenements granted by Legend Mining Limited to the lender.
- b. The company negotiated a bridging loan of \$3,000,000 from Yandal Investments Pty Ltd, on the 15 November 2005. Interest is payable at 12% per annum. The loan is unsecured and interest is payable on the 28 February 2006 and 31 May 2006. The principal and outstanding interest is repayable on or before 31 July 2006. This loan agreement also provides for the Environmental Bond Security Facility referred to in Note 6 (a) above.

Assets pledged as security

The convertible note is secured by;

- a) a fixed and floating charge over the assets of Legend Mining Limited and its subsidiaries.
- b) a registrable mortgage of tenements of Legend Mining Limited and its subsidiaries.

Subsequent to balance date, the convertible note has been repaid. Refer to Note 14 for further details.

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 11: CONTRIBUTED EQUITY AND RESERVES**

	<b>CONSOLIDATED</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<i>Ordinary shares</i>		
Issued and fully paid	37,987,051	37,987,051
Issue costs	(951,089)	(951,089)
	37,035,962	37,035,962
 <i>Movement in ordinary shares on issue 2006</i>	 <b>No</b>	 <b>\$</b>
At 1 January 2006	458,578,322	37,987,051
At 30 June 2006	458,578,322	37,987,051

Effective 1 July 1998, the Corporation 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.

No share options were issued during the period.

**NOTE 12: RELATED PARTY DISCLOSURES**

**(i) Wholly-owned group transactions**

Loans made by Legend Mining Limited to wholly-owned subsidiaries have no repayment terms and are not interest bearing.

**(ii) Other related party transactions**

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

**(iii) Ultimate parent**

Legend Mining Limited is the ultimate parent company.

**(iv) Related party disclosures**

Related party transactions and balances with Yandal Investments Pty Ltd and Mr Mark Creasy have been disclosed below as these transactions and balances are considered material to an understanding of the current interim period

Other related party transactions and balances have not been disclosed in this report.

An Environmental bond Security Facility totalling \$3,145,000 was approved by Macquarie Bank Ltd on the 28 December 2005. This facility is secured by equity provided by Yandal Investments Pty Ltd and Mr Mark Creasy. The aggregate fee payable to both Macquarie Bank Ltd and Yandal Investments Pty Ltd is 2.1% and 9.5% respectively per annum.



**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 12: RELATED PARTY DISCLOSURES (CONTD)**

Related Parties		Amount Paid to related parties	Amount Owed to related parties	Amounts Owed by related parties
<b>Entities with significant influence over the Group</b>				
Yandal Investments Pty Ltd	2006	352,493	8,000,000	-
	2005	296,887	5,000,000	-

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

Exploration expenditure commitments.

In order to maintain current rights of tenure to exploration tenements, the Company will be required to outlay in the financial year 2006 amounts of approximately \$3,958,516 (2005: \$3,159,414) 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.

There has been no material change of any contingent liabilities during the year.

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

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 Company'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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2006**

**NOTE 14: EVENTS AFTER THE BALANCE SHEET DATE**

The Company lodged a Prospectus with the Australian Securities and Investment Commission on the 6 June 2006. The Prospectus is for a 1 for 3 non-renounceable rights offer of new shares with 1 free attaching option for every 3 existing shares in Legend.

The Company advised the ASX on the 20 July 2006 of the "Completion of issue of securities under the Prospectus dated 6 June 2006, Conversion of Convertible Note, Exercise of Options and Grant of Options" as;

1. The issue of 152,886,107 fully paid Ordinary Shares at 4 cents.
2. The issue of 152,886,107 listed options with an exercise price of 4 cents and an expiry date of 31st July 2008.
3. The issue of 125,000,000 fully paid Ordinary Shares, resulting from the conversion by Yandal Investments Pty Ltd of the \$5,000,000 Convertible Note.
4. The issue of 125,000,000 fully paid Ordinary Shares, resulting from the exercise of options attaching to the Convertible Note at an exercise price of 4 cents and an expiry date of 31st May 2009, being exercised on the 20th July 2006.
5. The issue of 125,000,000 unlisted options to Yandal Investments Pty Ltd, with an exercise price of 4 cents and an expiry date of 31st July 2008, approved by Shareholders on 30th May 2006.
6. The issue of 7,500,000 unlisted options to Findlay & Co Stockbrokers, with an exercise price of 4 cents and an expiry date of 31st July 2008, approved by Shareholders on 30th May 2006.
7. The repayment of the \$3,000,000 loan to Yandal Investments Pty Ltd.
8. The payment of interest outstanding on both the \$5,000,000 convertible note and the \$3,000,000 loan to Yandal Investments Pty Ltd.

**NOTE 15: TAX CONSOLIDATION**

As at 30 June 2006 Legend Mining Limited and its subsidiaries had not formed a tax consolidated group. This will not have any material financial impact on the consolidated entity.

**NOTE 16: DIVIDENDS PAID AND PROPOSED**

No dividends were paid or proposed this financial period.

**DIRECTOR'S DECLARATION**

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

In the opinion of the Directors:

- a). The financial statements and notes, of the consolidated entity, are in accordance with the Corporations Act 2001, including;
  - i. Giving a true and fair view of the financial position as at 30 June 2006 and the performance for the half-year ended on that date; and
  - ii. Complying with Accounting Standards', AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; 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.

On behalf of the Board.



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**M. Wilson**  
**Managing Director**

**Dated this 12<sup>th</sup> day of September 2006**

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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Australia

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GPO Box M939  
Perth WA 6843

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

In relation to our review of the financial report of Legend Mining Limited for the half-year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz  
Partner  
Perth

12 September 2006

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Professional Standards Legislation.

**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**Independent review report to members of Legend Mining Limited**

**Scope**

*The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Legend Mining Limited (the "company") and the entities it controlled during the half year, and the directors' declaration for the company, for the period ended 30 June 2006.

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

*Review approach*

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

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

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

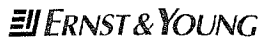
**Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed.

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**LEGEND MINING LIMITED  
HALF-YEAR REPORT**

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**Statement**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz'.

G H Meyerowitz  
Partner  
Perth

12 September 2006