



# LEGEND MINING LIMITED

ACN: 060 966 145  
ABN: 22 060 966 145

## **QUARTERLY REPORT for the period ended 31st December 2003**

- LEGEND MOVED INTO TOP TEN OF AUSTRALIAN-OWNED GOLD PRODUCERS ON 17<sup>TH</sup> DECEMBER 2003
  - FIRST GOLD BAR POURED 19<sup>TH</sup> DECEMBER 2003
  - GIDGEE GOLD MINE PURCHASE APPROVED BY SHAREHOLDERS
  - CAPITAL RAISING OF \$4 MILLION OVERSUBSCRIBED
  - NEW COMPANY SECRETARY APPOINTED
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### 1. GOLD PRODUCTION, GIDGEE GOLD MINE

Legend became one of the top ten Australian owned local gold producers when it took over operations at the Gidgee Gold Mine on 17<sup>th</sup> December 2003. Past production from Gidgee since 1987 is in excess of 1,000,000 ounces of gold.

Acquisition of the mine, located 90 kilometres north of Sandstone in the Goldfields region of Western Australia, was approved by shareholders on 15<sup>th</sup> December 2003. Surrounding exploration ground in excess of 600 square kilometres is included as part of the purchase.

Legend paid a \$200,000 deposit to Abelle Limited on 20<sup>th</sup> November and a further \$1.3 million on 16<sup>th</sup> December, following shareholder approval. A final cash instalment of \$1.5 million is due by 30<sup>th</sup> June 2004, which reduces to \$1.3 million if paid by 30<sup>th</sup> March 2004. The balance of the \$6.5 million purchase price is made up of \$2 million in replacement environmental bonds (currently being arranged), \$500,000 for stores and gold in circuit and \$1 million of Legend shares issued to Abelle on 15<sup>th</sup> January 2004, making Abelle the Company's largest shareholder with a 12.8% stake.

Operational transition to Legend has gone very smoothly due largely to the commitment of the Gidgee workforce team, many of whom became Legend shareholders in the recent capital raising. Leading up to the handover, gold levels in the treatment plant were minimised and surface ore stockpiles were depleted for reconciliation purposes, and these had to be built back up during the last two weeks of December under Legend's new ownership.

Despite starting from lower than normal levels 2,286.6 ounces of gold were produced in the last two weeks of the year. This represents an annualised rate of approximately 60,000 ounces, which Legend intends to increase during 2004. Revenue for the period 17-31<sup>st</sup> December was \$1.2 million for an operating cash surplus of \$0.47 million.

Operating statistics for the period 17<sup>th</sup>-31<sup>st</sup> December 2003 are as follows:

| <b><u>Detail</u></b>  | <b><u>December 2003 Qtr</u></b> | <b><u>Units</u></b> |
|---|---------------------------------|---------------------|
|   | (2 weeks operation)             |                     |
| Ore Mined (Swan Bitter u/g)                                   | 9,792                           | Tonnes              |
| Ore Grade   | 7.90                            | g/t Au              |
|   |                                 |                     |
| Ore Processed   | 10,129                          | Tonnes              |
| Head Grade (calc)   | 7.31                            | g/t Au              |
| Recovery  | 96.1                            | %                   |
| Gold Produced   | 2,287                           | Ounces              |
|   |                                 |                     |
| <b>Production Cost Statement</b>                              |                                 |                     |
| Net Cash Costs  | 278                             | \$/oz               |
| Inventory Movements   | (75)                            | \$/oz               |
| Cash Operating Costs  | 203                             | \$/oz               |
| Depreciation/Amortisation                                     | -                               | \$/oz               |
| Total Production Cost   | 203                             | \$/oz               |
| <i>Costs are reported to Australian Gold Council Standard</i> |                                 |                     |

The Swan Bitter underground mine is located 700 metres east of Legend's 600,000 tonnes per annum CIP treatment plant, and is accessed by two 5x5 metre declines (Swan Bitter and Butcherbird). Underground development from the declines is on 4x4.5 metre jumbo levels, with stoping predominantly by longhole methods.

Reconciled production from Swan Bitter high grade stope ore was 8,088 tonnes at 9.19g/t Au with a further 1,704 tonnes at 1.78g/t Au from low grade material.

Ore was sourced from six separate stope areas of the Tunisia, Georgia, Albania and Monaco Lodes. Most production came from long hole stoping, with 8% of the gold from airleg stoping of very high grade veins. All lodes are complex quartz vein systems hosted by basalt and dolerite rocks within a wide northerly-trending structural corridor.

Underground development continued on three separate headings. Legend plans to further improve productivity over the coming year and to accelerate decline development in the Tasmania Lode access area. Reviews are underway to identify as a priority additional gold resources to supplement the Swan Bitter ore.

Underground diamond drilling totalled 1,083 metres for the last two weeks of December, targeting up-dip extensions to the Algeria Lode, further delineation of the Tasmania Lode and a predicted cross-shear at the southern end of the mine. Results include:

|               |          |                                   |
|---------------|----------|-----------------------------------|
| Southern Zone | GUD1033  | 0.38m at 56.38g/t Au from 49.25m  |
| Algeria Lode  | GUD1039  | 2.00m at 9.38g/t Au from 125.00m  |
| Algeria Lode  | GUD 1051 | 0.60m at 45.69g/t Au from 131.12m |

The Southern Zone results are particularly encouraging, confirming the presence of significant quartz veining and sulphides with high-grade gold in an area south and east of existing workings. This area was predicted by geological modelling to be favourable for repetition of previously-mined lodes.

Drilling on the Algeria Lode west of existing workings is now targeting a northerly plunge, rather than the previous southerly plunge interpretation. Results are considered to confirm the new model, enhancing the potential of the area to contain significant gold mineralisation.

Legend has immediately initiated detailed operational reviews including the reserve/resource base, production planning and cost controls. The company has retained the services of John S Dunlop, a highly regarded mining engineering consultant with strong mine management and underground expertise, to provide strategic and operational guidance to the Board. A new operating and capital budget for the project is being finalised for the 2004 calendar year, to align the Gidgee operation with Legend's financial reporting year which ends 31<sup>st</sup> December annually.

Legend has also commenced evaluation of all identified gold resources both within and outside the present mine area, with the view to advancing these towards production as soon as possible. Gidgee project resources at 30<sup>th</sup> June 2003 totalled 515,705 ounces of gold in the measured, indicated and inferred categories (as reported by previous owner Abelle Ltd).

At Kingfisher North, only 2.5 kilometres south of Swan Bitter-Butcherbird and within the same structural corridor, resources of about 432,000t at 6.7g/t Au (Indicated and Inferred) have been reported and contain 92,000oz of gold. Shallow mining at Kingfisher in the past produced 325,000 ounces of gold from one of the largest open pits at Gidgee, with only limited underground development, and Legend has commenced mine scoping studies on this deposit. Deep drilling is planned to enhance and infill the resource early in 2004.

Resources at Wilsons total 1.3 million tonnes at 7.4g/t Au (Indicated and Inferred) for approximately 307,000oz. These occur as three adjacent tabular subvertical deposits 12 kilometres northeast from the plant, and have previously been mined by open pit to only 60 metres depth. Metallurgical studies have shown that satisfactory recoveries are achievable by Biox methods, and Legend's consultant metallurgist is now investigating how best to fast-track gold production from Wilsons.

Open pit targets drilled during 2003 by Abelle included Specimen Well, Eagles Peak and Howards. Drill results previously reported by Abelle in 2003 are:

|          |                            |               |
|----------|----------------------------|---------------|
| SWRC040  | 10m at 11.6g/t Au from 43m | Specimen Well |
| SWAC049  | 5m at 3.17g/t Au from 16m  | Specimen Well |
| SWAC049  | 7m at 3.39g/t Au from 33m  | Specimen Well |
| EPPRC066 | 10m at 5.3g/t Au from 10m  | Eagles Peak   |
| HWRC121  | 6m at 47.5g/t Au from 32m  | Howards       |

Additional significant aircore drilling results at Specimen Well greater than 2.5g/t Au over 1 metre downhole received during the Quarter but not previously reported include:

| <u>Hole No</u> | <u>East</u> | <u>North</u> | <u>Interval</u> | <u>Au g/t</u> | <u>From</u> |
|----------------|-------------|--------------|-----------------|---------------|-------------|
| SWAC049        | 8288        | 29082        | 5m              | 3.17          | 16m*        |
|                |             |              | 1m              | 3.10          | 26m         |
|                |             |              | 7m              | 3.39          | 33m         |
| SWAC051        | 8291        | 29133        | 3m              | 4.08          | 21m         |
| SWAC063        | 8283        | 29054        | 4m              | 6.54          | 23m         |
|                |             |              | 22m             | 2.85          | 30m         |
|                |             | incl         | 7m              | 5.15          | 36m         |
| SWAC064        | 8303        | 29057        | 14m (EOH)       | 3.36          | 61m         |
| SWAC075        | 8293        | 29053        | 25m(EOH)        | 4.26          | 33m         |

\* Intercept previously reported by Abelle

All holes are drilled at -60 degrees to 270 degrees

Analyses by AAS, Gidgee mine lab

Further drilling is planned at Specimen Well early in 2004 (subject to suitable rig availability) and will be followed by resource estimation and open pit mine planning.

Legend will commission an independent detailed structural study early in 2004, initially of the Swan Bitter-Kingfisher area and then extending across the remainder of open pit and underground targets within the tenement holdings. Advanced discussions have already been held with acknowledged international experts, with the view to commencing the work as soon as possible. Focus will be on enhancing the current understanding of structural and stratigraphic controls on gold mineralisation, and using this knowledge to rapidly increase the reserve and resource base for the project.

## 2. CAPITAL RAISING OF \$4 MILLION

On 15<sup>th</sup> December, 2003 Legend shareholders approved the acquisition of the Gidgee Gold Mine and the placement of 50 million shares at a price of 8 cents to raise \$4 million, under a prospectus dated 27<sup>th</sup> November 2003. Montagu Stockbrokers Pty Ltd were appointed as Managers to the Offer.

Other small placements were made during the Quarter on 6<sup>th</sup> October (2.0 million shares to raise \$50,000 working capital) and 11<sup>th</sup> November (5.5 million shares to raise \$330,000 working capital and towards Gidgee Gold Mine purchase).

## 4. NEW COMPANY SECRETARY APPOINTED

Donna Dockerill (CPA) has joined Legend Mining as Company Secretary. Donna was formerly with Abelle Limited in Perth, responsible for all financial aspects of the Gidgee gold mine operation, and her first hand knowledge of the project has greatly assisted in the smooth handover to Legend.

Emma Gilbert, who supported Donna in the accounts department at Abelle, has also joined Legend to continue her role of mine accounting.

## 5. KARRATHA GOLD AND BASE METAL PROJECTS

During the Quarter exploration for gold, base metals and nickel continued at a reduced level on Legend's Karratha Project, which covers about 675 square kilometres of the West Pilbara greenstone belt between Karratha, Roebourne and Radio Hill.

Recent exploration success in the region by De Grey Mining, Fox Resources and others has emphasised the area's potential for a wide range of commodities.

Following acquisition of the Gidgee project, the Company is now re-evaluating how to best maximise the value of its Karratha Project for shareholders.

### Carlow Castle (Legend 100%)

Drilling to extend and increase Legend's high grade gold and copper resource at Carlow South has been delayed by the acquisition of the Gidgee project.

### Mt Sholl, Twin Table Hills (Legend 100%)

Only limited fieldwork was carried out, mainly aimed at better defining areas of quartz-ironstone shears and reefs. Exploration is planned to resume in March/April 2004, once weather conditions improve.

### Ruth Well (Legend earning 70%)

Compilation and evaluation of previous data from the Ruth Well nickel deposits has continued. Geological Survey publications indicate that the Ruth Well target size is probably 70,000t at about 3% Ni.

### Bradley Well (Legend 100%)

Exploration during the Quarter discovered several samples of heavily-mineralised gold lode material associated with western extensions of the Orpheus shear and gossan system. Evaluation of the implications of this high grade discovery are continuing, and planning of possible drill testing have commenced.

## 5. MUNNI MUNNI JOINT VENTURE.

Legend retains a 33.33% interest, having elected earlier this year not to continue earning towards 50%.

On 27<sup>th</sup> November, JV operator East Coast Minerals announced completion of a detailed aeromagnetic survey over the base of the Munni Munni intrusive seeking nickel-copper sulphide mineralisation. Planned follow-up by ground TEM geophysics was also announced.

Results from 62 geochemical samples were also presented, showing anomalous nickel and copper values, although locations and geological relevance have not yet been reported.

Legend awaits presentation of full results, work programmes, budgets and formal JV cash call before being in a position to comment on East Coast's ASX release.

Murray McDonald  
Director  
28<sup>th</sup> January, 2004