LEGEND

MINING LIMITED

A.C.N. 060 966 145

ANNUAL REPORT

31st DECEMBER 2007

CONTENTS

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ASX Codes
LEG – ordinary shares
LEGO – options

COMPANY DIRECTORY

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Mark William Wilson (Managing Director)
Dermot Michael Ryan (Non-executive Director)
Robert John Perring – resigned 30 June 2007

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WEST PERTH, WA 6005

CHAIRMAN'S REPORT

Dear Shareholder,

During the course of 2007 your Directors continued to progress the Company's projects and strengthen its balance sheet.

In May Legend announced the sale its Gidgee Gold Project to Apex Minerals NL ("Apex") for a consideration of $11,000,000 payable by the issue of 34 million Apex shares. At the same time the Company announced that it would distribute the 34 million Apex shares to its shareholders. The sale of the Gidgee Gold Project was completed in August and the distribution in-specie of the 34 million Apex shares to Legend shareholders by way of a return of capital was completed in November.

During the lead up to the return of capital the majority of the listed and unlisted options were exercised thereby raising over $9 million. This was the principal factor in the Company having over $13 million in cash at the end of the year.

Legend also entered into a joint venture with Oxiana Limited in May whereby Oxiana can acquire a 75% interest in the Mt Gibson Project following expenditure of $10 million. Legend retains ownership of the Mt Gibson plant and camp site.

Legend now faces a solid, well funded future, with over $13 million in cash at year end, a well credentialed management team, and significant tenement holdings at each of its three major projects. In addition, there are production facilities and infrastructure under care and maintenance at Mt Gibson.

I would like to take this opportunity to thank the Legend Board and staff for their hard work during 2007 and look forward to their continued support in 2008.

Chairman
31st March 2008

DIRECTORS' REVIEW OF ACTIVITIES

PROJECT LOCATIONS

Legend Mining Limited (Legend) owns three major projects, all located within Western Australia.

- Gum Creek Project
- Pilbara Project
- Mt Gibson Project

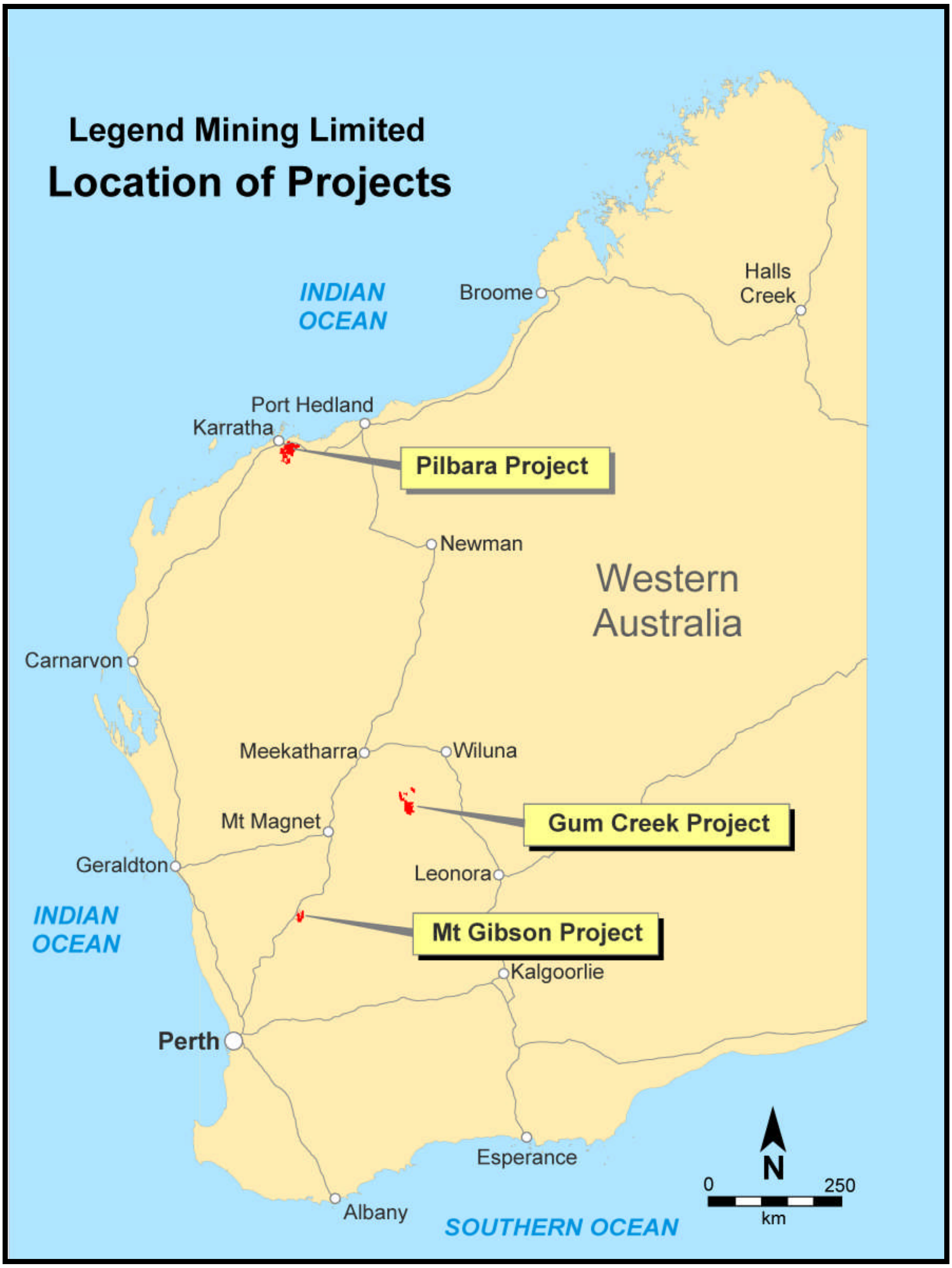


Figure 1: Location of Projects

DIRECTORS' REVIEW OF ACTIVITIES

GUM CREEK PROJECT – (Nickel-Copper-Platinum Group Elements)

The Gum Creek Project is located 640km northeast of Perth, Western Australia (Figure 1) and comprises a land holding of 688km^2 in the Gum Creek Greenstone Belt.

This Project represents the retained portion of the Gidgee Project, following the sale of the Gidgee Gold Project to Apex Minerals NL in August 2007. This area was retained following a regional commodity review, which highlighted the nickel-copper-platinum group elements (Ni-Cu-PGE) potential of the Gum Creek Greenstone Belt. The Project has had no systematic nickel exploration since the early 1970's.

The Project is divided into three areas, Bungarra, Thangoo and Woodley, and considered prospective for both intrusion-related (Ni-Cu-PGE) and komatiite flow-related (Ni) sulphide mineralisation, see Figure 2. Exploration activities completed during 2007 included; geochemical sampling, aircore, reverse circulation (RC) and diamond drilling, a high resolution aeromagnetic/radiometric survey and ground electromagnetic surveys.

Drilling statistics for the Project are summarised in Table 1 below:-

Table 1: Drilling Statistics - 2007

Area	Aircore Drilling		RC Drilling		Diamond Drilling		Total	
	No. Holes	No. Metres	No. Holes	No. Metres	No. Holes	No. Metres	No. Holes	No. Metres
Bungarra	0	0	7	904	1	200.8	8	1,104.8
Thangoo	89	5,694	8	1,209	0	0	97	6,903
Woodley	48	1,764	0	0	0	0	48	1,764
Total	137	7,458	15	2,113	1	200.8	153	9,771.8

Bungarra

Legend discovered an outcropping magmatic sulphide gossan at Bungarra in April 2007, returning rock grab sample results up to 1.0% Ni, 5.7% Cu and 0.7g/t PGE. The gossan was hosted by gabbroic rocks at/near the basal margin of the layered mafic-ultramafic Bungarra Intrusive Complex (BIC). This position is considered a prospective geological setting for segregations of Ni-Cu-PGE sulphide mineralisation.

Follow-up ground electromagnetic surveying, utilising the Moving Loop Time-Domain Electromagnetic (MLTEM) technique, was completed over three prospects, namely Python, Dugite and Adder. The surveys identified a number of conductors coincident with the original outcropping gossan and subsequent field reconnaissance identified additional gossanous float, see Figure 3. Best rock grab sample results are provided below in Table 2.

Table 2: Gossan Rock Grab Sample Assay Results

Easting	Northing	Cu %	Ni %	Pt ppb	Pd ppb	Rh ppb	Ru ppb	Os ppb	Ir ppb
750160	6980210	0.10	0.41	137	1,530	548	66	12	56
750166	6980214	0.10	0.27	213	242	403	53	8	40
750030	6980350	0.33	0.22	113	415	85	10	2	6
750031	6980351	5.70	0.99	146	500	43	2	3	2
750031	6980350	2.10	0.51	91	404	65	7	3	6
750032	6980359	0.15	0.55	108	41	316	34	<1	26
750036	6980365	0.14	0.55	95	87	200	20	2	18
750015	6980385	0.38	0.34	387	305	324	13	2	19
749976	6980422	0.05	0.08	197	77	31	2	<1	4

Copper (Cu), Nickel (Ni) assayed by XRF. Platinum (Pt), Palladium (Pd), Rhodium (Rh), Ruthenium (Ru), Osmium (Os) and Iridium (Ir) assayed by 25g fire assay (nickel sulphide collection) ICP-MS at Ultra Trace Pty Ltd, Perth.

Grab sample of float: a composite sample of gossanous rubble lying on the surface and interpreted to be within metres of source.

1000 parts per billion (ppb) = 1 part per million (ppm) = 1 gram per tonne (g/t)

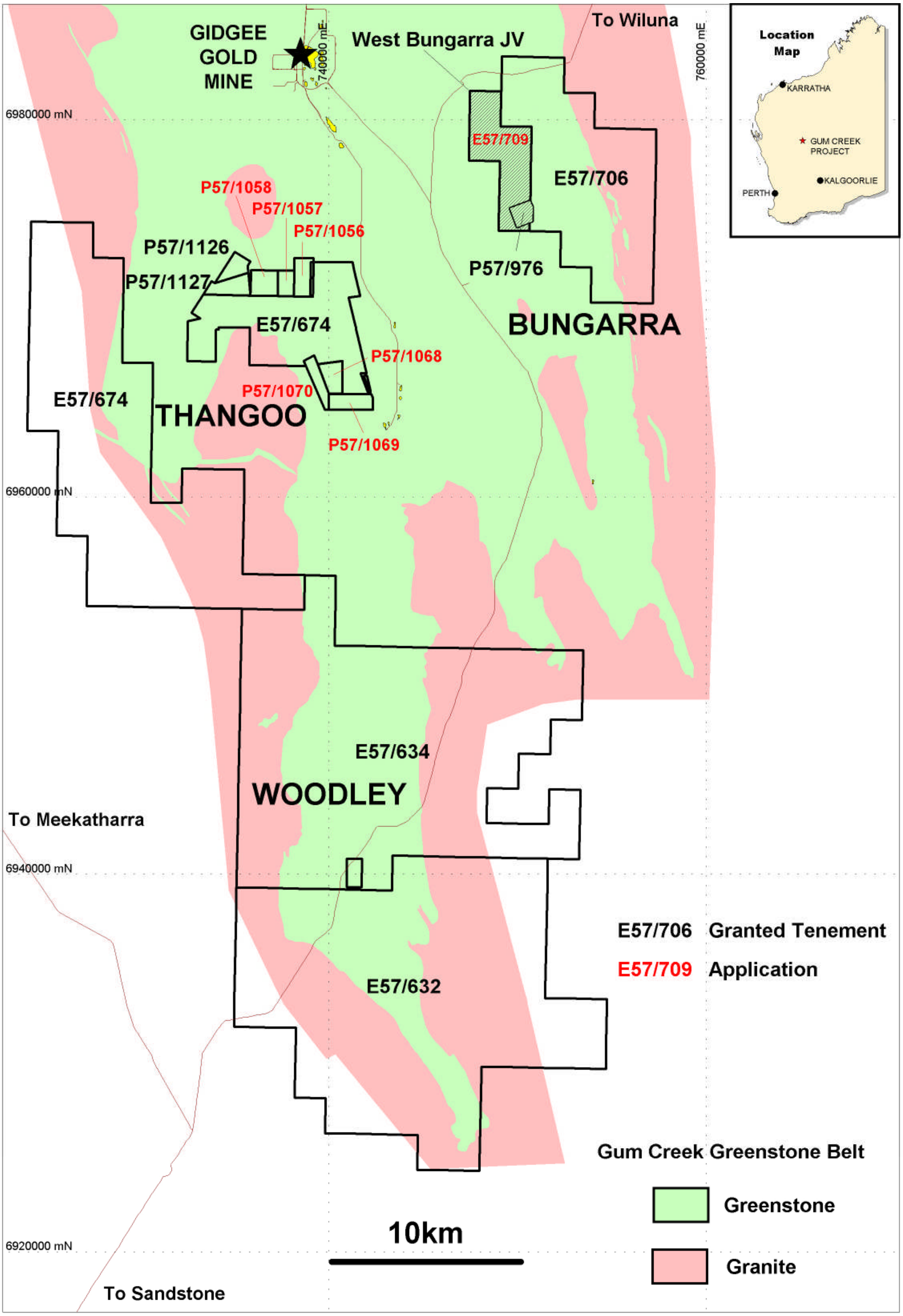


Figure 2: Gum Creek Project

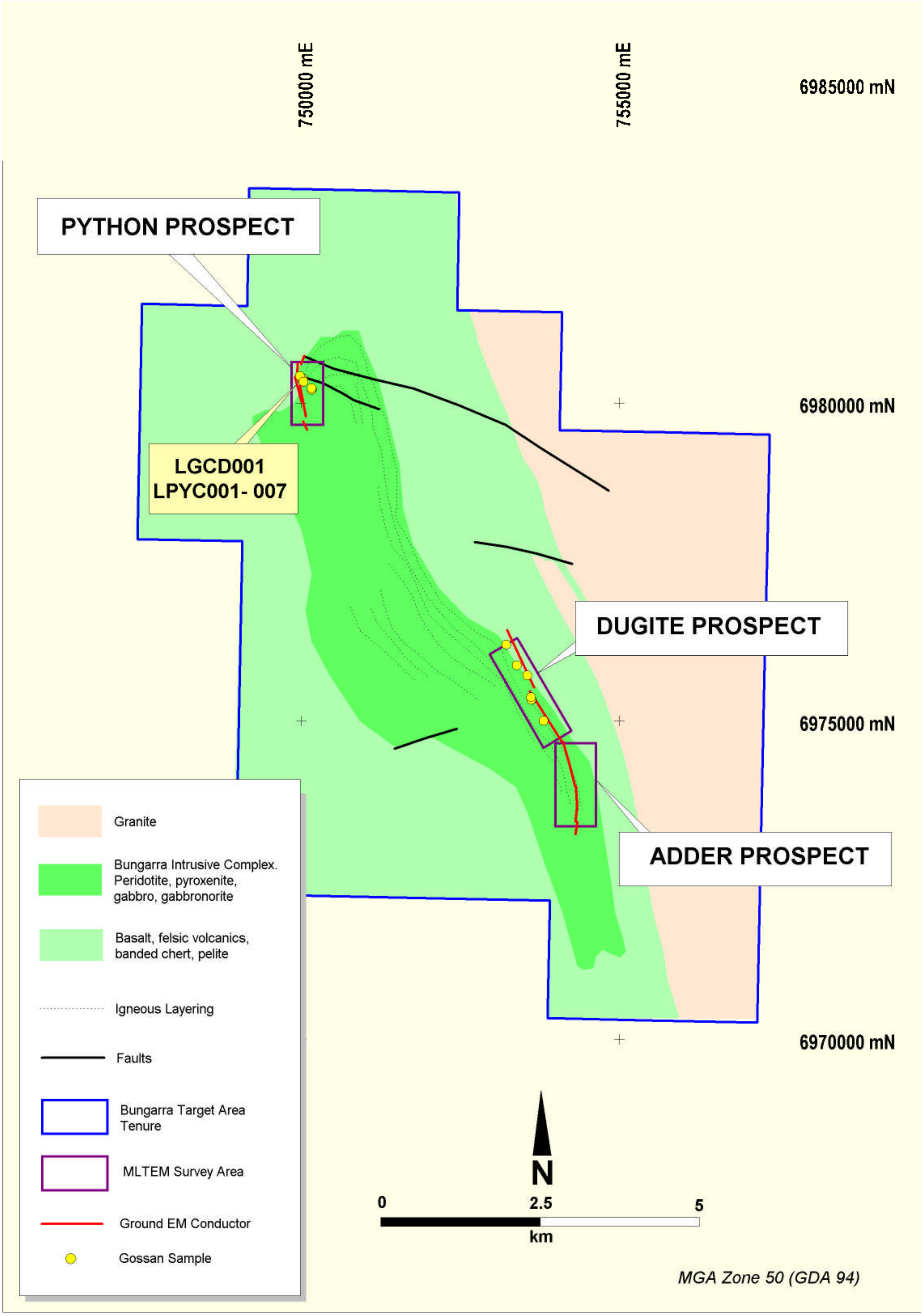


Figure 3: Bungarra – Drillhole Location, Prospects, EM Conductors and Gossan Samples

A high-resolution aeromagnetic/radiometric survey was also completed over the entire BIC to assist with target definition and the structural/geological interpretation of the complex.

Based on the above, diamond drillhole LGCD001 was drilled to a depth of 200.8m at the Python Prospect designed to target beneath the Ni-Cu-PGE gossan and to intersect a strong coincident electromagnetic conductor. The drillhole intersected two zones with elevated Ni-Cu-PGE values associated with gabbro adjacent to the contact with felsic volcanic.

Seven RC drillholes (LPYC001-007) for a total of 904m were completed at the Python Prospect during December 2007. The drilling was located along strike of diamond drillhole LGCD001, targeting beneath gossanous float with coincident ground EM conductors, interpreted to be associated with the basal margin of the BIC.

Drillhole details for the RC/diamond drillholes are provided in Table 3, while a summary of drill results are provided in Table 4.

Table 3: Python RC and Diamond Drillhole Details

Hole	Easting	Northing	Drill Type	Dip	Azi (Mag)	Depth
LPYC001	749920	6980350	RC	-60^{0}	90^{0}	165
LPYC002	750000	6980300	RC	-60^{0}	90^{0}	120
LPYC003	749950	6980300	RC	-60^{0}	90^{0}	175
LPYC004	749950	6980400	RC	-60^{0}	90^{0}	80
LPYC005	749900	6980400	RC	-60^{0}	90^{0}	133
LPYC006	750140	6980200	RC	-60^{0}	90^{0}	81
LPYC007	749900	6980075	RC	-55^{0}	60^{0}	150
LGCD001	750040	6980350	Diamond	-70^{0}	270^{0}	200.8
Total						**1,104.8**

Table 4: Python RC and Diamond Drillhole Assay Results

Hole ID	From	To	Int	Pt ppb	Pd ppb	Pt+Pd ppb	Ni %	Cu %
LGCD001	7	15	8	35	256	291	0.10	0.21
LGCD001	40.7	41.2	0.5	150	511	661	0.25	0.29
LGCD001	51.4	57	5.6	49	268	317	0.16	0.15
LGCD001	69	70	1	159	212	371	0.03	0.08
LGCD001	138	140	2	108	62	170	0.07	0.14
LPYC001	56	84	28	-	-	-	-	0.17
LPYC001	76	80	4	175	225	400	0.16	0.41
LPYC001	140	165 EOH	25	138	59	197	0.02	0.01
LPYC003	80	104	24	-	-	-	-	0.11
LPYC004	12	16	4	20	45	65	0.10	0.14
LPYC004	64	80 EOH	16	165	55	220	0.03	0.01
LPYC005	76	80	4	40	255	295	0.15	0.25
LPYC006	28	44	16	29	130	159	0.08	0.12

Nickel (Ni) and Copper (Cu) assayed by XRF. Platinum (Pt), Palladium (Pd) assayed by 40g fire assay (lead collection) ICP-MS at Ultra Trace Pty Ltd, Perth.

Diamond drillhole sampling based on nominal 1m intervals of half-NQ2 drill core.
RC drillhole samples collected by spear and composited over 4m intervals.

1 percent (%) = 10,000 parts per million (ppm). 1 part per million (ppm) = 1,000 parts per billion (ppb)

Legend signed the West Bungarra JV with Gateway Mining Limited (GML) on 16 July 2007, securing tenure over the entire BIC, see Figure 2. The JV, Legend 70%/GML 30%, covers the pending exploration licence E57/709 (P57/976 was originally included but subsequently expired) with Legend to sole fund and manage to Decision to Mine.

An airborne Versatile Time Domain Electro-Magnetic survey (VTEM) over the entire BIC and RC drill testing of electromagnetic conductors at the Dugite and Adder Prospects on the eastern margin of the BIC is planned for the first Quarter of 2008.

Thangoo

A total of 89 aircore holes for 5,694m were completed at Thangoo targeting ultramafic units identified previously by ground reconnaissance and/or interpreted from aeromagnetic data. Seven traverses with holes spaced at 50m were drilled across six strike kilometres of the interpreted ultramafic units to confirm their komatiitic nature and assess the nickel potential of these units.

Ultramafic rocks with classic spinifex and olivine cumulate textures (and interbedded black shales) were intersected on a number of traverses. This together with high MgO values (>18%) confirm the ultramafics as komatiites. Minor disseminated sulphide hosted by komatiite was also observed in several holes at Thangoo.

The drilling intersected broad zones of elevated nickel closely associated with high chromium values, summarised in Table 5. These results provide encouragement for the possible presence of nickel mineralisation at depth or along strike.

Table 5: Thangoo Aircore Drill Results >0.5% Ni

Hole	Easting	Northing	From	To	Int	Ni %	Cr %	Cu %	Co %
LGCA072	739700	6969900	16	60	44	0.51	1.11	0.001	0.022
Incl.			24	36	12	0.68	1.31	0.001	0.040
LGCA073	739750	6969900	24	28	4	0.53	0.05	0.020	0.059
LGCA079	739400	6970600	8	41 Eoh	33	0.52	1.25	0.006	0.035
LGCA114	740950	6965600	12	67 Eoh	55	0.51	0.75	0.006	0.055
LGCA117	741100	6965600	12	32	20	0.53	1.09	0.005	0.042
LGCA121	741300	6965600	24	56	32	0.63	0.71	0.007	0.067

All aircore holes inclined -60^0 deg to 270^0, co-ordinates GDA_94 Zone 50.
Samples collected by scoop and composited over 4m intervals.
Nickel (Ni), Chromium (Cr), Copper (Cu) & Cobalt (Co) assayed by XRF at Ultra Trace Pty Ltd, Perth.

Eight RC drillholes (LTHC001-008) for a total of 1,209m were completed at Thangoo during December 2007. The drilling was targeting anomalous Ni-Cu geochemistry and favourable geological units (komatiite-black shale contacts) identified in the recent aircore drilling programme. Results from this drilling were of a similar tenor as the aircore drilling.

Drillhole details for the RC programme are provided in Table 6, while a summary of drill results is provided in Table 7.

Table 6: Thangoo RC Drillhole Details

Hole	Easting	Northing	Dip	Azi (Mag)	Depth
LTHC001	740880	6965600	-60^0	270^0	159
LTHC002	740975	6965600	-60^0	270^0	165
LTHC003	741175	6965600	-60^0	270^0	121
LTHC004	741375	6965600	-60^0	270^0	177
LTHC005	741185	6965600	-60^0	90^0	153
LTHC006	739775	6969900	-60^0	270^0	159
LTHC007	739425	6970600	-60^0	270^0	155
LTHC008	740430	6971450	-60^0	270^0	120
Total					**1,209**

Table 7: Thangoo RC Drill Results

Hole	From	To	Int	Ni %	Cr %	Cu %	Co %
LTHC001	36	60	24	0.29	0.56	0.008	0.029
LTHC001	88	128	40	0.26	0.82	0.006	0.017
LTHC002	12	92	80	0.35	0.63	0.010	0.034
Incl	60	68	8	0.51	0.67	0.007	0.038
LTHC003	72	84	12	0.31	0.67	0.006	0.026
LTHC004	16	32	16	0.36	0.65	0.035	0.061
LTHC005	24	60	36	0.31	0.87	0.007	0.029
LTHC006	28	48	20	0.36	0.21	0.009	0.042
LTHC007	28	52	24	0.30	0.68	0.002	0.018
LTHC007	136	140	4	0.40	0.01	0.027	0.025
LTHC008	32	76	44	0.24	0.99	0.014	0.016
Nickel (Ni), Chromium (Cr), Copper (Cu) & Cobalt (Co) assayed by XRF at Ultra Trace Pty Ltd, Perth Samples collected by spear and composited over 4m intervals.							

Two ground Moving Loop Time-Domain Electromagnetic surveys (MLTEM) were completed at Thangoo to further evaluate the ultramafic (komatiite) units with anomalous nickel drill results and associated elevated aeromagnetic response. The survey identified three strong conductors on the eastern flank of the survey area, however did not identify conductors over the targeted ultramafic units, see Figure 4.

These conductors have not been covered by geochemical sampling and only limited shallow aircore drilling. The limited drilling indicates the conductors are related to black shale, which is in direct contact with ultramafic units of komatiitic affinity and represent priority drill targets.

An airborne Versatile Time Domain Electro-Magnetic survey (VTEM) over the eastern half of Thangoo and an aircore drill programme to follow-up the EM conductors is planned for late in the first Quarter of 2008.

Woodley

A total of 48 aircore holes for 1,764m were completed at Woodley targeting ultramafic units identified previously by ground reconnaissance and/or interpreted from aeromagnetic data. The drilling was conducted along nine broad spaced traverses with holes spaced at 50m. No significant results were returned.

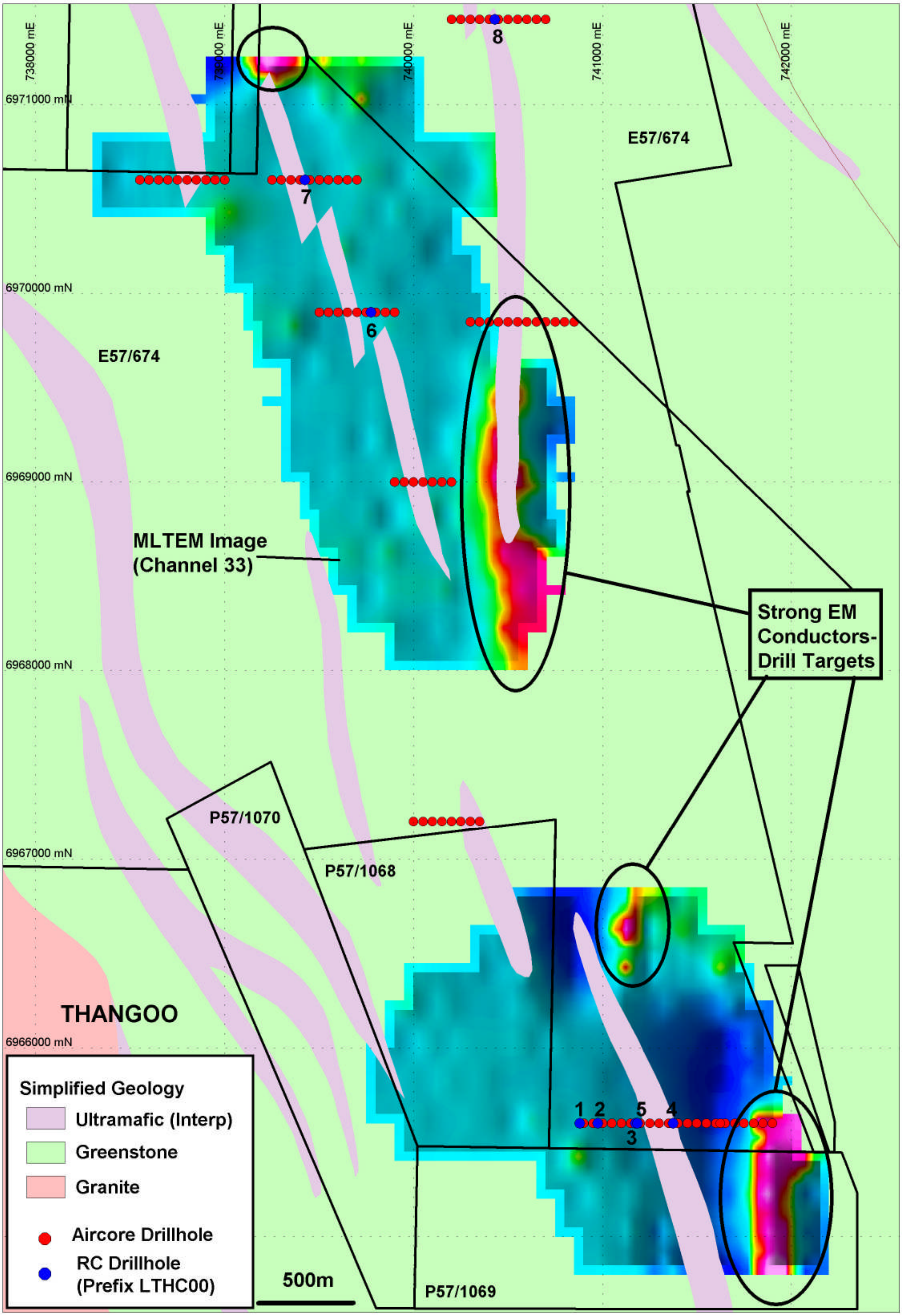


Figure 4: Thangoo – Simplified Geology with Ground EM Image and Drillhole Locations

DIRECTORS' REVIEW OF ACTIVITIES

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

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

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

Legend continued to advance exploration in the Pilbara during 2007 culminating in the identification of 11 priority drill targets, see Figure 5. Activities included; a second airborne Versatile Time Domain Electro-Magnetic survey (VTEM-2), ground electromagnetic surveys, geochemical sampling and ground reconnaissance.

The VTEM-2 survey, and the survey completed in November 2006 (VTEM-1), brings the total VTEM coverage over the Project area to 390km^2. VTEM has proven to be an extremely valuable and cost effective technique in identifying new targets and known sulphide ore systems in the Pilbara. The second survey identified six priority targets and five second order anomalies, (the first survey identified five priority targets).

The priority VTEM survey targets were followed-up with Fixed Loop Time-Domain Electromagnetic (FLTEM) surveys resulting in the definition of 11 direct drill targets. The location of these targets is shown on Figure 5 and a brief description of each target is provided in Table 8 below.

Table 8: Description of Priority Targets from VTEM and FLTEM Surveys

TARGET	BRIEF DESCRIPTION
Chapman	Located 1km southeast of the Carlow Castle copper-gold workings, this anomaly coincides with historic copper-gold workings hosted in gabbro of the Andover Intrusive Complex. The FLTEM survey identified two shallow, discrete bedrock conductors at a depth from surface of 40m and 60m respectively, with both conductors dipping shallowly 25-35^o to the north. These bedrock conductors may represent sulphide bodies.
Milburn	Located 2km east-southeast of the Carlow Castle copper-gold workings, this discrete anomaly is associated with outcropping copper mineralisation in gabbro. The anomaly occurs near the contact between mafic and ultramafic intrusives of the Andover Intrusive Complex and mafic volcanics. The top of the modelled FLTEM conductor is at a depth of 35m from surface and dips 45^o west. The discrete bedrock conductor is consistent with a sulphide body.
Thorp	Located 2km southeast of the Carlow Castle copper-gold workings, this anomaly coincides with historic copper-gold workings hosted in gabbro of the Andover Intrusive Complex. Two bedrock conductors have been delineated by the FLTEM survey, the first at a depth of 100m from surface and dipping 60^o north-northwest, the second at a depth of 40m from surface with a dip of 40^o to the north.

Osborne	Located 5km northeast of the Sholl B1 nickel-copper deposit, this discrete anomaly coincides with the contact between mafic and ultramafic intrusives of the Andover Intrusive Complex. Osborne is modelled as a 30-45^o northwest dipping conductor at a depth from surface of 145m. The conductive source is consistent with the presence of a sulphide body.
Hickmott	Located 4km northeast of the Ruth Well nickel-copper deposit, this anomaly coincides with a contact between ultramafic and basaltic lithologies. This stratigraphic position hosts historic copper workings along strike, although no workings are recorded in the immediate vicinity of the anomaly. Hickmott models as a discrete bedrock conductor at a depth from surface of 50m and dipping 40-50^o to the south and may represent a sulphide body.
Varcoe	Located 1km east of the Ruth Well nickel-copper deposit, this anomaly coincides with the contact between the ultramafic host unit at Ruth Well and a brecciated basalt. The FLTEM survey revealed a number of bedrock conductors, potentially representing a folded structure. The stronger modelled conductors are consistent with the presence of sulphide bodies.
Castlebar	Located 2km west of the Ruth Well nickel-copper deposit at the contact between a chert and overlying ultramafic unit, the conductor is modelled to dip at 35-45º to the north and comes to within approximately 100m to 125m of surface. The conductor is consistent with the presence of a sulphide body.
Wexford & Banagher	Located 4km northwest of Radio Hill, these two discrete anomalies lie within the lower contact zone of the Dingo Complex. The four associated conductors are modelled as having varying dips and all are within approximately 75m of surface. The modelled conductors are consistent with the presence of localised disseminated or matrix sulphide.
Roundstone	Located 6km south-southeast of Radio Hill, the anomaly is in an area of thin alluvial cover. This discrete anomaly has a modelled conductor dipping 45-55^o southeast and is at a depth of 40m from surface to the top of the conductor. The conductor is consistent with the presence of a sulphide body.
Bushmill	Located 5km south of Radio Hill, this discrete anomaly is located in an area of thin soil cover on the sheared western margin of the Maitland Complex. The conductor is modelled to dip at 20-30º ENE and comes to within approximately 75m of surface. The conductor is possibly consistent with the presence of localised matrix or massive sulphide.

Legend is currently working to expedite the grant of its exploration and prospecting licences.

Drilling is scheduled to commence in the middle of 2008 once the grant of exploration title and heritage clearance has been achieved.

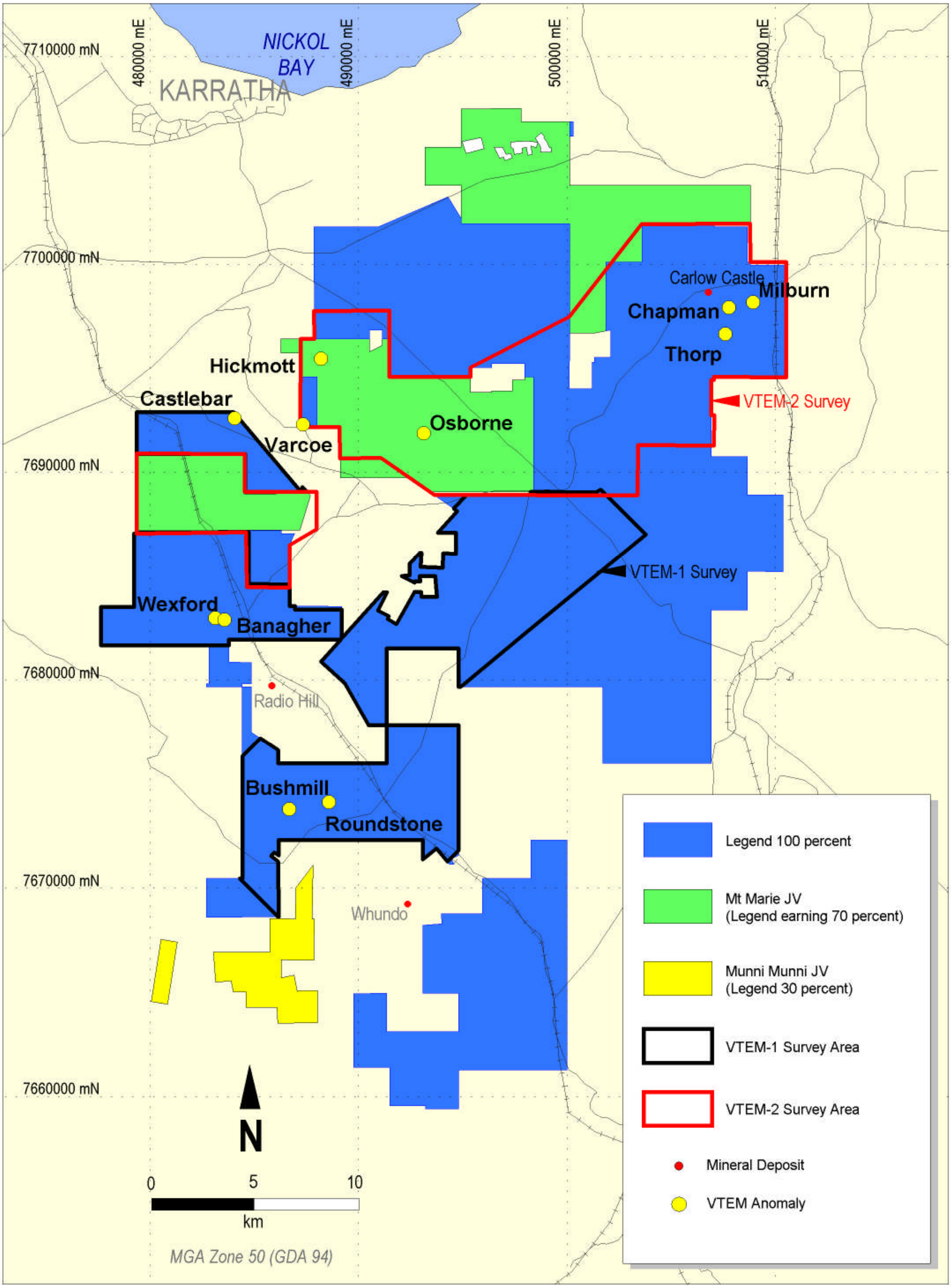


Figure 5 Pilbara Project Area Showing VTEM Anomalies

MT GIBSON – (Zinc-Copper, Gold)

The Mt Gibson project is located 290km northeast of Perth in Western Australia (Figure 1), and was acquired from Oroya Mining Limited in November 2005, principally to pursue the untested volcanic-hosted massive sulphide deposit potential (VHMS, predominant metals include zinc-copper-gold) beneath the oxide gold pits.

The project is situated 100km south of the world-class Golden Grove VHMS deposit owned by Oxiana Limited, and in common with Golden Grove, falls within the Yalgoo-Singleton Greenstone Belt in the southern Murchison Province.

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

Legend, through a study conducted in 2006 by Dr S Carras of Carras Mining Pty Ltd, estimated the residual gold Mineral Resource (Indicated and Inferred) to be 8.7Mt at 1.98g/t gold for 559,000 ounces. This Mineral Resource does not convert into Ore Reserve using current mining costs and gold price. The gold operation remains on care and maintenance.

Legend's 2006 diamond drillhole results support the premise that Mt Gibson represents a large, fertile VHMS mineral system with potential to host a base metal orebody. The predictive geological model developed from this drilling has led to the identification of important trends (vectors) to new opportunities within this large base metal system. All eight holes contain visible zinc sulphide, principally associated with sedimentary units layered within the volcanic sequence. Significant zinc intercepts and an overview of the interpreted geology is presented in Figure 6.

Oxiana Joint Venture

On 8 May 2007, Legend announced a Farm-In and Joint Venture Agreement with Oxiana Exploration Pty Ltd, a wholly-owned subsidiary of Oxiana Limited (Oxiana).

Under the terms of the agreement, Oxiana may earn a 75% interest in the project by funding $10 million of exploration within 7 years, with Legend 25% free-carried to completion of a bankable feasibility study and a decision to mine. Oxiana must spend $1.2 million within 18 months before having a right to withdraw.

During the second half of 2007, Oxiana developed an exploration strategy for the Project and commenced relogging historic drillholes and interrogating the extensive geochemical dataset. Drillhole targeting will be undertaken during the first quarter of 2008 with downhole geophysics and diamond drilling planned to commence in the second quarter of 2008. Technical input from Oxiana geologists at the Golden Grove mine site, whose experience in the region and with this style of mineralisation, will be extremely valuable in assisting exploration activities.

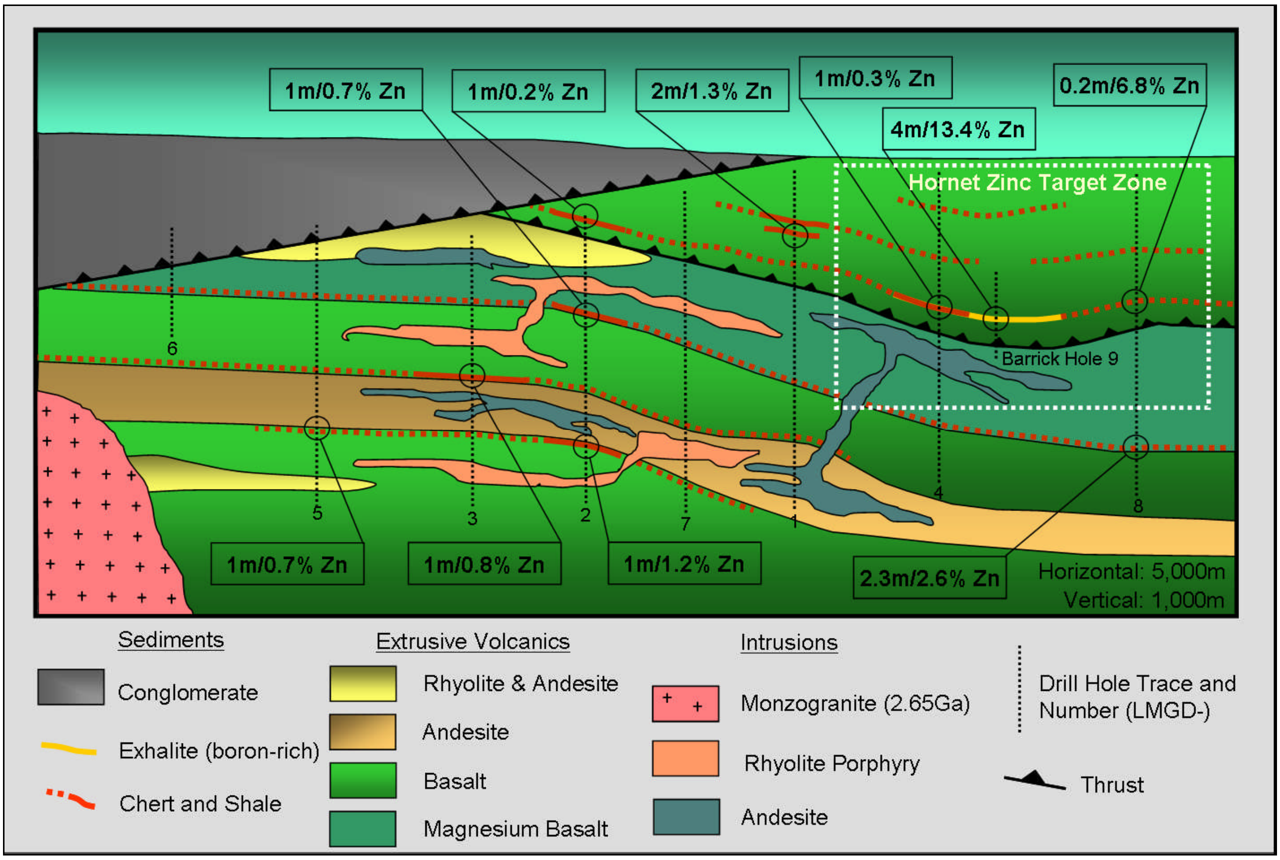


Figure 6: Mt Gibson Schematic Longsection Showing Significant Zinc Intercepts

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

DIRECTORS' REVIEW OF ACTIVITIES

CORPORATE ACIVITIES

Sale of Gidgee Gold Project and return of capital

On 3 May 2007, the Company announced it had agreed to sell its Gidgee Gold Project (tenements, plant and infrastructure) to Apex Minerals NL (Apex) for a consideration of $11 million, payable by the issue of 34 million Apex shares which the Company announced would be distributed in-specie to shareholders. Contingent consideration of $5 million will be paid by Apex to the Company once a production milestone of 250,000oz of gold from the Gidgee Gold Project tenements is reached.

Settlement of this Sale Agreement was effected on 13 August 2007 and Apex issued 34 million shares to Legend.

The Company sent out a notice of meeting to shareholders on 20 September 2007 seeking shareholder approval for the return of capital via a distribution in-specie of the Apex shares.

The return of capital was approved by shareholders at the General Meeting on 25 October 2007 and was completed on 12 November 2007. Shareholders received 1 Apex share for every 33.8285 Legend shares held on 12 November 2007 ("Record Date"). Based on the closing price of Apex shares of $1.27 at the Record Date, the return of capital equated to 3.75 cents per Legend share.

As a result of the return of capital the exercise price of all outstanding options was reduced by 3.75 cents per option. The Company's quoted 31 July 2008 options exercise price is now 0.25 cents per option.

The Company has received a draft tax ruling from the Australian Taxation Office ("ATO") on what proportion of the return of capital the ATO deems to be an unfranked dividend and therefore what proportion is deemed a return of capital. The Company's tax specialists are engaged in further dialogue with the ATO on this draft tax ruling and the Company will advise shareholders of the outcome as soon as possible.

Exercise of Options during the year

A total of 226,052,491 listed and unlisted 4 cent options were exercised prior to the return of capital, thereby raising $9,042,100. As at 31 December 2007, a further 9,710,109 listed 0.25 cent options have been exercised since the return of capital thereby raising an additional $24,275.

At 31 December 2007 Legend had cash reserves of $13.3 million. Legend has applied approximately $1.4 million of these funds as security for environmental performance bonds on its projects. This has had the effect of discharging all of Mr Mark Creasy's security for the Company's environmental performance bonds.

CORPORATE GOVERNANCE STATEMENT

Legend is committed to implementing and maintaining the highest standards of corporate governance. In determining what those standards should involve, Legend has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. Legend is pleased to advise that its practices are largely consistent with those of the ASX guidelines. Where Legend did not have certain policies or committees recommended by the ASX Corporate Governance Council in place for the entire reporting period, we have identified when such policies or committees were introduced. Where Legend has not adopted the relevant recommendation, the reasons are set out below.

1. BOARD OF DIRECTORS

1.1 Role of Board

The Legend Board of Directors (the Board) is responsible for setting the strategic direction and establishing and overseeing the policies and financial position of Legend, and monitoring the business and affairs on behalf of its shareholders, by whom the Directors are elected and to whom they are accountable.

Further, the Board takes specific responsibility for:-

- the appointment and removal of the Managing Director and the Company Secretary,
- the final approval of management's development of corporate strategies and performance objectives,
- the review and modification of internal controls with respect to internal and legal compliance and its code of conduct,
- monitoring and evaluating senior management's performance and the implementation of Legend's corporate strategies and objectives,
- ensuring that appropriate resources are available to achieve strategic objectives,
- the appointment of Directors to the Board and ensuring those Directors receive a letter of appointment identifying their duties and specific responsibilities, Legend's expectations of them, their remuneration and their obligations with respect to advising Legend of any compliance matters.

The Board is responsible for the overall Corporate Governance of Legend including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

Legend has a formal Board Charter as per Recommendation 1.1. In broad terms, the Board is accountable to the shareholders and must ensure that Legend is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board of Legend within the governance structure of Legend and its related bodies corporate (as defined in the *Corporations Act*).

1.2 Terms of Office of Directors

The constitution of Legend Mining Limited specifies that 1/3 of the Directors, excluding the Managing Director, shall rotate on an annual basis.

1.3 Composition of the Board

The Directors of Legend in office at the date of this statement are:-

Name	Position	Expertise
Michael Atkins	Non Executive Chairman	Commercial
Mark Wilson	Managing Director	Commercial and Mining
Dermot Ryan	Non Executive Director	Exploration and Mining

The composition of the Board is determined using the following principles:-

- the Board comprises three (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, and
- 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 a General Meeting of Shareholders.

1.4 Responsibilities of the Board

In general, the Board is responsible for, and has authority to determine all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of Legend.

In general, the principal functions and responsibilities of the Board include the following:-

Leadership of the Organisation: Overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees,

Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensure that there are policies in place to govern the operation of the Company,

Overseeing Planning Activities: overseeing the development of the Company’s strategic plan and approving that plan as well as the annual and long term budgets,

Shareholder Liaison: ensuring effective communication with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company,

1.4 Responsibilities of the Board (contd)

Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance and accountability systems and monitoring and directing the financial and operational performance of the Company,

Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting,

Human Resources: appointing, and where appropriate, removing the Managing Director (MD) and Chief Financial Officer (CFO) as well as reviewing the performance of the MD and monitoring the performance of senior management in their implementation of the Company's strategy,

Ensuring the Health, Safety and Well-Being of Employees: developing a policy, and in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees,

Delegation of Authority: delegating appropriate powers to the MD to ensure the effective day-to–day management of the Company,

Environmental Management: developing a policy, and in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's environmental management systems.

1.5 Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

Legend has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed,
- attendance at Legend's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Legend does not comply with Recommendation 2.1 which states the majority of Directors should be independent directors. Mr Atkins is the only Director considered independent and acts as Chairman of the Company, as required under Recommendation 2.2.

1.6 Independent Professional Advice

Each Director has the right, in connection with his/her duties and responsibilities as a Director, to seek independent professional advice at Legend's expense. However, prior approval of the Chairman is required, which will not be unreasonably withheld.

2. BOARD COMMITTEES

2.1 Nomination Committee

A separate nomination committee has not been formed as required under Recommendation 2.4 as the Board considers the selection and appointment of Directors should be the responsibility of the full Board and that no benefits or efficiencies are to be gained by delegating this function to a separate committee.

2.2 Audit Committee

Due to its size and composition, the Board has not established a separate audit committee as requested by Recommendation 4.2. 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 Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission 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.

2.3 Remuneration Committee

Due to the relatively small size of Legend, remuneration is considered by the full Board. This does not comply with Recommendation 9.2. The Board reviews remuneration packages and policies applicable to the Managing Director and Directors. 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.

An approved Employee Share Option Plan (excludes Directors) is in place to enable the Board to grant share options as an incentive for superior performance to eligible employees.

A full disclosure of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period are set out in the remuneration report, which is contained within the Directors' Report.

Overall Director Remuneration: Shareholders must approve the framework for any equity schemes if a Director is recommended for being able to participate in such a scheme.

Non-Executive Remuneration: Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The maximum aggregate remuneration approved for Non-Executive Directors is currently $200,000 per annum.

3. BUSINESS RISKS

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

4. ETHICAL STANDARDS

Legend has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Legend expects directors and employees of Legend and its related bodies corporate to behave and conduct business in the workplace on a range of issues. Legend is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian 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.

5. DIRECTORS' DEALINGS IN COMPANY SHARES

Legend has a formal trading policy as required by Recommendation 3.2 entitled: Guidelines for Dealing in Securities. This policy applies to directors, employees and contractors of Legend.

In addition, directors must notify the Australian Securities Exchange of any acquisition or disposal of shares by lodgement of a Notice of Director's Interests. Board policy is to prohibit Directors and Employees from dealing in shares of the Company whilst in possession of price sensitive information.

6. CORPORATE REPORTING

On submission of a set of the Company financial reports for review by the Board, senior management confirms that to the best of their knowledge and ability the financial reports present a true and fair view in all material aspects of the Company's financial condition and that operational results are in accordance with relevant accounting standards.

Further, the statement made by senior management regarding the integrity of the financial statements also includes a statement regarding risk management and internal compliance and control which influence the policies adopted by the Board.

7. CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

Legend has a formal Continuous Disclosure and Information Policy as required by Recommendation 6.1. This policy was introduced to ensure Legend achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring Legend and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Board of Legend aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders,
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on Legend's website,
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate,
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

Legend's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

8. RECOGNISE AND MANAGE RISK

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has no formal policy in place to recognise and manage risk as required by Recommendation 7.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

9. ENCOURAGE ENHANCED PERFORMANCE

Board and management effectiveness are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature of the matter.

The Board has no formal policy in place to encourage enhanced performance as required by Recommendation 8.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Legend has a formal Privacy Policy. Legend is committed to respecting the privacy of stakeholders' personal information. This Privacy Policy sets out Legend's personal information management practices and covers the application of privacy laws, personal information collection, the use and disclosure of personal information, accessing and updating stakeholders' information and the Security of stakeholders' information.

Other than the introduction of a formal Privacy Policy, the Board has not adopted any additional formal codes of conduct to guide compliance with legal and other obligations to legitimate stakeholders as required by Recommendation 10.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

DIRECTORS' REPORT

The Directors submit their report for the year ended 31 December 2007.

1. DIRECTORS

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

Michael Atkins (Chairman, Non Executive Director)

Mark Wilson (Managing Director)

Robert Perring (Executive Director - Technical) (resigned 30 June 2007)

Dermot Ryan (Non Executive Director)

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Michael Atkins is a Fellow of the Institute of Chartered Accountants in Australia and was a founding partner of a national Chartered Accounting practice from 1979 to 1987. Since 1987 he has been involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa. He was Managing Director of Claremont Petroleum NL and Beach Petroleum NL during 1990 and 1991 during their reconstruction, and then remained as a Non Executive Director until 1995. He was also founding Executive Chairman of Gallery Gold NL in 1998, and remained a Non Executive Director until 2000.

He is currently Chairman of Montagu Capital Ltd, the holding company for Montagu Stockbrokers Pty Ltd, and Chairman of Kalgoorlie-Boulder Resources Ltd and Westgold Resources NL.

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

- Marion Energy Ltd (formerly Carpenter Pacific Resources Limited) (resigned 31 January 2006)
- Guardian Funds Management Ltd (resigned 31 January 2006)

Mark Wilson is a Member of the Institution of Engineers, Australia and a Chartered Professional Engineer with an Associateship in Civil Engineering from Curtin University in Western Australia. He has an extensive business background, mainly in corporate management and project engineering. This has included site management of remote construction projects, ten years of commercial construction as a founding proprietor of a Perth based company and the past sixteen years in executive, non-executive, consulting and owner roles in resource focused companies. He served as a Director of Duketon Goldfields NL in 1995/1996 and of Cambrian Resources NL (Servicepoint Ltd) from 1999 to 2003.

During the past three years, Mr Wilson has not served as a Director of any other publicly listed companies.

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTD)

Dermot Ryan is a Fellow of the Australian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Geoscientists, a Chartered Professional Geologist and a graduate from Curtin University in Western Australia (B.App.Sc.) He has over 30 years experience in the discovery and successful development of gold, base metals, iron ore and diamond deposits. He has spent 20 years with the CRA (Rio Tinto) group of companies, including ten years as Chief Geologist for CRA Exploration in various parts of Australia. He was General Manager Exploration for Great Central Mines / Normandy Yandal Operations in the 5 year period up to 2001. He has acted as a mineral exploration consultant to both private and public mining and exploration companies in Western Australia, with an emphasis on the gold industry.

During the past three years, Mr Ryan has not served as a Director of any other publicly listed companies.

Robert Perring (resigned 30 June 2007) is a Member of the Australian Institute of Geoscientists and a graduate of Imperial College, London (M.Sc., D.I.C.) and the University of Technology, Sydney (B.App.Sc.). He has more than 28 years experience in exploration and the resource definition of gold, platinum group element, nickel, copper-lead-zinc and uranium deposits. Mr Perring has worked in a broad range of geological terrains within Australia and overseas. He has recently held senior management positions with Newmont Australia and Normandy Mining Ltd.

During the past three years, Mr Perring has not served as a Director of any other publicly listed companies.

Tony Walsh (Company Secretary) is a chartered accountant with over 20 years work experience with ASX and publicly listed companies where he has held positions as listings manager and company secretary and has experience in the areas of corporate regulation and capital raisings. He works for a number of public companies in the resource sector.

Mr Walsh is an Associate Member of the Institute of Chartered Accountants in Australia and the Securities Institute of Australia.

3. EARNINGS PER SHARE

Basic earnings per share after dividend:	2.61 cents
Diluted earnings per share after dividend:	2.46 cents

4. DIVIDENDS

Following the announcement of the agreement to sell the Gidgee Gold Project to Apex Minerals NL, your directors sought and received legal, taxation and accounting advice on the proposed return of capital. The taxation and accounting advice on the return of capital was that any return of capital over and above the amount of funds invested by the Company into the Gidgee Gold Project ($30.3 million) was likely to be deemed as an unfranked dividend.

4. DIVIDENDS (Continued)

The Company, through its taxation advisors, sought a tax ruling on this matter and received a draft tax ruling from the Australian Taxation Office ("ATO") on what proportion of the return of capital the ATO would deem an unfranked dividend for taxation purposes and therefore what proportion is deemed a return of capital. The draft tax ruling from ATO advised that any return of capital over and above $11 million, being the sale agreement value of the consideration received from Apex, would be deemed an unfranked dividend for taxation purposes. As a result of the draft tax ruling from the ATO, your Company received further advice that, for the return of capital, it should withhold tax from overseas shareholders and Australian shareholders who had not provided a tax file number on the basis that any return of capital over and above $11 million would be deemed an unfranked dividend for taxation purposes.

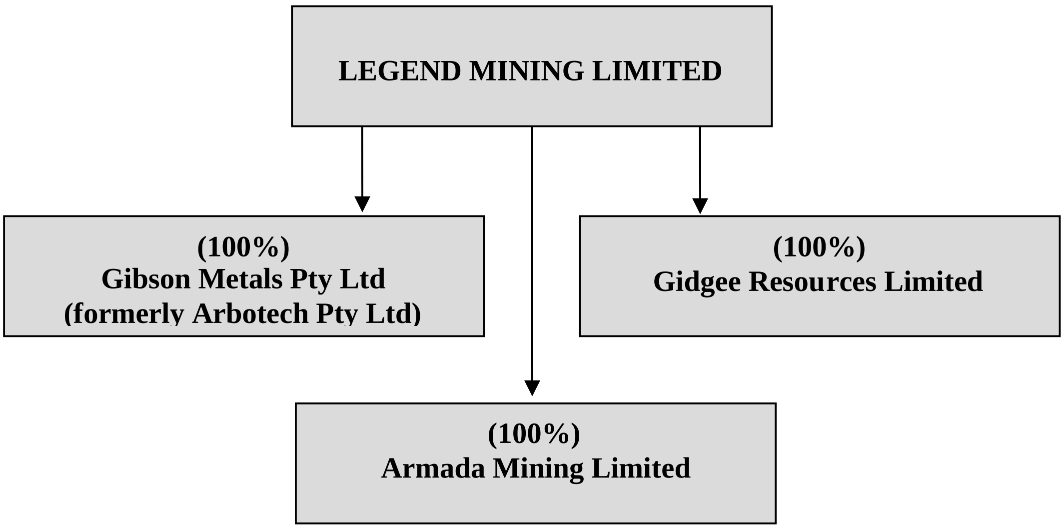
On 12 November 2007, as a result of the return of capital of 34,000,000 Apex shares and the value of $1.27 per Apex share, the Company received advice from its taxation and accounting advisors that an unfranked dividend of $12,845,614 or 1.12 cents per share was deemed to be paid to shareholders. This deemed dividend represents the difference between the amount invested by the company into the Gidgee Gold Project and the value of the Apex shares at the Record Date for the return of capital

The Company's tax specialists are engaged in further dialogue with the ATO on its draft tax ruling and the Company will advise shareholders of the outcome as soon as possible.

5. CORPORATE INFORMATION

Corporate Structure

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



Nature of Operations and Principal Activities

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

- exploration for gold and base metal (zinc-copper-gold, nickel-copper, zinc-copper and copper-gold) deposits.

Employees

The consolidated entity had a staff of 12 employees at 31 December 2007 (2006: 15 employees).

6. OPERATING AND FINANCIAL REVIEW

Results of Operations

The net profit after dividend and income tax of the consolidated entity for the year was $12,456,423 (2006: loss $7,736,579) (refer page 37).

Review of Operations

The Directors Review of Activities for the year ended 31 December 2007 is contained on pages 3 to 16 of the Annual Report.

Summarised Operating Results

Exploration Expenditure Write-Off: Deferred expenditure on tenements surrendered or withdrawn during the year amounting to $15,325,993 (2006: $3,732,296) with $5,421,686 expensed to the Income Statement and the balance written off in the sale of the Gidgee Gold Project to Apex Minerals NL.

Deferred Exploration Costs: Total deferred expenditure on tenements capitalised during the year amounted to $3,483,854 (2006: $5,333,428).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2007 Legend has:-

- raised approximately $9.1 million capital through the exercise of quoted and unquoted options;
- sold the Gidgee Gold Project to Apex Minerals NL (Apex) for a consideration of $11 million, payable by the issue of 34 million Apex shares. These 34,000,000 Apex shares were distributed in-specie by way of a return of capital.
- Entered into a farm-in and joint venture with Oxiana Limited (Oxiana) over its Mt Gibson Project where Oxiana may earn 75% interest in the project by funding $10 million of exploration within 7 years, with Legend 25% free-carried to completion of a bankable feasibility study.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

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.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the consolidated entity, and expected results of those operations in subsequent financial years have been discussed, where appropriate, in the Chairman's Report and Review of Activities.

10. SHARE OPTIONS

Unissued shares
As at the date of this report, there were 58,122,285 unissued ordinary shares under options. Refer to note 18 for further details of the options outstanding.

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

10. SHARE OPTIONS (CONTD)

Shares issued as a result of the exercise of options
During the financial year, investors have exercised options to acquire 235,762,600 fully paid ordinary shares made up of 226,052,491 options exercised at 4 cents each and 9,710,109 options exercised at 0.25 cent. The weighted average exercise price of these options was $0.038. Refer to note 18 for further details of the options exercised.

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

As at the date of the report there are no subsequent significant events after the balance date.

12. INDEMNIFICATION OF DIRECTORS, 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.

13. REMUNERATION REPORT (AUDITED)

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

Details of key management personnel

(i) Directors

M. Atkins	Chairman (non-executive)
M. Wilson	Managing Director
R. Perring	Executive Director - Technical – Resigned 30 June 2007
D. Ryan	Non-Executive Director

(ii) Executives

T. Walsh	Company Secretary
D. Waterfield	Exploration Manager
B. Phyland	District Geologist
P. Petrovic	Systems Administrator
L. Mitchell	Care & Maintenance Manager – Resigned 9 May 2007

Compensation Philosophy

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

The Company embodies the following principle in its compensation framework:-

- Provide competitive rewards to attract high-calibre executives.

Remuneration Committee

Due to the size of Legend, remuneration is considered by the full Board. The Board reviews remuneration packages and policies applicable to the Directors and Senior Executives. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. The Board obtains independent advice on the appropriateness of remuneration packages.

13. REMUNERATION REPORT (CONTD)

Compensation Structure

In accordance with best practice corporate governance, the structure of Non Executive Director and senior manager remuneration is separate and distinct.

Objective of Non Executive Director Compensation

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

Structure of Non Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 May 2006 when shareholders approved the aggregate remuneration of $200,000 per year.

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

Objective of Senior Management and Executive Director Compensation

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

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

Structure of Senior Management and Executive Director Compensation

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

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

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

Fixed Compensation

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

13. REMUNERATION REPORT (CONTD)

Structure

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

Employment contracts

The Managing Director, Mr Mark Wilson, is employed under contract. The current employment contract commenced on the 1 July 2007 and terminates on the 30 June 2008, at which time the Company may choose to commence negotiations to enter into a new employment contract.

- Mr Wilson receives remuneration of $250,000 per annum plus GST.
- Mr Wilson may resign from his position and thus terminate his contract by giving 1 month written notice.
- The company may terminate Mr Wilson's employment contract by providing 1 month written notice or by providing payment in lieu of notice period (based on the fixed component of his remuneration)
- The company may terminate Mr Wilson's contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Wilson is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Employee Share Option Plan

The Board has in place an Employee Share Option Plan allowing share options to eligible employees in order to provide them with an incentive to provide growth and value to all shareholders. 3,450,000 options were issued to eligible employees during the year under the Employee Share Option Plan.

13. REMUNERATION REPORT (CONTD)

Compensation of Key Management Personnel for Year Ended 31 December 2007

Name	Year	Short term Salary and Fees $	Post Employment Superannuation $	Share based payments options $	Total $	% of compensation granted as options	% of performance related remuneration
Director							
M. Atkins	2007	66,000	-	-	66,000	-	-
(Windamurah P/L)	2006	61,500	-	-	61,500	-	-
M. Wilson	2007	241,598	-	-	241,598	-	-
(Hostyle P/L)	2006	211,600	-	100,000	311,600	32%	-
D. Ryan	2007	36,696	3,302	-	39,998	-	-
	2006	40,710	3,664	300,000	344,374	87%	-
R Perring	2007	109,500	-	-	109,500	-	-
(Quadramin)	2006	209,700	-	100,000	309,700	32%	-
Executive							
T. Walsh	2007	151,776	-	11,181	162,957	7%	-
	2006	54,084	-	-	54,084	-	-
D. Waterfield	2007	152,186	13,696	22,361	188,243	12%	-
	2006	138,359	12,452	10,625	161,436	7%	-
B. Phyland	2007	123,671	11,130	16,771	151,572	11%	-
	2006	110,563	9,951	5,312	125,826	4%	-
P. Petrovic	2007	84,020	7,561	6,708	98,289	7%	-
	2006	65,380	5,884	2,125	73,389	3%	-
L. Mitchell	2007	44,155	3,973	-	48,128	-	-
	2006	99,450	8,951	-	108,401	-	-
Total	2007	1,009,602	39,662	57,021	1,106,285	5%	-
	2006	991,346	40,902	518,062	1,550,310	33%	-

Compensation Options of Key Management Personnel for Year Ended 31 December 2007

The following options were granted or vested as equity compensation benefits to specified executives as disclosed below. The options were issue free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of $0.0425. Please note that the options were issued at an exercise price of $0.08 but due to the capital reduction from the distribution of Apex shares the exercise price was reduced to $0.0425.

Options issued under the Employee Share Option Plan are subject to the employee retaining employment with the Group for a period of 12 months. All other options are issued to employees for past performance and therefore have no performance conditions placed on them. For further information please refer to note 19.

13. REMUNERATION REPORT (CONTD)

Options and rights over equity instruments granted as compensation in 2007 to directors and executives

Name	No. of Options	Grant Date	Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	Number of options vested in 2007
Executive						
T. Walsh	500,000	22 May 2007	0.0366	0.0425	22 May 2010	-
D. Waterfield	1,000,000	22 May 2007	0.0366	0.0425	22 May 2010	-
B. Phyland	750,000	22 May 2007	0.0366	0.0425	22 May 2010	-
P. Petrovic	300,000	22 May 2007	0.0366	0.0425	22 May 2010	-

No options have been granted since the end of the financial year. The options were granted at no cost to the recipients.

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

Name	No. of Options	Grant Date	% Vested in the year	% forfeited in year	Financial years in which grant vests	Value yet to vest $
Executive						
T. Walsh	500,000	22 May 2007	61.1%	-	1 Jan 2008	7,119
D. Waterfield	1,000,000	22 May 2007	61.1%	-	1 Jan 2008	14,239
B. Phyland	750,000	22 May 2007	61.1%	-	1 Jan 2008	10,679
P. Petrovic	300,000	22 May 2007	61.1%	-	1 Jan 2008	4,272

Exercise of options granted as compensation

31-Dec-07 Name	Balance at beg of period 1 Jan 2007	Granted as Remuneration	Exercised during the year	Balance at end of period 31 Dec 2007	Not Vested & Not Exercisable	Vested & Exercisable
Director						
M. Wilson	5,000,000	-	(5,000,000)	-	-	-
R. Perring	5,000,000	-	(5,000,000)	-	-	-
D. Ryan	15,000,000	-	(15,000,000)	-	-	-
Executive						
T. Walsh	-	500,000	-	500,000	500,000	
D. Waterfield	1,000,000	1,000,000	(1,000,000)	1,000,000	1,000,000	-
B. Phyland	500,000	750,000	-	1,250,000	750,000	500,000
P. Petrovic	200,000	300,000	(200,000)	300,000	300,000	-
Total	26,700,000	2,550,000	(26,200,000)	3,050,000	2,550,000	500,000

13. REMUNERATION REPORT (CONTD)

During the year, the following shares were issued on exercise of options previously granted as compensation.

31-Dec-07 Name	Number of shares	Amount paid per share $	Total value
Director			
M. Wilson	5,000,000	0.04	200,000
R. Perring	5,000,000	0.04	200,000
D. Ryan	15,000,000	0.04	600,000
Executive			
T. Walsh	-	-	-
D. Waterfield	1,000,000	0.04	40,000
B. Phyland	-	-	-
P. Petrovic	200,000	0.04	8,000
Total	26,200,000		1,048,000

There were no amounts unpaid on shares issued as a result of the options in 2007.

Analysis of movements in value of options

31-Dec-07 Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Total value of options granted, exercised and lapsed during the year $
Director				
M. Wilson	-	100,000	-	100,000
R. Perring	-	100,000	-	100,000
D. Ryan	-	300,000	-	300,000
Executive				
T. Walsh	18,300	-	-	18,300
D. Waterfield	36,600	10,625	-	47,225
B. Phyland	27,450	-	-	27,450
P. Petrovic	10,980	2,125	-	13,105
Total	93,330	512,750	-	587,780

13. REMUNERATION REPORT (CONTD)

Option holdings of Key Management Personnel

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

31-Dec-07	Balance 1-Jan-07	Granted as compensation	On exercise of options	Net change other	Balance 31-Dec-07
Directors					
M. Atkins	51,667	-	(51,667)	-	-
M. Wilson	-	-	-	-	-
R. Perring	-	-	-	-	-
D. Ryan	5,000		(5,000)	-	-
Executives					
T. Walsh	-	-	-	-	-
D. Waterfield	-	-	-	-	-
B. Phyland	50,000	-	(50,000)	-	-
P. Petrovic	50,000	-	(50,000)	-	-
L. Mitchell	-	-	-	-	-
	156,667	-	(156,667)	-	-
31-Dec-06	**Balance 1-Jan-06**	**Granted as compensation**	**On exercise of options**	**Net change other**	**Balance 31-Dec-06**
Directors					
M. Atkins	-	-	-	51,667	51,667
M. Wilson	-	-	-	-	-
R. Perring	-	-	-	-	-
D. Ryan	-	-	-	5,000	5,000
Executives					
T. Walsh	-	-	-	-	-
D. Waterfield	-	-	-	-	-
B. Phyland	-	-	-	50,000	50,000
P. Petrovic	-	-	-	50,000	50,000
L. Mitchell	-	-	-	-	-
	-	-	-	156,667	156,667

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

31-Dec-07	Balance 1-Jan-07	Granted as compensation	On exercise of options	Balance 31-Dec-07
Directors				
M. Atkins	500,000	-	-	500,000
M. Wilson	5,000,000	-	(5,000,000)	-
R. Perring	5,000,000	-	(5,000,000)	-
D. Ryan	15,000,000	-	(15,000,000)	-
Executives				
T. Walsh	-	500,000	-	500,000
D. Waterfield	1,000,000	1,000,000	(1,000,000)	1,000,000
B. Phyland	500,000	750,000	-	1,250,000
P. Petrovic	200,000	300,000	(200,000)	300,000
L. Mitchell	-	-	-	-
	27,200,000	2,550,000	(26,200,000)	3,550,000

13. REMUNERATION REPORT (CONTD)

31-Dec-06	Balance 1-Jan-06	Granted as compensation	On exercise of options	Balance 31-Dec-06
Directors				
M. Atkins	500,000	-	-	500,000
M. Wilson	-	5,000,000	-	5,000,000
R. Perring	-	5,000,000	-	5,000,000
D. Ryan	-	15,000,000	-	15,000,000
Executives				
T. Walsh	-	-	-	-
D. Waterfield	-	1,000,000	-	1,000,000
B. Phyland	-	500,000	-	500,000
P. Petrovic	-	200,000	-	200,000
L. Mitchell	-	-	-	-
	500,000	26,700,000	-	27,200,000

Shareholdings of Key Management Personnel

31-Dec-07 Directors	Balance 1-Jan-07	Granted as compensation	On exercise of options	Net change additions	Balance 31-Dec-07
M. Atkins (Windamurah P/L) (Alkali Exploration P/L)	1,206,667	-	51,667	300,000	1,558,334
M. Wilson (Chester Nominees WA P/L)	16,900,000	-	5,000,000	4,200,000	26,100,000
R. Perring (Quality Services Enterprises P/L)	3,000,000	-	5,000,000	-	8,000,000
D. Ryan (Enterprise Family Trust)	1,020,000	-	15,005,000	-	16,025,000
Executives					
T. Walsh	100,000	-	-	100,000	200,000
D. Waterfield	-	-	1,000,000	-	1,000,000
B. Phyland	50,000	-	50,000	-	100,000
P. Petrovic	50,000	-	250,000	(100,000)	200,000
L. Mitchell	-	-	-	-	-
	22,326,667	-	26,356,667	4,500,000	53,183,334

Mr D. Ryan was a shareholder of Gidgee Resources Ltd, at the time of its acquisition by Legend Mining Limited on the 7 April 2005.

31-Dec-06 Directors	Balance 1-Jan-06	Granted as compensation	On exercise of options	Net change additions	Balance 31-Dec-06
M. Atkins (Windamurah P/L) (Alkali Exploration P/L)	155,000	-	-	1,051,667	1,206,667
M. Wilson (Chester Nominees WA P/L)	-	-	-	16,900,000	16,900,000
R. Perring (Quality Services Enterprises P/L)	-	-	-	3,000,000	3,000,000
D. Ryan (Enterprise Family Trust)	15,000	-	-	1,005,000	1,020,000

13. REMUNERATION REPORT (CONTD)

Executives	Balance 1-Jan-06	Granted as compensation	On exercise of options	Net change additions	Balance 31-Dec-06
T. Walsh	-	-	-	100,000	100,000
D. Waterfield	-	-	-	-	-
B. Phyland	-	-	-	50,000	50,000
P. Petrovic	-	-	-	50,000	50,000
L. Mitchell	-	-	-	-	-
	170,000	-	-	22,156,667	22,326,667

Other transactions and balances with Key Management Personnel Services

During the year Windamurah Pty Ltd (a company associated with Mr M. Atkins) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services was $66,000 (2006: $61,500).

During the year Hostyle Pty Ltd (a company associated with Mr M. Wilson) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services was $241,598 (2006:$211,600).

During the year Quadramin (an entity associated with Mr R. Perring) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services and expenses was $109,500 (2006: 209,700).

During the year Tony Walsh Corporate Services (an entity associated with Mr T. Walsh) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services and expenses was $151,776 (2006: 54,084).

14. DIRECTORS' MEETINGS

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

Name	No. of Meetings Attended	No. of Meetings Held Whilst A Director
Attended by:		
Michael Atkins	10	11
Mark Wilson	11	11
Robert Perring – resigned 30 June 2007	5	5
Dermot Ryan	11	11

15. DIRECTORS' INTERESTS

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

Name	Ordinary shares	Options over ordinary shares
M. Atkins (Windamurah P/L), (Alkali Exploration P/L)	1,558,334	500,000
M. Wilson (Chester Nominees WA P/L)	26,100,000	-
R. Perring (Quality Services Enterprises P/L)	8,000,000	-
D. Ryan (Enterprise Family Trust)	16,025,000	5,000

16. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Non-audit services

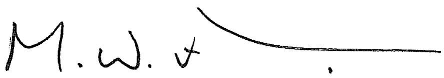
Non-audit services were provided by the Company's auditor, Stantons International during the 2007 financial year. The directors are satisfied that the provision of non-audit services is compatible with the general stardard of independence for auditors imposed by the Corporations Act 2001. The nature and and scope of the non-audit service provided means that auditor independence was not compromised.

Stantons International received or are due to receive the following amounts for the provision of non-audit services:

	$
Consulting fees corporate advice	6,000

We have received the Declaration of Auditor Independence from Stantons International, the Company's Auditor, this is available for review on page 79 and form part of this report.

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



M Wilson
Managing Director

Dated this 31st day of March 2008

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	CONSOLIDATED 2007	CONSOLIDATED 2006	COMPANY 2007	COMPANY 2006
		$	$	$	$
Continuing Operations					
Sales revenues	4(a)	-	451,352	-	451,352
Cost of sales		-	(145,668)	-	(145,668)
Gross profit/(loss)		-	305,684	-	305,684
Rental revenue	4(b)	18,800	30,990	18,800	24,242
Finance revenue	4(c)	551,257	213,952	551,257	213,952
Net income from Sale of Gidgee Project	27	1,725,808	-	1,725,808	-
Other income	4(d)	94,259	279,728	94,259	79,728
Transfer from Equity Revaluation Reserve on in-specie distribution	4(e)	32,180,000	-	32,180,000	-
Employee benefits expense	4(f)	(650,540)	(1,092,413)	(650,540)	(1,092,413)
Deferred exploration expenditure written off	4(g)	(5,421,686)	(3,732,296)	(5,421,686)	(3,494,770)
Other expenses	4(h)	(185,799)	(250,570)	(124,637)	(189,408)
Investment and receivables in subsidiary companies written off	4(i)	-	-	(4,297,314)	(550,047)
Corporate head office expenses	4(j)	(699,979)	(500,988)	(699,979)	(497,796)
Finance costs	4(k)	(284,556)	(2,990,666)	(284,556)	(2,990,666)
Net profit/(loss) from continuing operations before income tax expense		27,327,564	(7,736,579)	23,091,412	(8,191,494)
Income tax benefit/ (expense)	6	(2,025,527)	-	(1,235,866)	-
Net profit/(loss) attributable to members of the entity		**25,302,037**	**(7,736,579)**	**21,855,546**	**(8,191,494)**
Dividend arising from in-specie distribution	30	(12,845,614)	-	(12,845,614)	-
Net profit/(loss) after dividend		**12,456,423**	**(7,736,579)**	**9,009,932**	**(8,191,494)**
PROFIT/(LOSS) PER SHARE (cents per share)	5				
Basic profit/(loss) after dividend for the year		2.61 cents	(1.21 cents)		
Diluted profit/(loss) after dividend for the year		2.46 cents	(1.21 cents)		

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
ASSETS					
Current Assets					
Cash and cash equivalents	8	11,913,555	8,924,983	11,913,555	8,924,983
Trade & other receivables	9	98,137	233,766	100,831	4,047,781
Prepayments		339,594	18,130	339,594	18,130
Other financial assets	11	321,025	-	321,025	-
Inventories	10	-	145,318	-	145,318
Total Current Assets		12,672,311	9,322,197	12,675,005	13,136,212
Non-current Assets					
Deferred tax asset	6	902,732	-	496,420	1,158,162
Other financial assets	11	1,544,931	148,730	1,835,581	1,791,502
Property, plant & equipment	12	535,257	1,785,851	288,868	1,478,300
Deferred exploration costs	13	9,303,553	21,145,692	3,467,179	15,788,645
Total Non-current Assets		12,286,473	23,080,273	6,088,048	20,216,609
TOTAL ASSETS		24,958,784	32,402,470	18,763,053	33,352,821
LIABILITIES					
Current Liabilities					
Trade & other payables	14	224,016	447,842	514,664	2,941,108
Income tax payable	6	376,597	-	429,785	-
Provisions	15	104,592	89,135	104,592	89,135
Total Current Liabilities		705,205	536,977	1,049,041	3,030,243
Non-current Liabilities					
Provisions	15	1,472,840	3,224,336	83,840	2,136,336
Deferred tax liability	6	2,311,121	-	1,061,960	-
Total Non-current Liabilities		3,783,961	3,224,336	1,145,800	2,136,336
TOTAL LIABILITIES		4,489,166	3,761,313	2,194,841	5,166,579
NET ASSETS		20,469,618	28,641,157	16,568,212	28,186,242
EQUITY					
Equity attributable to equity holders of the parent					
Contributed Equity	16	36,385,772	57,328,816	36,385,772	57,328,816
Share Option Premium Reserve	17	3,192,481	3,115,335	3,192,481	3,115,335
Equity Revaluation Reserve		237,936	-	237,936	-
Accumulated profits/(losses)		(19,346,571)	(31,802,994)	(23,247,977)	(32,257,909)
TOTAL EQUITY		20,469,618	28,641,157	16,568,212	28,186,242

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	CONSOLIDATED		COMPANY	
CASH FLOWS FROM OPERATING ACTIVITIES		**2007 $**	**2006 $**	**2007 $**	**2006 $**
Receipts from customers		258,377	873,708	258,377	873,708
Payments to suppliers and employees		(1,335,114)	(1,328,979)	(1,335,114)	(1,107,673)
Payment for exploration and evaluation	13	(3,483,854)	(5,841,783)	(3,483,854)	(5,841,783)
Interest received		478,569	230,313	478,569	230,313
Interest paid		(401,958)	(987,886)	(401,958)	(987,886)
Net cash flows used in operating activities	21(ii)	(4,483,980)	(7,054,627)	(4,483,980)	(6,833,321)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant & equipment & scrap		-	232,399	-	12,399
Purchase of property, plant & equipment	12	(202,737)	(202,685)	(202,737)	(202,685)
Payment for Mt Gibson Project assets		-	(125,069)	-	(125,069)
Proceeds from the sale of investments		-	11,000	-	11,000
Repayment of Performance Bond Term Deposit		-	3,145,000	-	3,145,000
Payment for Performance Bonds		(1,396,201)	-	(1,396,201)	-
Net cash flows from/ (used in) investing activities		(1,598,938)	3,060,645	(1,598,938)	2,840,645
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		9,071,490	15,848,855	9,071,490	15,848,855
Transaction costs of issue of shares		-	(337,867)	-	(337,867)
Repayment of borrowings		-	(3,000,000)	-	(3,000,000)
Net cash flows from financing activities		9,071,490	12,510,988	9,071,490	12,510,988
Net increase/(decrease) in cash and cash equivalents		2,988,572	8,517,006	2,988,572	8,518,312
Cash and cash equivalents at the beginning of year		8,924,983	407,977	8,924,983	406,671
Cash and cash equivalents at end of year	21	11,913,555	8,924,983	11,913,555	8,924,983

STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

Consolidated	Issued Capital $	Share Option Premium Reserve $	Equity Revaluation Reserve	Accumulated Losses $	Total Equity $
At 1 January 2007	57,328,816	3,115,335	-	(31,802,994)	28,641,157
Profit for the year	-	-	-	12,456,423	12,456,423
Total income/ (expense) for the year	-	-	-	12,456,423	12,456,423
Issue of Share Capital	-	77,146	-	-	77,146
Exercise of Share Options	9,067,711	-	-	-	9,067,711
Cost of Issue of Share Capital	240,541	-	-	-	240,541
Revaluation of Apex shares to fair value	-	-	32,417,936	-	32,417,936
Transfer to income statement in respect of in-specie distribution	-	-	(32,180,000)	-	(32,180,000)
Return of Capital	(30,251,296)	-	237,936	-	(30,013,360)
At 31 December 2007	36,385,772	3,192,481	237,936	(19,346,571)	20,469,618
At 1 January 2006	37,035,960	447,272	-	(24,066,415)	13,416,817
Loss for the year	-	-	-	(7,736,579)	(7,736,579)
Total income/ (expense) for the year	-	-	-	(7,736,579)	(7,736,579)
Issue of Share Capital	21,115,444	2,668,063	-	-	23,783,507
Exercise of Share Options	6,049	-	-	-	6,049
Cost of issue of Share Capital	(828,637)	-	-	-	(828,637)
At 31 December 2006	57,328,816	3,115,335	-	(31,802,994)	28,641,157

STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

Company	Issued Capital	Share Option Premium Reserve	Equity Revaluation Reserve	Accumulated Losses	Total Equity
	$	$		$	$
At 1 January 2007	57,328,816	3,115,335	-	(32,257,909)	28,186,242
Profit for the year			-	9,009,932	9,009,932
Total income/ (expense) for the year	-	-	-	9,009,932	9,009,932
Issue of Share Capital	-	77,146	-	-	77,146
Exercise of Share Option	9,067,711	-	-	-	9,067,711
Cost of Issue of Share Capital	240,541	-	-	-	240,541
Revaluation of Apex shares to fair value	-	-	32,417,936	-	32,417,936
Transfer to income statement in respect of in-specie distribution	-	-	(32,180,000)	-	(32,180,000)
Return of Capital	(30,251,296)	-	237,936	-	(30,013,360)
At 31 December 2007	36,385,772	3,192,481	237,936	(23,247,977)	16,568,212
At 1 January 2006	37,035,960	447,272	-	(24,066,415)	13,416,817
Loss for the year	-	-		(8,191,494)	(8,191,494)
Total income/ (expense) for the year	-	-	-	(8,191,494)	(8,191,494)
Issue of Share Capital	21,115,444	2,668,063	-	-	23,783,507
Exercise of Share Option	6,049	-	-	-	6,049
Cost of issue of Share Capital	(828,637)	-	-	-	(828,637)
At 31 December 2006	57,328,816	3,115,335	-	(32,257,909)	28,186,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1: CORPORATE INFORMATION

The financial report of Legend Mining Limited (the Company) for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the Directors on 28 March 2008.

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

(b) Statement of compliance

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(b) Statement of compliance (contd)

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 31 December 2007 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
2007-4	AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 2: *Share-based Payment,* AASB 3: *Business Combinations,* AASB 4: *Insurance Contracts,* AASB 5: *Non-current Assets Held for Sale and Discontinued Operations,* AASB 6: *Exploration for and Evaluation of Mineral Resources,* AASB 7: *Financial Instruments: Disclosures,* AASB 102: *Inventories,* AASB 107: *Cash Flow Statements,* AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors,* AASB 110: *Events after the Balance Sheet Date,* AASB 112: *Income Taxes,* AASB 114: *Segment Reporting,* AASB 116: *Property, Plant and Equipment,* AASB 117: *Leases,* AASB 118: *Revenue,* AASB 119: *Employee Benefits,* AASB 120: *Accounting for Government Grants and Disclosure of Government Assistance,* AASB 121: *The Effects of Changes in Foreign Exchange Rates,* AASB 127: *Consolidated and Separate Financial Statements,* AASB 128: *Investments in Associates,* AASB 129: *Financial Reporting in Hyperinflationary Economies,* AASB 130: *Disclosures in the Financial Statements of Banks and Similar Financial Institutions,* AASB 131: *Interests in Joint Ventures,* AASB 132: *Financial Instruments: Disclosure and Presentation,* AASB 132: *Financial Instruments: Presentation,* AASB 133: *Earnings per Share,* AASB 134: *Interim Financial Reporting*, AASB 136: *Impairment of Assets,* AASB 137: *Provisions, Contingent Liabilities and Contingent Assets,* AASB 138: *Intangible Assets,* AASB 139: *Financial Instruments: Recognition and Measurement,* AASB 141: *Agriculture,* AASB 1023: *General Insurance Contracts,* AASB 1038: *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact.	1 July 2007	1 January 2008
2007-5	AASB 102: Inventories	No change to accounting policy required. Therefore no impact.	1 July 2007	1 January 2008
2007-7	AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 2: *Share-based Payment,* AASB 4: *Insurance Contracts,* AASB 5: *Non-current Assets Held for Sale and Discontinued Operations,* AASB 107: *Cash Flow Statements,* AASB 128 *Investments in Associates*		1 July 2007	1 January 2008

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

New Standard	AASB 8: *Operating Segments*	No change to accounting policy required. Therefore no impact.	1 January 2009	1 January 2009
Interpretation 11	Group and Treasury Share Transactions	No change to accounting policy required. Therefore no impact	1 March 2007	1 January 2008
Interpretation 12	Service Concession Arrangement	No change to accounting policy required. Therefore no impact	1 January 2009	1 January 2009

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

(c) Summary of significant accounting policies

(i) Basis of consolidation

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

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

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

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

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

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

(ii) Significant accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

Impairment of capitalised exploration and evaluation expenditure

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Provision for Rehabilitation

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

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

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

(iii) Property, plant and equipment

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

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

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

The depreciation rates used for each class are:

Buildings	10%
Plant and equipment	7.5% - 50%
Leased plant and equipment	22.5%

Impairment

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

Derecognition and disposal

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

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

(iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(v) Cash and cash equivalents

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

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

(vi) Trade and other receivables

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

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

(vii) Other Financial Assets

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale investments

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

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

(viii) Inventories

Stores

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(ix) Deferred exploration costs

Deferred exploration and evaluation costs

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

Mining information is stated at cost.

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

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment

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

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

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

(x) Provisions

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

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Rehabilitation provision

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

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

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

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

(xi) Revenue

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

Sale of goods

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

Interest income

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

Rental Income

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

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

(xii) Income tax

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

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

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

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

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

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

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

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

(xiii) Other taxes

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

- where the amount of the GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the Balance Sheet.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

(xiv) Recoverable amounts of assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(xv) Trade and or other payables

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

(xvi) Interest bearing loans and borrowings

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xvii) Share based payment transactions

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

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

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

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

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

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

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

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

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

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xviii) Contributed Equity

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

(xix) Employee Benefits

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

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

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

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

No long service leave has been provided for in these financial statements.

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

(xx) Earnings per share

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

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

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xxi) Financial risk management objectives and policies

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

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

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

Fair value interest risk

The Group's exposure to the risk of change in the fair value of its loans and borrowings relates primarily to the Group's debt obligations with a fixed interest rate. The Group's policy is to manage this risk using a mixture of long and short term debt, and equity.

Foreign currency risk

The Group's exposure to foreign currency risk is minimal.

Commodity price risk

The Group's exposure to price risk is minimal.

Credit risk

The Group trades only with recognised, creditworthy third parties.

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

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

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

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

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

Liquidity risk

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xxii) Interest in a jointly controlled operation

The Group has four interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interest in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations. For details of joint ventures please refer note 25.

NOTE 3: NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group is:

- Exploration for gold and base metal (nickel-copper-zinc) deposits at Gum Creek, Mt Gibson and the Pilbara.

NOTE 4: REVENUE AND EXPENSES

	Note	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	COMPANY 2007 $	COMPANY 2006 $
Revenues and expenses from continuing operations					
a) Operating activities					
Sales revenue		-	451,352	-	451,352
b) Rental Revenue					
Rental revenue		18,800	30,990	18,800	24,242
c) Finance Revenue					
Bank interest received and receivable		551,257	213,952	551,257	213,952
d) Other Income					
Net gains on disposal of property, plant & equipment		7,273	204,269	7,273	4,269
Net gain on sale of investments		-	10,737	-	10,737
Field work completed by Legend Geologists		14,800	-	14,800	-
Payment for Aeromagnetic Data		5,000	-	5,000	-
Refunds from DOIR		14,222	31,611	14,222	31,611
Reimbursement of premises expenses		52,964	33,111	52,964	33,111
		94,259	279,728	94,259	79,728
e) Transfer from Equity Revaluation Reserve on in-specie distribution					
Transfer from Equity Revaluation Reserve on in-specie distribution from the sale of the Gidgee Gold Project to Apex Minerals NL		32,180,000	-	32,180,000	-
f) Employee Benefits Expense					
Salaries & Oncosts		600,419	560,192	600,419	560,192
Share Based Payments		40,838	500,000	40,838	500,000
Other Employee Benefits		9,283	32,221	9,283	32,221
		650,540	1,092,413	650,540	1,092,413
g) Deferred Exploration Expenditure written off					
Write down of deferred exploration expenditure	13	5,421,686	3,732,296	5,421,686	3,494,770
h) Other Expenses					
Depreciation		185,799	233,336	124,637	172,173
Exploration administration		-	17,234	-	17,235
		185,799	250,570	124,637	189,408
Inventory written off		159,353	-	159,353	-
i) Investment and receivables in subsidiary companies written off					
Investment in subsidiary companies written down		-	-	-	550,047
Intercompany receivables provided for				4,297,314	-
		-	-	4,297,314	550,047

NOTE 4: REVENUE AND EXPENSES (CONTD)

	CONSOLIDATED		COMPANY	
	2007 $	2006 $	2007 $	2006 $
j) Corporate head office expenses				
Fees – Audit/Tax	72,712	57,931	72,712	57,931
Fees – ASX	51,952	41,375	51,952	41,375
Fees – Share Registry	80,813	16,213	80,813	16,213
Office Rent	104,905	113,042	104,905	113,042
Legal Expenses	78,627	33,841	78,627	33,841
Travel Expenses	27,444	34,229	27,444	34,229
Other expenses	283,526	204,357	283,526	201,165
	699,979	500,988	699,979	497,796
k) Finance costs				
Debt Consolidation Expense	-	2,000,000	-	2,000,000
Interest Expense	284,556	990,666	284,556	990,666
	284,556	2,990,666	284,556	2,990,666

NOTE 5: PROFIT/(LOSS) PER SHARE

	2007 $	2006 $
(a) Reconciliation of earnings to net profit/(loss):		
Net Profit/(Loss)	25,302,037	(7,736,579)
Profit/(loss) used in the calculation of basic earnings per share	25,032,037	(7,736,579)
(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	968,997,475	640,917,387
Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	1,027,119,760	640,917,387

NOTE 6: INCOME TAX

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge/(benefit)	376,597	(2,303,726)	429,785	(2,275,186)
Deferred income tax				
Relating to origination and reversal of temporary difference	1,648,930	471,649	806,081	98,656
Deferred tax assets not brought to account as realisation is not considered probable	-	1,832,077	-	2,176,530
Income tax expense reported in the income statement	2,025,527	-	1,235,866	-

NOTE 6: INCOME TAX (CONTD)

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit/(loss) before tax from ordinary activities	27,327,564	(7,736,579)	23,091,412	(8,191,494)
Accounting profit/(loss) before income tax	27,327,564	(7,736,579)	23,091,412	(8,191,494)
At the Group's statutory income tax rate of 30%	8,198,269	(2,320,974)	6,927,424	(2,457,448)
Expenditure not allowed for income tax purposes	169	17,248	169	182,262
Capital Gain on sale of assets	2,497,781	-	2,497,781	-
Recoupment of prior year tax losses not previously brought to account	(8,436,604)	-	(8,436,604)	-
Other	(234,088)	-	247,096	-
Deferred tax assets not brought to account as realisation is not considered probable	-	2,303,726	-	2,275,186
Income tax expense reported in the consolidated income statement	2,025,527	-	1,235,866	-
Current Income Tax	376,597	-	429,785	-
Deferred Income Tax				
Deferred income tax at 31 December related to the following:				
Consolidated				
Deferred tax liabilities				
Capitalised exploration and evaluation expenditure	(2,289,315)	(5,841,957)	(1,040,154)	(4,736,594)
Accrued interest income	(21,806)	-	(21,806)	-
Gross deferred income tax liabilities	(2,311,121)	(5,841,957)	(1,061,960)	(4,736,594)
Deferred tax assets				
Losses available to offset against future taxable income		9,540,898		10,820,770
Provision for rehabilitation	441,852	967,301	25,152	640,901
Other provisions	51,491	-	51,491	-
Revaluation of land and buildings to fair value	-	28,376	-	13,440
Revaluation of plant and equipment to fair values	-	160,375	-	161,926
Impairment of property, plant & equipment	123,879	-	134,267	-
Share based costs on equity	240,541	-	240,541	-
Other	44,969	-	44,969	-
Deferred tax assets not brought to account as realisation is not regarded as probable	-	(4,854,993)	-	(6,900,443)
Gross deferred tax assets	902,732	5,841,957	496,420	4,736,594

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 6: INCOME TAX (CONTD)

Tax Consolidation

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

Tax effect accounting by member of the tax consolidated group

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

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

NOTE 7: SEGMENT INFORMATION

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

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Cash at bank and in hand	442,865	540,727	442,865	540,727
Deposits-at call	11,470,690	8,384,256	11,470,690	8,384,256
	11,913,555	8,924,983	11,913,555	8,924,983

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

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Trade Receivables (a)	-	14,775	-	14,775
Other Receivables (a)	98,137	218,991	98,137	218,991
Related party receivables (b)	-	-	4,625,191	4,139,198
Less: Provision for impairment (c)	-	-	(4,622,497)	(325,183)
	98,137	233,766	100,831	4,047,781

(a) Terms and conditions relating to the above financial instruments
- Trade receivables are non-interest bearing and generally on 30 day terms.
- Other receivables are non-interest bearing and have repayment terms of between 30 and 60 days.

(b) For terms and conditions of related party receivables refer note 20.

(c) The amount of the impairment has been measured as the difference between the net assets and liabilities of the controlled entity and the loans from the parent entity.

NOTE 10: INVENTORIES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Stores and spares at net realisable value	-	145,318	-	145,318

NOTE 11: OTHER FINANCIAL ASSETS

	Note	Consolidated		Company	
		2007	2006	2007	2006
		$	$	$	$
Current					
Shares in Apex Minerals NL – at market value		321,025	-	321,025	-
Non-current					
Performance and other bonds (a)		1,544,931	148,730	1,544,931	148,730
Shares in controlled entities - at (lower of cost and net realisable value)	23	-	-	290,650	1,642,772
		1,544,931	148,730	1,835,581	1,791,502

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

- Non-Current Rehabilitation/Performance bonds– bank deposits were held as security for rehabilitation and credit cards, as a security deposit for the premises rented and as security for joint venture assets. These bonds were held on 30 day term deposits at 7.14%, or at call.
- Shares in Apex Minerals NL – 256,820 Apex shares were on hand at 31 December 2007 from the in-specie distribution to shareholders. These shares were withheld to pay for the withholding tax due to the Australian Taxation Office on behalf of shareholders that didn't provide their tax file numbers before the in-specie distribution. The shares had a market value of $1.25 each at 31 December 2007 and were subsequently sold at an average price of $1.27 each during January 2008.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Total
Consolidated	**$**	**$**	**$**
At 1 January 2007			
net of accumulated depreciation	321,921	1,463,930	1,785,851
Additions	-	202,737	202,737
Disposals	(84,620)	(1,182,912)	(1,267,532)
Depreciation expense	(73,978)	(111,821)	(185,799)
At 31 December 2007			
Net of accumulated depreciation	163,323	371,934	535,257
At 1 January 2007			
Cost	468,725	2,625,996	3,094,721
Accumulated depreciation	(146,804)	(1,162,066)	(1,308,870)
Net carrying amount	321,921	1,463,930	1,785,851
At 31 December 2007			
Cost	284,040	1,110,537	1,394,577
Accumulated depreciation	(120,717)	(738,603)	(859,320)
Net carrying amount	163,323	371,934	535,257
Company			
At 1 January 2007			
net of accumulated depreciation	101,790	1,376,510	1,478,300
Additions	-	202,737	202,737
Disposals	(84,620)	(1,182,912)	(1,267,532)
Depreciation expense	(17,170)	(107,467)	(124,637)
At 31 December 2007			
net of accumulated depreciation	-	288,868	288,868
At 1 January 2007			
Cost	184,685	2,531,836	2,716,521
Accumulated depreciation	(82,895)	(1,155,326)	(1,238,221)
Net carrying amount	101,790	1,376,510	1,478,300
At 31 December 2007			
Cost	-	1,016,377	1,016,377
Accumulated depreciation	-	(727,509)	(727,509)
Net carrying amount	-	288,868	288,868

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTD)

	Buildings	Plant and equipment	Total
Consolidated	**$**	**$**	**$**
At 1 January 2006			
net of accumulated depreciation	393,867	1,437,334	1,831,201
Additions	13,000	181,989	194,989
Disposals	-	(7,003)	(7,003)
Depreciation expense	(84,946)	(148,390)	(233,336)
At 31 December 2006			
Net of accumulated depreciation	321,921	1,463,930	1,785,851
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 31 December 2006			
Cost	468,725	2,625,996	3,094,721
Accumulated	(146,804)	(1,162,066)	(1,308,870)
Net carrying amount	321,921	1,463,930	1,785,851
Company			
At 1 January 2006			
net of accumulated depreciation	116,928	1,345,559	1,462,487
Additions	13,000	181,989	194,989
Disposals	-	(7,003)	(7,003)
Depreciation expense	(28,138)	(144,035)	(172,173)
At 31 December 2006			
net of accumulated depreciation	101,790	1,376,510	1,478,300
At 1 January 2006			
Cost	171,685	2,365,474	2,537,159
Accumulated depreciation	(54,757)	(1,019,915)	(1,074,672)
Net carrying amount	116,928	1,345,559	1,462,487
At 31 December 2006			
Cost	184,685	2,531,836	2,716,521
Accumulated depreciation	(82,895)	(1,155,326)	(1,238,221)
Net carrying amount	101,790	1,376,510	1,478,300

NOTE 13: DEFERRED EXPLORATION COSTS

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Deferred exploration and evaluation		7,631,050	19,473,189	3,467,179	15,788,645
Deferred mining information		1,672,503	1,672,503	-	-
		9,303,553	21,145,692	3,467,179	15,788,645
(a) Deferred exploration and evaluation costs					
At 1 January, at cost		19,473,189	17,872,057	15,788,645	15,475,600
Expenditure incurred during the year		3,483,854	5,333,428	3,003,986	3,807,815
Expenditure reassigned	13(i)	-	-	541	-
Expenditure written off during the year	13(ii)	(5,421,686)	(3,732,296)	(5,421,686)	(3,494,770)
Expenditure written off during the year via sale to Apex Minerals NL	27	(9,904,307)	-	(9,904,307)	-
At 31 December, at cost	13(iii)	7,631,050	19,473,189	3,467,179	15,788,645
(b) Deferred Mining Information					
At 1 January, at cost		1,672,503	1,672,503	-	-
At 31 December, at cost	13(iii)	1,672,503	1,672,503	-	-

Note:

(i) 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.

(ii) Carrying values for certain tenements were reviewed and subject to the following conditions being met;
(1) no substantive expenditure for further exploration in the specific areas has been budgeted for;
(2) exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources;
(3) it was decided to discontinue such activities in the specific areas;
it was decided to write off the carrying values ($5,412,686) of the affected tenements, which included the impairment of the Gidgee tenements to the recoverable amounts.

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

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Current – unsecured				
Trade payables	192,447	421,719	192,447	401,719
Other payables & accruals	31,569	26,123	31,569	26,123
Related party payables	-	-	290,648	2,513,266
	224,016	447,842	514,664	2,941,108

Terms and conditions relating to the above financial instruments

(i) Trade payables are non-interest bearing and normally settled on 30 day terms.
(ii) Other payables are non-interest bearing and normally settled as they fall due.
(iii) For terms and conditions relating to related party payables refer to note 20.

NOTE 15: PROVISIONS

	2007	2006	2007	2006
	$	$	$	$
Current				
Employee benefits	104,592	89,135	104,592	89,135
Number of employees at year end	12	15	12	15

At the May 2004 Annual General Meeting of the Company shareholders approved a resolution to implement an employee share option plan allowing Legend to issue options to eligible employees in order to provide them with an incentive to provide growth and value to all shareholders.

For details of options issued, converted or expired refer note 19.

	2007	2006	2007	2006
	$	$	$	$
Non Current				
Provision for restoration – Gum Creek	-	2,057,000	-	2,057,000
Provision for restoration – Pilbara	83,840	79,336	83,840	79,336
Provision for restoration – Mt Gibson	1,389,000	1,088,000	-	-
	1,472,840	3,224,336	83,840	2,136,336
Movement in provision for restoration:				
Carrying amount at beginning of the year	3,224,336	3,208,000	2,136,336	2,120,000
Additional provision	305,504	16,336	4,504	16,336
Amount utilised during the year		-		-
Amounts transferred to Apex Minerals on sale of tenements	(2,057,000)	-	(2,057,000)	-
Carrying amount at year end	1,472,840	3,224,336	83,840	2,136,336

A provision for restoration is recognised in relation to the mining and exploration activities for costs such as reclamation, waste site closure, plant closure and other costs associated with restoration. No provisions were used or released during the year

NOTE 16: CONTRIBUTED EQUITY

	Consolidated and Company	
	Dec-07	**Dec-06**
	$	**$**
Ordinary shares		
Issued and fully paid	68,176,255	59,108,544
Issue costs	(1,539,186)	(1,779,728)
Return of capital	(30,251,297)	-
	36,385,772	57,328,816

Movement in ordinary shares on issue 2007	**No**	**$**
At 1 January 2007	924,115,651	59,108,544
16-Mar-07 Issued for cash on exercise of share options	172,000	6,880
28-May-07 Issued for cash & option premium on exercise of share options	260,111	10,404
27-Jul-07 Issued for cash on exercise of share options	192,324	7,693
30-Aug-07 Issued for cash on exercise of share options	859,112	34,364
17-Sep-07 Issued for cash on exercise of share options	3,718,572	148,743
21-Sep-07 Issued for cash & option premium on exercise of share options	5,587,333	223,493
2-Oct-07 Issued for cash on exercise of share options	6,164,667	246,587
5-Oct-07 Issued for cash on exercise of share options	3,618,333	144,733
15-Oct-07 Issued for cash on exercise of share options	4,800,332	192,013
18-Oct-07 Issued for cash & option premium on exercise of share options	37,230,153	1,489,206
24-Oct-07 Issued for cash & option premium on exercise of share options	121,056,667	4,842,267
26-Oct-07 Issued for cash on exercise of share options	8,068,966	322,759
5-Nov-07 Issued for cash on exercise of share options	34,323,954	1,372,958
1-Dec-07 Issued for cash on exercise of share options	33,400	1,336
4-Dec-07 Issued for cash on exercise of share options	9,710,109	24,275
Total prior to return of capital	1,159,911,684	68,176,255
Return of capital	-	(30,251,297)
	1,159,911,684	37,924,958

Movement in ordinary shares on issue 2006	**No**	**$**
At 1 January 2006	458,578,322	37,987,051
20-Jul-06 Conversion of convertible note	125,000,000	5,000,000
20-Jul-06 Issued for cash on exercise of share options	125,000,000	5,000,000
20-Jul-06 Issued for cash on rights issue	152,886,107	6,115,444
01-Aug-06 Issued for cash on exercise of share options	66,667	2,667
10-Aug-06 Issued for cash on exercise of share options	33,333	1,333
31-Dec-06 Issued for cash on exercise of share options	51,222	2,049
31-Dec-06 Issued for cash on capital raising	62,500,000	5,000,000
	924,115,651	59,108,544

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

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

NOTE 17: SHARE OPTION PREMIUM RESERVE

	Dec-07 $	Dec-06 $
Share option premium reserve	3,192,481	3,115,335

Movement in share option premium reserve in 2007	**No**	**$**
At 1 January 2007	152,700,000	3,115,335
20-Apr-07 Options lapsed	(15,000,000)	-
22-May-07 Issue of options to employees	3,450,000	77,146
28-May-07 Exercise of options	(200,000)	-
21-Sep-07 Exercise of options	(5,000,000)	-
18-Oct-07 Exercise of options	(3,250,000)	-
24-Oct-07 Exercise of options	(121,000,000)	-
	11,700,000	3,192,481

This reserve relates to :

- the fair value of the premium received by the Group on the issue of unlisted options
- the identified fair value of $0.02 on the issue of 132,500,000 unlisted options
- the identified fair value of $0.011 on the issue of 1,700,000 unlisted options
- the vesting portion of the identified fair value of $0.037 on the issue of 3,450,000 unlisted options

Movement in share option premium reserve	**Dec-06 No**	**Dec-06 $**
At 1 January 2006	18,500,000	447,272
20-July-06 Issue of options for convertible note early exercise fee	125,000,000	2,500,000
20-July-06 Issue of options for capital raising costs	7,500,000	150,000
20-July-06 Issue of options to employees	1,700,000	18,063
At 31 December 2006	152,700,000	3,115,335

This reserve relates to :

- the fair value of the premium received by the Group on the issue of unlisted options
- the identified fair value of $0.02 on the issue of 132,500,000 unlisted options
- the identified fair value of $0.011 on the issue of 1,700,000 unlisted options

Details of share options issued, vested or expired is available in note 19.

NOTE 18: SHARE OPTIONS

		Number	Exercise price cents per share
(i)	**Listed options – Expiry date 31 July 08**		
	At 1 January 2007	152,734,885	0.25cents [1]
	Options issued	-	
	Options exercised	(106,312,600)	
	Options expired	-	
	At 31 December 2007	46,422,285	0.25cents
(ii)	**Unlisted options – Expiry date 30 July 2007**		
	At 1 January 2007	15,000,000	20cents
	Options issued	-	
	Options exercised	-	
	Options expired	(15,000,000)	
	At 31 December 2007	-	20cents
	Unlisted options – Expiry date 7 February 2008		
	At 1 January 2007	2,000,000	6.25cents [2]
	Options issued	-	
	Options exercised	-	
	Options expired	-	
	At 31 December 2007	2,000,000	6.25cents
	Unlisted options – Expiry date 30 July 2009		
	At 1 January 2007	1,500,000	26.25cents [3]
	Options issued	-	
	Options exercised	-	
	Options expired	-	
	At 31 December 2007	1,500,000	26.25cents
	Unlisted options – Expiry date 31 July 2008		
	At 1 January 2007	134,200,000	0.25cents [4]
	Options issued	-	
	Options exercised	(129,450,000)	
	Options expired	-	
	At 31 December 2007	4,750,000	0.25cents
	Unlisted options – Expiry date 22 May 2010		
	At 1 January 2007	-	
	Options issued	3,450,000	4.25cents [5]
	Options exercised	-	
	Options expired	-	
	At 31 December 2007	3,450,000	4.25cents

[1] Reduced from 4 cents per option to 0.25 cents following the return of capital
[2] Reduced from 10 cents per option to 6.25 cents following the return of capital
[3] Reduced from 30 cents per option to 26.25 cents following the return of capital
[4] Reduced from 4 cents per option to 0.25 cents following the return of capital
[5] Reduced from 8 cents per option to 4.25 cents following the return of capital

NOTE 19: SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Expense arising from Employee Share Option Plan	77,146	18,062	77,146	18,062
Expense arising from Expense Share Option Plan	-	2,650,000	-	2,650,000

(b) Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

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

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

The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. Under the ESOP, the exercise price of the options is set "at least 80% of the average closing sale price of the Shares on ASX over the five trading days immediately preceding the day of issue of Options by the Board" as per the terms stated in the ESOP.

Options may be exercised at any time during the period commencing 12 months after the Issue Date and ending on the Expiry.

When an Eligible Person ceases employment prior to the first anniversary of the Issue Date otherwise than to take up employment with an Associate Company, or ceases to be an Eligible Person on account of Retirement, Permanent Disability, Redundancy or death, the share options automatically lapse and are forfeited.

When an Eligible Person ceases employment after the first anniversary of the Issue Date and prior to the Expiry Date otherwise than to take up employment with an Associate Company, or ceases to be an Eligible Person on account of Retirement, Permanent Disability, Redundancy or death, the share options automatically lapse and are forfeited if the Eligible Person fails to exercise any or all of the options within a period of three months from the date of cessation of employment.

Expense Share Option Plan, 'ExSOP'

No options were issued under the "Expense Share Option Plan, ExSOP"

NOTE 19: SHARE-BASED PAYMENT PLANS (CONTD)

(c) Summaries of options granted

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

	2007 No.	**2007 WAEP**	**2006 No.**	**2006 WAEP**
Outstanding balance at the beginning of the year	1,700,000	0.04	-	-
Granted during the year	3,450,000	0.08	1,700,000	0.04
Exercised during the year	(1,200,000)	0.04	-	-
Outstanding at the end of the year	3,950,000	0.037	1,700,000	0.04
Exercisable at the end of the year	500,000	0.0025	-	-

The outstanding balance as at 31 December 2007 is represented by:

(i) 500,000 options over ordinary shares with an exercise price of $0.0025 each, exercisable from 15 August 2007 to 31 July 2008.

(ii) 3,450,000 options over ordinary shares with an exercise price of $0.0425 each, exercisable from 22 May 2008 to 22 May 2010.

Due to the capital reduction from the distribution of Apex shares the exercise price of all options was reduced by $0.0375.

ExSOP:

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

	2007 No.	**2007 WAEP**	**2006 No.**	**2006 WAEP**
Outstanding balance at the beginning of the year	132,500,000	0.04	-	-
Granted during the year	-	-	132,500,000	0.04
Exercised during the year	(128,250,000)	0.04	-	-
Outstanding at the end of the year	4,250,000	0.0025	132,500,000	0.04
Exercisable at the end of the year	4,250,000	0.0025	132,500,000	0.04

The outstanding balance as at 31 December 2007 is represented by:

(i) 4,250,000 options over ordinary shares with an exercise price of $0.0025 each, exercisable until 31 July 2008.

Due to the capital reduction from the distribution of Apex shares the exercise price of all options was reduced by $0.0375.

(d) Option pricing model

ESOP

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

Expected volatility (%)	75.00
Risk-free interest rate (%)	6.00
Expected life of option (days)	1095
Option exercise price ($)	0.08
Weighted average share price at measurement date ($)	0.088

A discount of 25% was applied as the options are unlisted and are not negotiable.

NOTE 20: RELATED PARTIES

(i) Wholly-owned group transactions

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

(ii) Other related party transactions

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

Allowance for impairment loss on trade receivables

For the year ended 31 December 2007, the Group made an allowance for impairment loss relating to amounts owed by related parties of $4,297,314 (2006: Nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

(iii) Ultimate parent

Legend Mining Limited is the ultimate parent company.

(iv) Loans to related parties

Legend Mining Limited advanced/ (received) the following loans to/(from) its subsidiary companies during 2007

Gibson Metals Pty Ltd	$ 496,089
Armada Mining Limited	$ -
Gidgee Resources Limited	$ (287,666)

NOTE 21: CASH FLOW INFORMATION

(i) Reconciliation of Cash

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

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Cash on hand		300	300	300	300
Cash at bank		442,565	540,427	442,565	540,427
Deposits at call		11,470,690	8,384,256	11,470,690	8,384,256
	8	11,913,555	8,924,983	11,913,555	8,924,983

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

	Consolidated 2007	Consolidated 2006	Company 2007	Company 2006
Net Profit/(Loss)	25,302,037	(7,736,579)	21,855,546	(8,191,494)
Adjusted for:				
(Gain)/Loss on disposal of property, plant & equipment	(1,725,808)	(2,997)	(1,725,808)	(2,997)
Depreciation	185,799	233,336	124,637	172,173
Inventory written off	(159,353)	-	(159,353)	-
Deferred exploration expenditure written off	5,421,686	3,732,296	5,421,686	3,494,770
Income tax expense	2,025,527	-	1,235,866	-
Expenses paid in the form of options		2,500,000		2,500,000
Investments and receivables in subsidiary companies written down	-	-	4,297,314	550,047
Share options expensed	77,146	-	77,146	-
Transfer from equity revaluation reserve	(32,180,000)	-	(32,180,000)	-
	(1,052,966)	(1,273,944)	(1,052,966)	(1,477,501)
Change in assets and liabilities:				
(Increase)/ decrease in prepayments	(321,464)	11,487	(321,464)	11,487
(Increase)/ decrease in receivables	135,629	(181,478)	135,629	(184,172)
Decrease / (Increase) in inventory	145,318	11,544	145,318	11,544
Exploration and Evaluation Expenditure	(3,483,854)	(5,841,783)	(3,202,854)	(5,841,783)
(Decrease)/Increase in provision for annual leave	15,457	27,001	15,457	27,001
(Decrease)/ Increase in payables in operating activities	(227,604)	192,470	(207,604)	620,103
(Decrease)/ Increase in Rehabilitation provision	305,504	-	4,504	-
Net Cash (Used)/ provided in operating activities	(4,483,980)	(7,054,703)	(4,483,980)	(6,833,321)

NOTE 21: CASH FLOW INFORMATION (CONTD)

Non cash financing and investment activities

During the financial year, the consolidated entity transacted the following non cash activities:

(a) Gidgee Gold Project was sold to Apex Minerals NL for a consideration of $11,000,000 payable by the issue of 34,000,000 Apex shares.

NOTE 22: COMMITMENTS

(a) Exploration expenditure commitments.

In order to maintain current rights of tenure to exploration tenements, the Company will be required to outlay in 2008 amounts of approximately $1,373,980 (2006: $3,367,880) in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Industry & Resources. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

Note: This is the maximum commitment to exploration, to fully meet DOIR requirements. In practice, Legend has routinely applied for and been granted exemptions from meeting these requirements on a tenement by tenement basis. As a result the actual amount required to be expended on exploration is expected to be less than $1.35 million, while still holding all the tenements in good standing.

NOTE 23: INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2007	Interest Held 2006
Gibson Metals Pty Ltd (formerly Arbotech Pty Ltd)	Ordinary	100%	100%
Armada Mining Ltd	Ordinary	100%	100%
Gidgee Resources Ltd	Ordinary	100%	100%

The parent company and all the controlled entities are Australian registered entities.

NOTE 24: FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated 2007	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	7.17%	442,865	11,470,690	-	11,913,555
Other financial assets	5.30%	-	1,528,797	16,134	1,544,931
Other financial assets – Apex shares		-	-	321,025	321,025
Trade & other receivables		-	-	98,137	98,137
		442,865	12,999,487	435,296	13,877,648
Financial liabilities					
Trade & other payables		-	-	224,016	224,016
				224,016	224,016

NOTE 24: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

Company 2007	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	7.17%	442,865	11,470,690	-	11,913,555
Other financial assets	5.30%	-	1,528,797	16,134	1,544,931
Other financial assets – Apex shares		-	-	321,025	321,025
Related party receivables		-	-	2,694	2,694
Trade & other receivables		-	-	98,137	98,137
		442,865	12,999,487	437,990	13,880,342
Financial liabilities					
Trade & other payables				224,016	224,016
Related party payables		-	-	290,648	290,648
				514,664	514,664

Consolidated 2006	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	6.22%	540,727	8,384,256	-	8,924,983
Other financial assets	5.10%	-	132,596	16,134	148,730
Trade & other receivables		-	-	233,766	233,766
		540,727	8,516,852	249,900	9,307,479
Financial liabilities					
Trade & other payables		-	-	447,842	447,842
				447,842	447,842

Company 2006	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	6.22%	540,727	8,384,256	-	8,924,983
Other financial assets	5.10%	-	132,596	16,134	148,730
Related party receivables		-	-	3,814,015	3,814,015
Trade & other receivables		-	-	233,766	233,766
		540,727	8,516,852	4,063,915	13,121,494
Financial liabilities					
Trade & other payables		-	-	427,842	427,842
				427,842	427,842

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

(b) Credit Risk

The Group trades only with recognised, creditworthy third parties.

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

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

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

NOTE 24: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

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

	Note	Carrying Amount 2007 $	Carrying Amount 2006 $
Available-for-sale financial assets	11	321,025	-
Cash and cash equivalents	8	11,913,555	8,384,256
		12,234,580	8,384,256

The Company's maximum exposure to credit risk at the reporting date was $321,025 (2006: Nil) for available-for-sale financial assets and $11,913,555 (2006: $8,384,256) for cash and cash equivalents, totalling $12,234,580 (2006: $8,384,256).

(c) Liquidity Risk

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

Consolidated

31 December 2007	Carrying Amount	Contratual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	224,016	(224,016)	(224,016)

31 December 2006	Carrying Amount	Contratual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	447,842	(447,842)	(447,842)

(d) Net Fair Value of Financial Assets and Liabilities

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

Consolidated	31 December 2007		31 December 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets	321,025	321,025	-	-
Cash and cash equivalents	11,913,555	11,913,555	8,384,256	8,384,256
Performance and other bonds	1,544,931	1,544,931	148,730	148,730
Trade and other payables	(224,016)	(224,016)	(447,842)	(447,842)
	13,555,495	13,555,495	8,085,144	8,085,144

NOTE 25: INTEREST IN JOINT VENTURE ASSETS

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

Joint Venture	Project	Activity	2007 Interest	2006 Interest
Munni Munni Joint Venture	Elizabeth Hill	Silver Exploration	30.12%	30.12%
West Bungara Joint Venture	Gum Creek	Nickel, Copper & Zinc Exploration	70%	-
Oxiana Joint Venture	Mt Gibson	Gold, Zinc & Copper Exploration	100%	-
Mount Marie Joint Venture	Pilbara	Nickel, Copper & Zinc Exploration	-	-

Net assets employed in the joint ventures totalling $4,676,864 (2006: $277,010) are included as deferred exploration expenditure carried forward in the financial statements.

NOTE 26: AUDITOR'S REMUNERATION

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Remuneration of the auditor of the parent entity by Ernest & Young for				
- auditing or reviewing the financial report	-	49,512	-	49,512
- consulting fees corporate advice	-	-	-	-
Remuneration of the auditor of the parent entity by Stantons International for				
- auditing or reviewing the financial report	33,282	-	33,282	-
- consulting fees corporate advice	6,000	-	6,000	-

NOTE 27: GIDGEE GOLD PROJECT SALE

On 3 May 2007, the Company announced it had agreed to sell its Gidgee Gold Project (tenements, plant and infrastructure) to Apex Minerals NL (Apex) for a consideration of $11 million, payable by the issue of 34 million Apex shares which the Company announced would be distributed in-specie to shareholders. Contingent consideration of $5 million will be paid by Apex to the Company once a production milestone of 250,000oz of gold from the Gidgee Gold Project tenements is reached.

This contingent consideration has not been accounted for at 31 December 2007 as it is still uncertain whether the production milestone will be achieved.

NOTE 27: GIDGEE GOLD PROJECT SALE (CONTD)

Settlement of this Sale Agreement was effected on 13 August 2007 and Apex issued 34 million shares to Legend. The details of the sale are as follows:

Proceeds from sale of Gidgee Gold Project (34 million shares in Apex Minerals NL)		11,000,000
Written down value of tenements sold (note 13)	(9,904,307)	
Written down value of plant & equipment sold	(1,267,532)	
Written down value of inventory sold	(159,353)	
Total value of Gidgee Gold Project at time of sale		(11,331,192)
Loss on sale of Gidgee Gold Project		(331,192)
Add provision for rehabilitation written back as a result of the sale		2,057,000
Final profit on the sale of the Gidgee Gold Project		1,725,808

The written down value of the Gidgee tenements sold of $9,904,307 is after the write off of $5,409,595 at 30 June 2007.

NOTE 28: CONTINGENT LIABILITIES

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.

NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE

As at the date of the report there are no subsequent significant events after the balance date.

NOTE 30: DIVIDENDS PAID AND PROPOSED

Following the announcement of the agreement to sell the Gidgee Gold Project to Apex Minerals NL, your directors sought and received legal, taxation and accounting advice on the proposed return of capital. The taxation and accounting advice on the return of capital was that any return of capital over and above the amount of funds invested by the Company into the Gidgee Gold Project ($30.3 million) was likely to be deemed as an unfranked dividend.

The Company, through its taxation advisors, sought a tax ruling on this matter and received a draft tax ruling from the Australian Taxation Office ("ATO") on what proportion of the return of capital the ATO would deem an unfranked dividend for taxation purposes and therefore what proportion is deemed a return of capital. The draft tax ruling from ATO advised that any return of capital over and above $11 million, being the sale agreement value of the consideration received from Apex, would be deemed an unfranked dividend for taxation purposes. As a result of the draft tax ruling from the ATO, your Company received further advice that, for the return of capital, it should withhold tax from overseas shareholders and Australian shareholders who had not provided a tax file number on the basis that any return of capital over and above $11 million would be deemed an unfranked dividend for taxation purposes.

NOTE 30: DIVIDENDS PAID AND PROPOSED (CONTD)

On 12 November 2007, as a result of the return of capital of 34,000,000 Apex shares and the value of $1.27 per Apex share, the Company received advice from its taxation and accounting advisors that an unfranked dividend of $12,845,614 or 1.12 cents per share was deemed to be paid to shareholders. This deemed dividend represents the difference between the amount invested by the company into the Gidgee Gold Project and the value of the Apex shares at the Record Date for the return of capital

The Company's tax specialists are engaged in further dialogue with the ATO on its draft tax ruling and the Company will advise shareholders of the outcome as soon as possible.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

a) the financial statements and notes, of the consolidated entity, are in accordance with the Corporations Act 2001, including;
   i. Giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2007 and their performance for the year ended on that date; and
   ii. Complying with Accounting Standards' 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.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2007.

On behalf of the Board.

M.W.

M. Wilson
Managing Director

Dated this 31st day of March 2008

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

31 March 2008

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

Dear Sirs,

RE: LEGEND MINING LIMITED

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

As Audit Director for the audit of the financial statements of Legend Mining Limited for the year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully
STANTONS INTERNATIONAL
(Authorised Audit Company)

John P Van Dieren
Director

Stantons International

ABN 41 103 088 697

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGEND MINING LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Legend Mining Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed the information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration Report" in section 13, of the Directors' report and not the financial report. We have audited these remuneration disclosures.

Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group and those of the company, comprising the financial statements and notes, comply with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion that the remuneration disclosures contained in the Directors' report comply with Australian Accounting Standard AASB 124.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

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

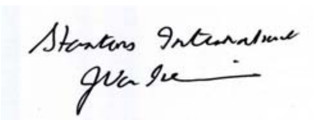
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

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

(b) the financial report of the Group and those of the company also complies with International Financial Reporting Standards as disclosed in note 2(b).

(c) the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of Australian Accounting Standard AASB 124 Related Party Disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

STANTONS INTERNATIONAL
(An Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
31 March 2008

SHAREHOLDER INFORMATION

The issued capital of the company as at 31 December 2007 is 1,159,911,684 ordinary fully paid shares.

Distribution of Share Holders as at 7 March 2008

Fully Paid Shares			Number
1	-	1,000	37
1,001	-	5,000	137
5,001	-	10,000	385
10,001	-	100,000	1,666
100,001		and over	760
			2,985

Number holding less that a marketable parcel 775

Substantial Shareholder as at 7 March 2008

Australian Gold Resources Pty Ltd 509,735,000

Top 20 Shareholders as at 7 March 2008

Name	Total Holdings	% Issued Capital
Yandal Investments Pty Ltd	344,750,000	29.34
Australian Gold Resources Pty Ltd	149,985,000	12.76
HSBC Custody Nominees (Australia) Limited	33,443,310	2.85
Ron Medich Properties Pty Ltd	28,808,886	2.45
Citigroup Nominees Pty Limited	26,700,700	2.27
Chester Nominees WA Pty Ltd	26,100,000	2.22
Merrill Lynch (Australia) Nominees Pty Limited	20,873,581	1.78
Oroya Mining Limited	20,000,000	1.70
Karari Australia Pty Ltd	19,000,000	1.62
VE & DM Ryan	16,000,000	1.36
ANZ Nominees Limited	13.539,056	1.15
G Santalucia Investment Pty Ltd	11,642,328	0.99
Rigi Investments Pty Ltd	11,194,144	0.95
National Nominees Limited	9,807,999	0.84
ANZ Nominees Limited	8,635,396	0.74
Palazzo Nominees Pty Ltd	8,000,000	0.68
Mr Brian McCubbing	7,100,000	0.60
Ankaa Springs Pty Ltd	5,100,000	1.20
Yarandi Investments Pty Ltd	5,057,064	0.43
Tetramin Pty Ltd	5,000,000	0.43
	757,198,408	66.36

SHAREHOLDER INFORMATION (CONTD)

The number of listed options on issue as at 31 December 2007 is 46,422,255 options.

Distribution of Listed Option Holders as at 7 March 2008

Fully Paid Shares			Number
1	-	1,000	9
1,001	-	5,000	24
5,001	-	10,000	16
10,001	-	100,000	71
100,001		and over	41
			161

Number holding less that a marketable parcel 58

Top 20 Listed Option Holders as at 7 March 2008

Name	Total Holdings	% Issued Capital
H Wallace-Smith and Co Pty Ltd	3,342,833	10.71
Second Naremi Pty Ltd	2,797,575	8.96
Agricultural Solutions Consultancy Pty Ltd	2,625,692	8.41
Rigi Investments Pty Ltd	2,482,045	7.95
Mr Kevin Charles Looby	1,300,000	4.16
Bird Tyndall Pty Ltd	1,200,000	3.84
W G Bird	1,000,000	3.20
Ucan Nominees Pty Ltd	1,000,000	3.20
First Farley Pty Ltd	1,000,000	3.20
Anderby Qld Pty Ltd	950,000	3.04
Bond Street Custodians Limited	700,000	2.24
Florin Mining Investment Company Limited	666,666	2.14
Oro Investments Pty Ltd	626,667	2.01
GA & JL Downey	600,000	1.92
Arinya Investments Pty Ltd	557,333	1.79
AJ Vetter	500,000	1.60
BC Steele	500,000	1.60
GP Pagliara	500,000	1.60
Captain Starlight Nominees Pty Ltd	499,998	1.60
Agricultural Solutions Consultancy Pty Ltd	441,629	1.41
	23,290,438	74.59

Unlisted Option holders as at 7 March 2008

Class of options	Number	Number of Holders
20 May 2012 exercisable at 4.25 cents per share	3,450,000	7
30 July 2009 exercisable at 26.25 cents per share	1,500,000	3
31 July 2008 exercisable at 0.25 cents per share	4,750,000	3

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

TENEMENT LISTING

GUM CREEK PROJECT

Tenement	Status	Percentage Interest
E57/632	Granted	100%
E57/634	Granted	100%
E57/674	Granted	100%
E57/706	Granted	100%
P57/1126	Granted	100%
P57/1127	Granted	100%
E57/709	Pending	100%
P57/1056	Pending	100%
P57/1057	Pending	100%
P57/1058	Pending	100%
P57/1068	Pending	100%
P57/1069	Pending	100%
P57/1070	Pending	100%

PILBARA PROJECT

Tenement	Status	Percentage Interest
E47/562	Granted	100%
E47/587	Granted	30.12%
M47/340	Granted	30.12%
M47/341	Granted	30.12%
M47/342	Granted	30.12%
M47/343	Granted	30.12%
P47/944	Granted	100%
P47/945	Granted	100%
P47/1135	Granted	100%
P47/1136	Granted	100%
E47/1806	Pending	Earning 70% from Fox Radio Hill PL
E47/1807	Pending	Earning 70% from Fox Radio Hill PL
E47/1877	Pending	100%
E47/1878	Pending	Earning 70% from Fox Radio Hill PL
E47/1178	Pending	100%
E47/1745	Pending	100%
E47/1746	Pending	100%
E47/1747	Pending	100%
E47/1797	Pending	100%
M47/409	Pending	100%
M47/414	Pending	30.12%
M47/415	Pending	30.12%
M47/417	Pending	100%
M47/457	Pending	100%
M47/462	Pending	100%
M47/463	Pending	100%
M47/466	Pending	100%
M47/490	Pending	100%
M47/491	Pending	100%
M47/493	Pending	100%
M47/494	Pending	100%
M47/518	Pending	100%
P47/1112	Pending	100%
P47/1124	Pending	100%
P47/1126	Pending	100%
P47/1127	Pending	100%
P47/1128	Pending	100%
P47/1129	Pending	100%
P47/1130	Pending	100%

P47/1131	Pending	100%
P47/1134	Pending	100%
P47/1272	Pending	100%
P47/1360	Pending	100%
P47/1361	Pending	100%
P47/1362	Pending	100%
P47/1363	Pending	100%
P47/1364	Pending	100%
P47/1365	Pending	100%
P47/1366	Pending	100%
P47/1367	Pending	100%
P47/1368	Pending	100%
P47/1369	Pending	100%
P47/1370	Pending	100%
P47/1371	Pending	100%
P47/1372	Pending	100%
P47/1373	Pending	100%
P47/1374	Pending	100%
P47/1375	Pending	100%
P47/1380	Pending	100%
P47/1386	Pending	100%

Mt GIBSON PROJECT

Tenement	Status	Percentage Interest
E59/1041	Granted	100%
G59/11	Granted	100%
G59/12	Granted	100%
G59/13	Granted	100%
G59/14	Granted	100%
G59/15	Granted	100%
G59/16	Granted	100%
G59/17	Granted	100%
G59/18	Granted	100%
L59/12	Granted	100%
L59/13	Granted	100%
L59/14	Granted	100%
L59/16	Granted	100%
L59/21	Granted	100%
L59/45	Granted	100%
L59/46	Granted	100%
L59/53	Granted	100%
M59/11	Granted	100%
M59/13	Granted	100%
M59/14	Granted	100%
M59/15	Granted	100%
M59/16	Granted	100%
M59/17	Granted	100%
M59/166	Granted	100%
M59/217	Granted	100%
M59/304	Granted	100%
M59/305	Granted	100%
M59/308	Granted	100%
M59/309	Granted	100%
M59/328	Granted	100%
M59/402	Granted	100%
M59/403	Granted	100%
M59/404	Granted	100%