



Annual Report 2010

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Company Directory

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ASX Codes

LEG – ordinary shares

Chairman's Report

Dear Shareholder

Legend has had an extremely productive year, in particular with its exploration activities at its Ngovayang Iron Ore Project in Cameroon. In the course of the year an exploration team has been recruited, an exploration base at Eseka constructed, rock chip sampling commenced, a detailed aeromagnetic survey over the Project area carried out and a drill programme commenced in August 2010. This has been a truly great effort by Legend's management, bearing in mind that Legend only signed the initial Heads of Agreement for the Project in August 2009.

All this has culminated in a pivotal announcement to the ASX on 14 March 2011 which identified magnetite gneiss as the source of the high intensity aeromagnetic anomalies at Eseka. Your Board expects this trend to continue to the south of the Project. The release also tabled metallurgical test results carried out on one drill core sample, which revealed a coarse grind, low impurity, high iron concentrate all of which are favourable metallurgical attributes for a robust magnetite project. This coupled with the extensive magnetic highs and the sheer size of the project area, 2972km², indicates an exciting year ahead for Legend.

Whilst the identification of this metallurgically favourable magnetic gneiss gives encouragement that we will be able to identify a relatively simple upgradeable magnetite product for shipment, Legend is still optimistic that it can identify direct shipping ore at its southern Project area, where drilling is ongoing.

It is also important to note that Legend has continued to manage its treasury operations such that cash and liquid assets have increased from \$14.5M to \$15.4M, after funding all operations during the course of the year, including a capital raising of \$3.4M. I conclude that to run a company of Legend's profile with net expenditure of \$2.5M after funding \$6M of exploration expense in Cameroon (\$5M) and Australia (\$1M) is a credit to our executive management team.

It is with great pleasure that I acknowledge the efforts of Mark Wilson and his team, both for their corporate and financial management, as well as the Cameroon operations and exploration activities.

My thanks also go to our Camina executive team lead by CEO Mr Francis Mabou. The output and efficiency they have achieved in the year for Legend, and from a standing start, has been quite remarkable. We are indeed very fortunate to have such a strong in-country presence, which is an essential element of any African project.

I also acknowledge the support of our loyal shareholder base and we look forward to a productive year.



Chairman

31 March 2011

Directors' Review of Activities

PROJECTS

Legend Mining Limited (Legend) focussed most of its exploration effort during 2010 on advancing the Cameroon Project, following the acquisition of the project on 4 February 2010. Exploration programmes included an aeromagnetic survey, geological mapping and geochemical sampling, resulting in initial drill testing of iron ore targets in August 2010.

No exploration was possible at the Pilbara Project due to continued heritage agreement negotiations with the Ngarluma Aboriginal Corporation, while activities at Mt Gibson were restricted to rehabilitation of the gold mill site.

Following a full review of the Gum Creek Project, it was decided to divest the tenements via three sale agreements.



FIGURE 1: LOCATION OF PROJECTS

Directors' Review of Activities

CAMEROON PROJECT (IRON ORE, GOLD)

The Cameroon Project is divided into the Ngovayang (southwest) and Mayo Binka (northwest) Projects in Cameroon, West Africa. The project covers approximately 3,900km² and comprises four granted exploration permits, see Figure 2. Legend acquired a 90% interest in the project via a 90% ownership of Cameroon company Camina SA (Camina) on 4 February 2010. The permits are considered prospective for iron ore in the form of direct shipping ore (DSO) and magnetite gneiss, and also for gold.

Legend's primary objective is 50Mt of DSO, which would translate into an initial 1-2Mtpa operation with potential future expansion. A secondary objective is the lower grade, but potentially very large tonnage of magnetite gneiss, which has the ability to be beneficiated into a valuable saleable product.

Regional mapping of the Ngovayang Permit was originally undertaken by le Bureau de Recherche Geologiques et Minieres (BRGM) in 1986. This mapping identified a NE-SW trending package of Archaean to Proterozoic age quartzitic metasediment, gneiss and amphibolite, as well as numerous itabirite units containing millimetre to centimetre thick bands of magnetite. An aeromagnetic survey completed by Legend confirmed the presence of magnetic units and suggested that they are significantly more extensive than the mapping indicated.

Ngovayang is well served by access infrastructure including rail and road networks to and from the port city of Douala, see Figure 2, which greatly assists the exploration phases of work and will facilitate a start-up production transport system to port.

A field exploration camp has been established to the immediate south of the town of Eseka to service field activities and logistics. Environmental approvals and base line studies with community consultation were also completed prior to the commencement of exploration activities.

The Mayo Binka Permit contains essentially Proterozoic gneiss with subcropping boulders and scree of massive magnetite/hematite. The extensive scree and cover in the area will necessitate trenching to assist geological mapping and geochemical sampling.

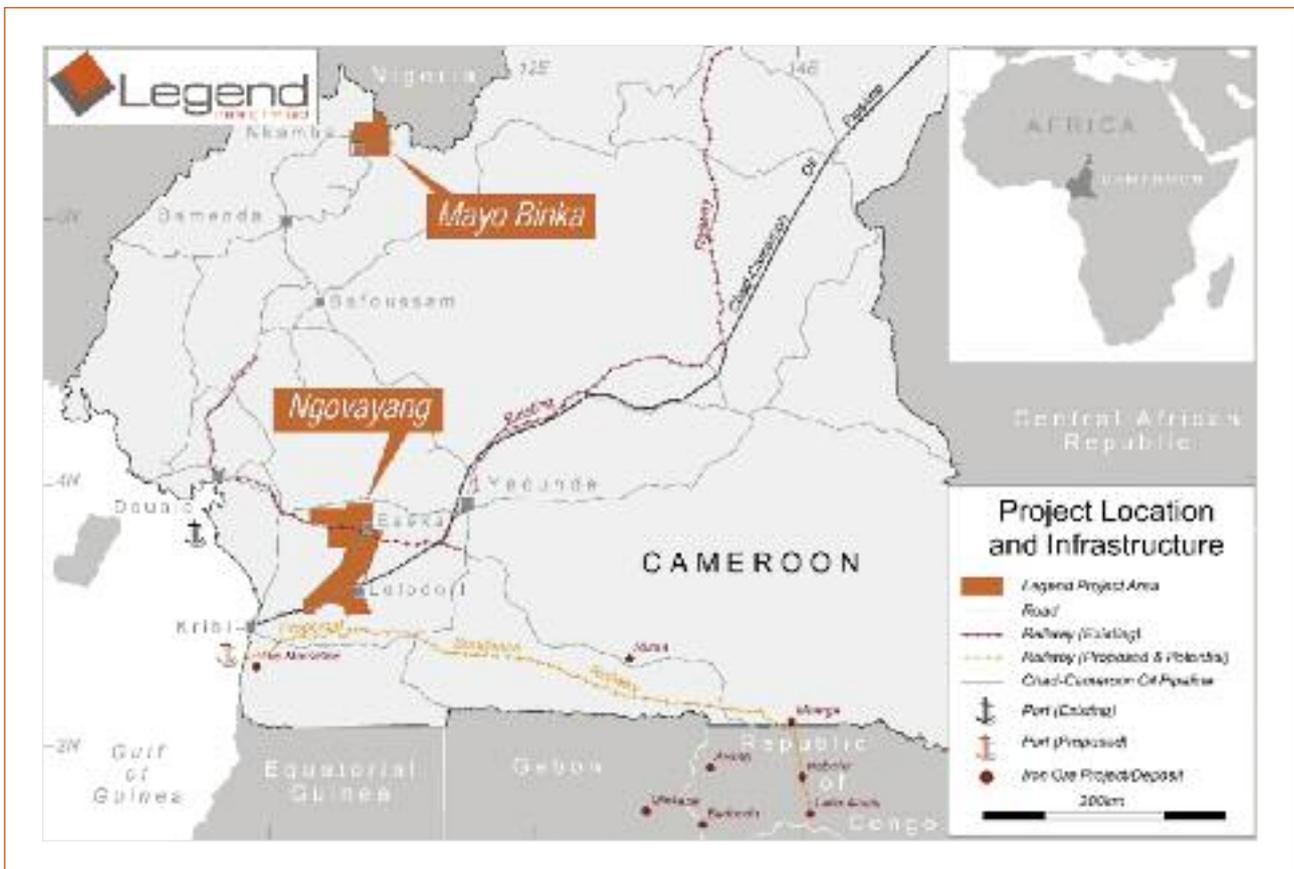


FIGURE 2: CAMEROON PROJECT LOCATION

Directors' Review of Activities

SETTLEMENT OF CAMEROON PROJECT

Legend acquired a 90% interest in the Cameroon Project via a 90% ownership of Cameroon company Camina on 4 February 2010, with the issue of the following to the Camina Vendors and Vendor nominee parties.

- a) 350M Legend shares,
- b) 200M Legend 5 year options exercisable at 4 cents per option,
- c) 400M performance options (a), exercisable for nil consideration, once a JORC compliant resource of 250Mt of iron ore containing a minimum of 50Mt of DSO is identified on the permits,
- d) 400M performance options (b), exercisable for nil consideration, once a JORC compliant resource of 2Bt of iron ore containing a minimum of 200Mt of DSO is identified on the permits OR the first US\$60M from sales of ore from the permits is achieved,

AEROMAGNETIC/RADIOMETRIC SURVEYS

To assist exploration activities, aeromagnetic and radiometric surveys covering a total of 3,526km² were completed over the Ngovayang (2,566km², 12,818 line km) and Mayo Binka (960km², 3,177 line km) areas on 18 February 2010. Both surveys were completed at an initial flight line spacing of 400m with follow up infill lines bringing the line spacing in more prospective areas to 200m.

The Ngovayang Project aeromagnetic image of the analytical signal of total magnetic intensity (Figure 3) shows internal banding within the metasedimentary host package, indicating the presence of magnetite within specific horizons. These magnetic units can often be correlated with itabirite mapped by BRGM in 1986. However, the magnetic units are much more extensive than the mapped units, and reconnaissance work indicates that these magnetic units are due to the occurrence of magnetite gneiss. A project wide litho-structural interpretation of the aeromagnetic data has been completed and has assisted exploration and drillhole planning.

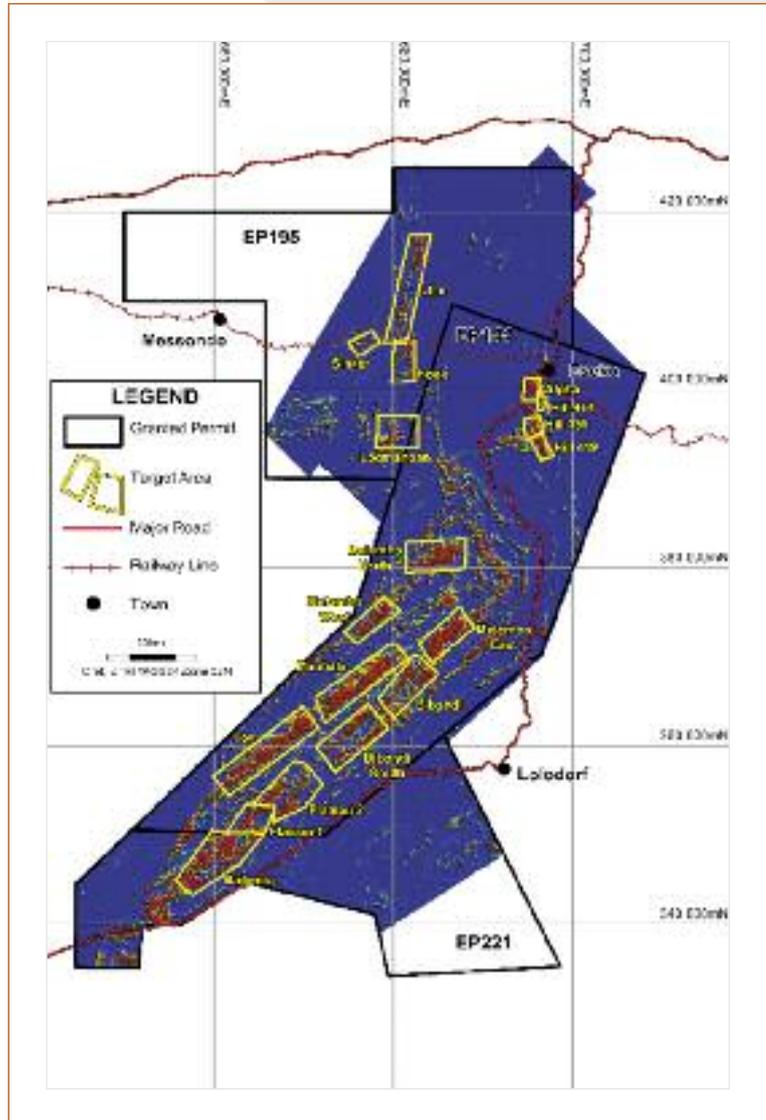


FIGURE 3: NGOVAYANG PROJECT – AEROMAGNETIC IMAGE WITH DRILL TARGET AREAS (ANALYTICAL SIGNAL OF TOTAL MAGNETIC INTENSITY)

Directors' Review of Activities

At Mayo Binka, the aeromagnetic image of the analytical signal of total magnetic intensity (Figure 4) has identified magnetic features in the central eastern portion of the tenement associated with an area with known outcropping massive magnetite/hematite. Previous rockchip sampling of this outcropping massive magnetite/hematite returned iron values ranging from 55-67% Fe.

ESEKA REGION

Legend focussed its original exploration effort in the Eseka region due to the iron prospectivity indicated by the aeromagnetic survey, plus the proximity to rail and road infrastructure. Given the rugged terrain, thick vegetation and lack of outcrop, it was decided that following initial geological mapping and reconnaissance rockchip sampling, drilling was required to provide geological information and explain the aeromagnetic features.

Exploration commenced at Eseka with the establishment of a 400m spaced base grid to enable geological mapping and geochemical sampling, critical to advancing the geological knowledge of the prospect. Extensive non-systematic rockchip sampling, predominantly float/grab samples due to limited outcrop was undertaken to characterise the iron rich rocks of the region.

The rockchip results (310 iron rich samples) indicate that the samples fall into three broad categories based on rock type and associated assay results; 1) massive magnetite, 2) goethitic/limonitic material, and 3) weathered magnetite gneiss with variable iron/silica content. The massive magnetite group is characterised by high iron values between 60-69% Fe with associated low silica, alumina, phosphorus and loss on ignition (LOI) values. The goethitic/ limonitic group has an iron range of 45-60% Fe with varying levels of silica, alumina, phosphorus and LOI. Iron values of the weathered magnetite gneiss group have a range of 29-45% Fe (average 37% Fe) with associated silica ranging from 14-51% SiO₂ (average 38% SiO₂).

Figure 5 shows the location of all Eseka rockchip samples with iron results plotted over an aeromagnetic image (analytical signal of total magnetic intensity). This diagram shows three "clusters" containing high grade samples of >60% Fe predominantly associated with massive magnetite.

REPROCESSING OF AEROMAGNETIC DATA

Reprocessing of the aeromagnetic data has been completed aimed at highlighting features with the highest magnetic intensity, see Figure 3. This reprocessing has outlined numerous linear magnetic features interpreted to represent metamorphic banding associated with magnetite bearing gneiss or possibly stratigraphic units of itabirite.

As well as defining these linear features, the magnetic image also identifies areas with structural complexity related to folding and faulting. These structural sites are very important, as they may represent locations with high grade hematite formation due to supergene/alteration processes.

NEW EXPLORATION PERMIT GRANTED

Exploration permit EP221 ("Ngoyang2") was officially granted to Legend's 90% owned subsidiary Camina covering an area of 667km² on 17 December 2010. The permit is located immediately south of EP144 at the Ngovayang Project and increases the project's contiguous area to 2,972km², see Figure 3.

With the permission of the relevant authorities, the area of EP221 was included in Legend's regional aeromagnetic/radiometric survey completed in February 2010. Results from the survey confirmed the permit's prospectivity for iron ore, clearly showing the southerly continuation of magnetic units identified to the north on EP144, see Figure 3.

DIAMOND DRILLING PROGRAMME

Based on geological reconnaissance over strong aeromagnetic features, rockchip sampling and topographic factors, nine targets were identified for drill testing, see Figure 3. A 5,000m diamond drilling programme utilising a man portable rig commenced at Eseka on 4 August 2010, before heavy seasonal rain forced the drilling to be suspended on 28 September 2010.

Prior to the suspension, a total of 15 holes for 707.66m were completed over the Hill 464 and Alpha prospects in the Eseka region, see Table 1. The drilling was targeting a combination of aeromagnetic and topographic highs associated with +50% Fe rockchip sample results.

Directors' Review of Activities

TABLE 1 – DIAMOND DRILLHOLE DETAILS

Hole ID	Easting	Northing	Prospect	Dip/Azimuth	Final Depth
NESD001	696367	399748	Hill 464	-60/270	90.28
NESD002	696407	398095	Hill 464	-90/000	19.65
NESD003	696538	398530	Hill 464	-90/000	40.23
NESD004	696470	399672	Hill 464	-90/000	19.43
NESD005	696233	397114	Hill 464	-90/000	36.02
NESD006	696501	398001	Hill 464	-90/000	21.02
NESD007	696594	397999	Hill 464	-90/000	22.62
NESD008	696690	397800	Hill 464	-90/000	38.83
NESD009	697000	399157	Hill 464	-90/000	71.88
NESD010	695024	399363	Alpha	-90/000	80.04
NESD011	695675	400197	Alpha	-90/000	71.92
NESD012	695175	399799	Alpha	-90/000	42.09
NESD013	695335	398813	Alpha	-90/000	56.91
NESD014	695300	398810	Alpha	-90/000	46.28
NESD015	695361	399653	Alpha	-90/000	50.46

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

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

The drilling intersected a sequence of up to 10m of ferruginous saprolite overlying a highly oxidised package of metasediment, including altered ferruginous quartzite containing thin magnetite rich units. The thickness and iron grades (indicative grades from the Niton XRF analyser) of these units are not sufficient to be economic. The metasediments unconformably overlie a package of alternating magnetite gneiss and garnet gneiss followed by a zoned quartzite unit.

The aeromagnetic features tested by the drilling at Hill 464 and Alpha can be explained by the combined effects of the abundant magnetite found either in the metasedimentary sequence or in the magnetite gneiss.

REGIONAL RECONNAISSANCE

First pass regional reconnaissance by the eight man geological team has been completed over strong aeromagnetic features in the southern part of the Ngovayang Project area. This work was aimed at identifying surficial evidence of iron deposits associated with coincident magnetic and topographic highs.

Early observations from a number of areas are sufficiently encouraging to warrant follow up programmes including vehicular access tracks to facilitate geological mapping and geochemical sampling and ultimately drilling. Any high priority areas identified during this work will be fast tracked to the drill testing stage. This reconnaissance work is very challenging and time consuming given the rugged terrain and thick vegetation, however because of these factors, limited if any reconnaissance has been undertaken previously.

SUBSEQUENT TO REPORT DATE

Drilling recommenced at the Hill 335 prospect in the Eseka region on 28 January 2011 and first results were released to the ASX on 14 March 2011.

Legend acquired the Tapare Gold Project in east Cameroon with details released to ASX on 3 March 2011.

Directors' Review of Activities

PILBARA PROJECT

(NICKEL-COPPER, ZINC-COPPER, COPPER-GOLD, IRON ORE)

Legend's Pilbara Project area lies between 7km and 50km south of Karratha in the northwest of Western Australia (Figure 1). The company holds exploration rights through granted tenements, tenement applications and joint venture agreements over 686km² 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 PL	103
Munni Munni Joint Venture: East Coast Minerals NL 69.88% - Legend 30.12%	18
TOTAL	686

Exploration activities completed by Legend to date have confirmed both the base metal and magnetite iron ore potential of the Project, as shown on Figure 6 and summarised below.

- 14 priority base metal drill targets (airborne and ground electromagnetic features).
- Magnetite "Exploration Target" of 600Mt – 1,000Mt^{1,2} at an expected grade of 25-35% Fe.

¹ Southern Geoscience Consultants consider the global tonnage estimate of 800Mt to be broadly indicative at best, potentially accurate to ±25% (600Mt to 1,000Mt), however should be considered accurate to ±50% (400Mt to 1,200Mt) for planning purposes. The tonnage estimate is calculated down to a vertical depth of 200m below surface and assumes a density of 3.3g/cm³.

² Exploration Targets are conceptual in nature and it is uncertain if further exploration or feasibility will result in the determination of a Mineral resource or Reserve.

Follow-up of these targets, including drill testing, was not possible during 2010 due to continued delays in negotiating terms of a Heritage Agreement with the Ngarluma Aboriginal Corporation.

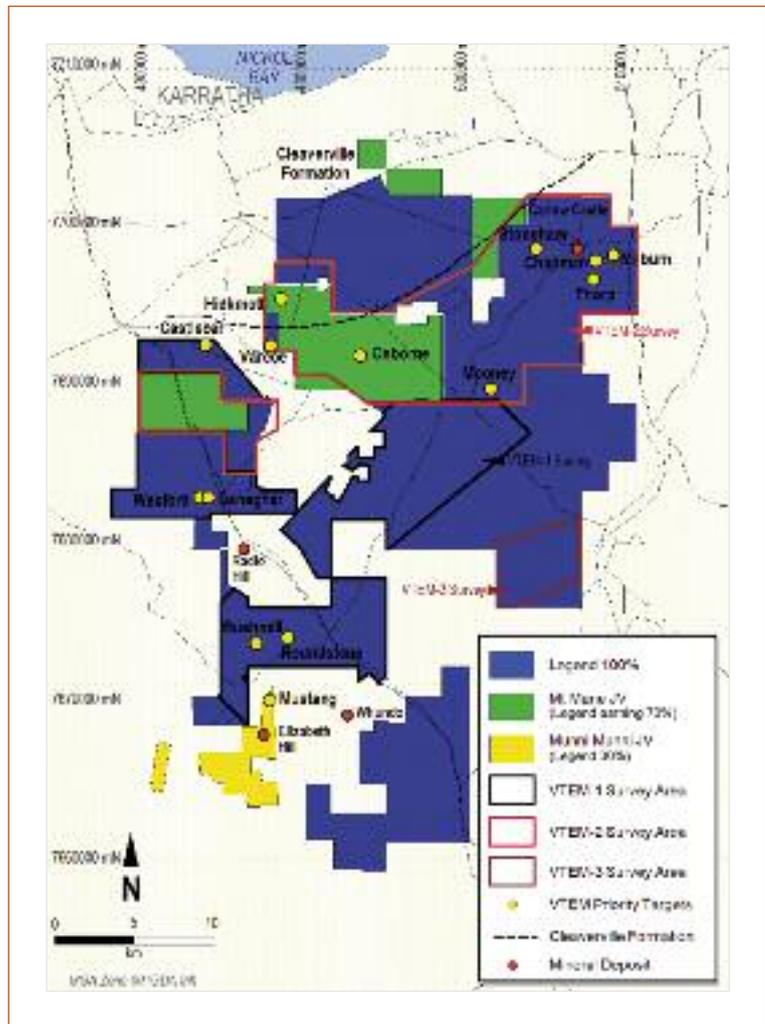


FIGURE 6: PILBARA PROJECT SHOWING VTEM ANOMALIES AND CLEAVERVILLE FORMATION

Directors' Review of Activities

MUNNI MUNNI JV (LEGEND 30%, EAST COAST MINERALS NL 70%)

During 2010, joint venture partner and manager East Coast Minerals NL completed a seventeen hole RC drilling programme (2,602m) in the area north of the historic Elizabeth Hill silver mine. The drilling was targeting geophysical features identified by sub-audio magnetic (SAM) and electromagnetic (EM) surveys completed in 2009.

Results from the drilling returned broad zones with anomalous silver values (see below), however individual assays did not get above 6.8g/t Ag over 4m composited intervals.

- 32m @ 4g/t Ag from 72m in hole DH14
- 44m @ 4.1g/t Ag from 24m in hole DH15
- 16m @ 5.4g/t Ag from 44m in DH17

Full details of this drilling programme were reported to the ASX by East Coast Minerals in the March 2010 and June 2010 Quarterly Reports, released on 29 April and 27 July 2010 respectively.

MT GIBSON

(ZINC-COPPER, GOLD)

The Mt Gibson Project is located 290km northeast of Perth in Western Australia (Figure 1), and lies within the Yalgoo-Singleton Greenstone Belt in the southern Murchison Province, which hosts the world-class Golden Grove VHMS base metal deposit 100km to the north.

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 (see breakdown below). The gold operation remains on care and maintenance.

JORC Classification	Tonnes (t)	Grade (g/t)	Contained Gold (ozs)
Measured	0	0	0
Indicated	8,673,500	1.96	547,200
Inferred	80,500	4.55	11,800
Total	8,754,000	1.98	559,000

During 2010 Legend continued the decommissioning work over the Mt Gibson plant and mill infrastructure site. An extensive rehabilitation programme involved the removal of the plant's concrete footings and the ripping/moonscaping of the entire four hectare site. Revegetation trials over the tailings dam facility were also undertaken and are showing encouraging results, which could ultimately reduce the environmental bonds.



Rehabilitation activity on tailings dam – Mt Gibson

Directors' Review of Activities

GUM CREEK PROJECT

(NICKEL-COPPER-PLATINUM GROUP ELEMENTS, IRON ORE)

The Gum Creek Project is located 640km northeast of Perth, Western Australia (Figures 1 & 7) and comprises a land holding of 696km² in the Gum Creek Greenstone Belt. The Project is considered prospective for intrusion-related (Ni-Cu-PGE), komatiite flow-related (Ni) sulphide mineralisation and banded iron formation (BIF) hosted iron ore.

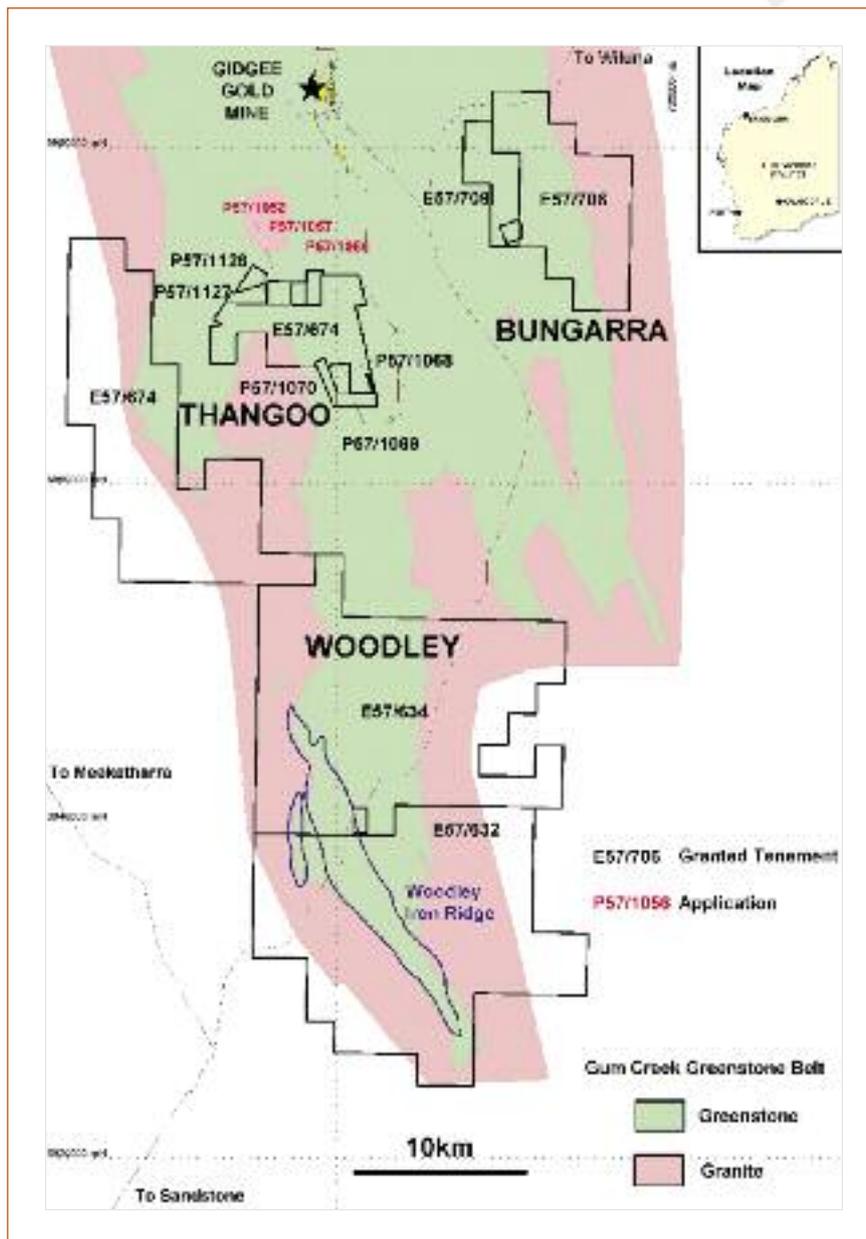


FIGURE 7: GUM CREEK PROJECT

Directors' Review of Activities

MAGNETIC MODELLING – WOODLEY PROSPECT

Magnetic modelling evaluating the magnetite potential of the Woodley prospect was completed by independent geophysical consultants, Southern Geoscience Consultants (SGC). The results were reported by Legend to the ASX on 28 June 2010.

Forward-modelling (35 forward models) and 3D-inversion modelling (one model) techniques were used by SGC to model 100m line spaced aeromagnetic data over the Woodley BIF. The magnetic modelling was aimed at providing estimates of the thickness, depth to top and magnetic properties of the BIF, then using these estimates to calculate a volume and tonnage for the BIF.

The modelling focussed on a 20km strike length of BIF and indicated the potential for a range of 1.75-3.25Bt^{1,2} of magnetite. An expected grade of 30-40% Fe (average 34%) is considered likely based on 48 non-systematic rockchip samples of outcropping BIF taken by Legend and reported previously to the ASX on 4 August 2008. An aeromagnetic image of the total magnetic intensity with rockchip sample iron results is shown on Figure 8.

- ¹ SGC consider the global tonnage estimate to equate to 2.5Bt with a perceived error of ±30% (1.75Bt to 3.25Bt). The tonnage estimate is calculated down to a vertical depth of 250m below surface and assumes a density of 3.3g/cm³.
- ² Exploration Targets are conceptual in nature and it is uncertain if further exploration or feasibility will result in the determination of a Mineral resource or Reserve.

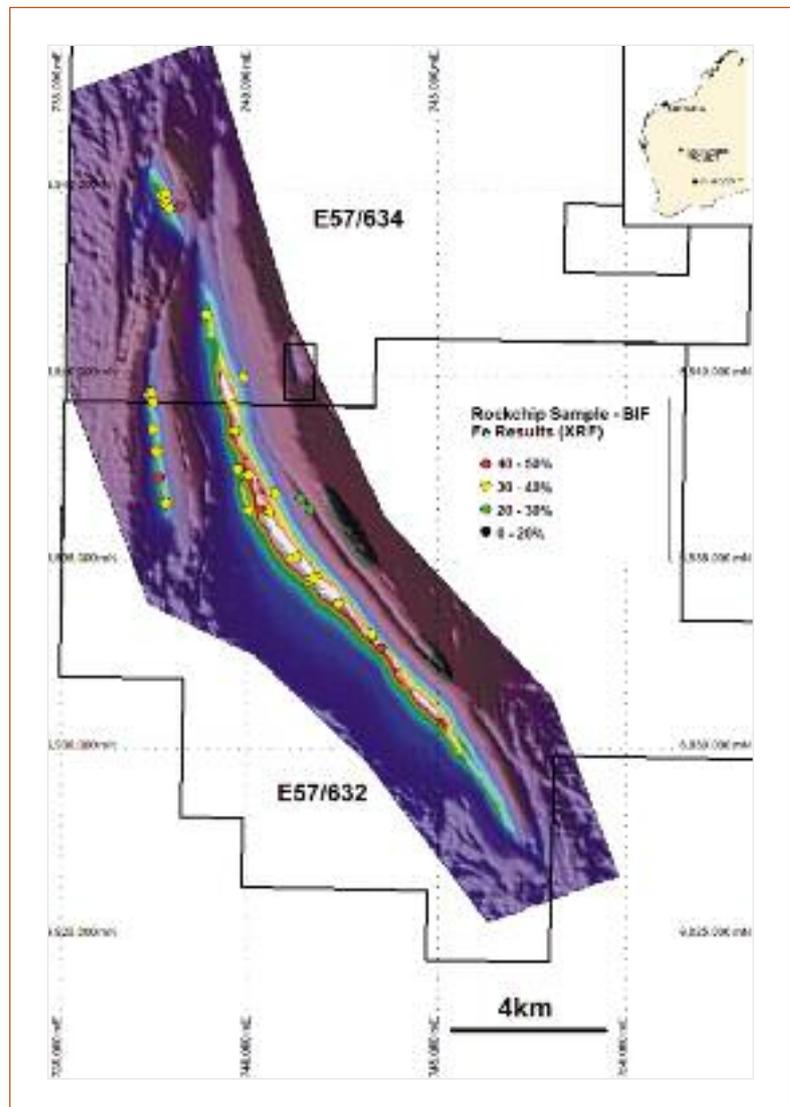


FIGURE 8: WOODLEY PROSPECT – BIF ROCKCHIP SAMPLE RESULTS (FE%) OVER TOTAL MAGNETIC INTENSITY

Directors' Review of Activities



WOODLEY PROSPECT –
BANDED IRON
FORMATION



Directors' Review of Activities

WEST BUNGARRA JV – E57/709

(Legend 70%, Gateway Mining Ltd 30%)

Three RC holes (LBMC001-003) for 343m were completed at the Black Mamba prospect during June 2010. Details of the drillholes are provided in Table 2 below.

TABLE 2: BLACK MAMBA RC DRILLING DETAILS

Hole	Easting MGA_94	Northing MGA_94	Dip	Azimuth	Depth
LBMC001	750140	6974400	-60	0	121
LBMC002	749890	6974500	-60	0	126
LBMC003	749943	6974548	-60	225	96
Total					343

The drilling was targeting two moderate to strong ground EM conductors in an area where previous rockchip sampling returned a maximum value of 0.38g/t Au. The EM conductors were explained in the drilling by the presence of semi-massive sulphide zones with downhole thicknesses of 3m and 6m respectively.

Multi-element and gold assay results were received from all drillholes, with only LBMC003 returning anomalous intervals of; 4m @ 0.13g/t Au from 64m and 4m @ 0.18g/t Au from 72m. The 4m @ 0.18g/t Au interval coincides with the 6m zone containing semi-massive sulphide, however no associated anomalous base metal values were noted. No further work is planned at the prospect.

PROJECT DIVESTMENT

Following a full review of all exploration data over the Gum Creek Project, Legend decided to divest its interests in the Project, via tenement sales and the withdrawal from the West Bungarra JV.

In April 2010, Legend signed a Sale Agreement with Nemex Pty Ltd, a company associated with Mr Bruce Legendre, whereby Legend sold its interests in the 'Thangoo' group of tenements (E57/674, P57/1058, 1068, 1069, 1070, 1244, PLA57/1056) to Nemex Pty Ltd for \$10,000.

Legend withdrew from the West Bungarra JV with Gateway Mining Limited (Gateway) on 29 September 2010, thereby handing 100% of E57/709 to Gateway. Within the same transaction, Legend sold E57/706 to Gateway for \$50,000. These two tenements comprised Legend's Cu-Ni-PGE Bungarra Project area.

Legend announced to the ASX on 2 November 2010 the sale of its last Gum Creek Project assets with the signing of a Sale Agreement with Nemex Resources Limited ("Nemex") over the Woodley tenements (E57/632 & E57/634). Under the terms of the agreement, Legend will receive 3.3 million fully paid Nemex shares, 1.65 million options and \$100,000 cash reimbursement. The transaction is conditional upon Nemex successfully completing a capital raising and obtaining approval to list on the ASX.

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

The information on Mineral Resources at Mt Gibson contained above is based on data compiled by Dr S Carras of Carras Mining Pty Ltd, a Fellow of The Australian Institute of Mining and Metallurgy. Dr Carras has sufficient experience which is relevant to the style of mineralisation and type of deposits 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.

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; and
- 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

Corporate Governance Statement

1. BOARD OF DIRECTORS (continued)

1.3 COMPOSITION OF THE BOARD (continued)

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,

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.

Corporate Governance Statement

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; and
- attendance at Legend's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

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 8.1. 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.

Corporate Governance Statement

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 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.

3.2 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.

4. 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.

5. 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; and
- 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.

Corporate Governance Statement

6. RESPECT THE RIGHTS OF SHAREHOLDERS

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.

7. 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.

8. REMUNERATE FAIRLY AND RESPONSIBLY

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 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 2010.

1. DIRECTORS

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

- Michael Atkins (Chairman, Non Executive Director)
- Mark Wilson (Managing Director)
- Dermot Ryan (Non Executive Director)

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

MICHAEL ATKINS is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Mr Atkins was a founding partner of a national Chartered Accounting practice from 1979 to 1987.

Between 1987 and 1998 he was involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa. From 1990 to 1995 he was managing director and later a non-executive director of Claremont Petroleum NL and Beach Petroleum NL during their reconstruction, and then remained as a non executive director until 1995. He was also founding executive chairman of Gallery Gold Ltd until 1998, and remained a non executive director until 2000.

Since February 2009 Mr Atkins has been a Director – Corporate Finance at Patersons Securities Limited where he advises on the formation of, and capital raising for, emerging companies in the Australia resources sector.

He is currently non-executive chairman of Australian listed companies Westgold Resources Ltd and Azumah Resources Ltd.

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

- Matsa Resources Ltd (resigned 30 November 2009)

MARK WILSON is a Member of the Institution of Engineers, Australia and a Chartered Professional Engineer with an Associateship in Civil Engineering from Curtin University in Western Australia. He has an extensive business background, mainly in corporate management and project engineering. This has included site management of remote construction projects, ten years of commercial construction as a founding proprietor of a Perth based company and the past nineteen years in executive, non-executive, consulting and owner roles in resource focused companies. On 2 July 2010, Mr Wilson became and is currently a non executive director of ASX listed company Eureka Energy Limited ("EKA"). He served as a director of Duketon Goldfields NL in 1995/1996 and of Cambrian Resources NL (Servicepoint Ltd) from 1999 to 2003.

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

On 14 October 2008, Mr Ryan became an executive director of ASX listed company Revere Mining Limited, which subsequently changed its name to Enterprise Metals Limited ("ENT") on 4 December 2008. With the exception of ENT, Mr Ryan has not served as a director of any other publicly listed companies.

Directors' Report

TONY WALSH (Joint 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 a Fellow of Chartered Secretaries Australia, an Associate Member of the Institute of Chartered Accountants in Australia and the Financial Services Institute of Australia.

BRETT WHITE (Joint Company Secretary) is a member of the Certified Practising Accountants in Australia and holds a bachelor of commerce degree. He has over ten years experience in the fields of Taxation and Company Accounting.

Mr White has been with Legend Mining for the past four and a half years in the role of CFO/Financial Controller and also consults to a number of public companies in the resource sector.

3. EARNINGS PER SHARE

Basic profit per share:	0.075 cents
Diluted profit per share:	0.075 cents

4. DIVIDENDS

No dividend has been paid or recommended during the financial year.

5. CORPORATE INFORMATION

CORPORATE STRUCTURE

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



NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

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

EMPLOYEES

The consolidated entity had a staff of 27 employees at 31 December 2010 (2009: 7 employees).

Directors' Report

6. OPERATING AND FINANCIAL REVIEW

RESULTS OF OPERATIONS

The net profit after income tax of the consolidated entity for the year was \$1,124,126 (2009: loss \$5,414,373).

REVIEW OF OPERATIONS

The Directors' Review of Activities for the year ended 31 December 2010 is contained on pages 3 to 14 of the Annual Report.

SUMMARISED OPERATING RESULTS

Exploration Expenditure Write-Off: Deferred expenditure on tenements surrendered or withdrawn during the year amounted to \$329,180 and was expensed to the income statement (2009: \$270,571).

Deferred Exploration Costs: Total deferred expenditure on tenements capitalised during the year amounted to \$5,445,823 (2009: \$3,459,197).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2010 Legend has:-

- Exercised its right to acquire 90% of Camina SA (please see note 26 for further details);
- Conducted a capital raising in January 2010, receiving \$3,180,000 net of cash capital raising costs for the allocation of 120,000,000 ordinary shares;
- Conducted treasury operations during 2010, realising a net capital gain of \$499,037; and
- The fair value gain on investments in other listed entities during the year amounted to \$3,015,420.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

10. SHARE OPTIONS

UNISSUED SHARES

As at the date of this report, there were 1,239,900,000 unissued ordinary shares under options. Refer to note 17 for further details of the options outstanding.

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

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year, no options were converted to acquire ordinary shares.

Directors' Report

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

- (a) Changes in share price of Independence Group NL.

On 29 March 2011, the share price of Independence Group NL ("IGO") has declined from \$7.95 at 31 December 2010 to \$6.35. This results in a reduction in the fair value of Legend Mining Limited's investment in IGO of \$1,706,667 based on the number of shares held at 31 December 2010.

- (b) Drilling recommenced at the Hill 335 prospect in the Eseka region on 28 January 2011 and first results were released to the ASX on 14 March 2011.

- (c) Legend acquired the Tapare Gold Project in east Cameroon with details released to ASX on 3 March 2011.

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

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

12. REMUNERATION REPORT (AUDITED)

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

DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

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

(ii) Executives

- F Mabou Camina Managing Director (Camina acquisition 4 February 2010)
- T Walsh Company Secretary
- D Waterfield Exploration Manager (resigned 21 January 2011)
- P Petrovic Systems Administrator

COMPENSATION PHILOSOPHY

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

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

- Provide competitive rewards to attract high-caliber executives.

REMUNERATION COMMITTEE

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

COMPENSATION STRUCTURE

In accordance with best practice corporate governance, the structure of non executive director and senior manager remuneration is separate and distinct.

Directors' Report

12. REMUNERATION REPORT (continued)

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.

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.

Directors' Report

EMPLOYMENT CONTRACTS

The Managing Director, **Mr Mark Wilson**, is employed under contract. The current employment contract commenced on 1 July 2010 and terminates on 30 June 2011 at which time the Company may choose to commence negotiations to enter into a new employment contract. The significant terms of the contract are:

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

Mr Michael Atkins, is employed under contract. The current contract commenced on 1 July 2009. The significant terms of the contract are:

- Mr Atkins receives a fixed fee of \$66,000 per annum (including superannuation) as remuneration for service;
- Mr Atkins' appointment is contingent upon satisfactory performance and successful re-election by shareholders of the Company;
- Mr Atkins may resign from his position and thus terminate his contract by giving one month written notice; and
- The Company may terminate Mr Atkins' contract by way of resolution of the Company.

Mr Dermot Ryan, is employed under contract. The current contract commenced on the 1 October 2006. The significant terms of the contract are:

- Mr Ryan receives a fixed fee of \$40,000 per annum (including superannuation) as remuneration for service;
- Mr Ryan's appointment is contingent upon satisfactory performance and successful re-election by shareholders of the Company;
- Mr Ryan may resign from his position and thus terminate his contract by giving one month written notice; and
- The Company may terminate Mr Ryan's contract by way of resolution of the Company.

Mr Francis Mabou, was employed under contract. His contract commenced on 5 February 2010. The significant terms of the contract are:

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

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

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

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

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

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

Directors' Report

12. REMUNERATION REPORT (continued)**EMPLOYEE SHARE OPTION PLAN**

The Board has in place an Employee Share Option Plan allowing share options to eligible employees in order to provide them with an incentive to provide growth and value to all shareholders.

COMPENSATION OF KEY MANAGEMENT PERSONNEL FOR YEAR ENDED 31 DECEMBER 2010

Name	Year	Short term Salary and Fees \$	Post Employment Superannuation \$	Share based payments options \$	Movements in LSL \$	Total \$	% of compensation granted as options	% of performance related remuneration
Director								
M Atkins	2010	60,550	5,450	-	-	66,000	-	-
(Windamurah P/L)	2009	63,275	2,725*	177,853	-	243,853	73%	-
M Wilson	2010	209,126	50,000	-	-	259,126	-	-
(Hostyle P/L)	2009	187,219	75,000	1,956,379	-	2,218,598	88%	-
D Ryan	2010	-	40,000	-	-	40,000	-	-
	2009	-	40,000	-	-	40,000	-	-
Executive								
F Mabou	2010	99,450	-	-	-	99,450	-	-
	2009	-	-	-	-	-	-	-
T Walsh & B White	2010	117,975 [^]	-	-	-	117,975	-	-
	2009	122,525 [^]	-	-	-	122,525	-	-
D Waterfield	2010	152,922	15,276	-	(16,973)+	151,225	-	-
	2009	171,260	15,276	63,399	4,243	254,178	25%	-
P Petrovic	2010	87,010	-	-	-	87,010	-	-
	2009	67,640	-	21,133	-	88,773	24%	-
Total	2010	727,033	110,726	-	(16,973)	820,786	-	-
	2009	611,919	133,001	2,218,764	4,243	2,967,927	-	-

* On 1 July 2009 Mr Michael Atkins commenced as an employee and received 9% compulsory superannuation.

[^] An amount of \$112,275 (2009: \$100,125) is included in this figure for the provision of fees for Mr Brett White the company's joint company secretary and chief financial officer, who is a subcontractor to Mr Tony Walsh. In addition Mr Brett White received 1,000,000 options directly in 2009, valued at \$21,133 which are not included in the above remuneration table.

+ Mr Derek Waterfield resigned on 21 January 2011

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION 2010 TO DIRECTORS AND EXECUTIVES.

No options have been granted to directors or executives from 1 January 2010 to the date of this report.

Directors' Report

DETAILS OF VESTING PROFILES OF OPTIONS GRANTED AS REMUNERATION TO EACH DIRECTOR AND EXECUTIVES OF THE COMPANY.

31-Dec-09 Name	No. of Options	Grant Date	% Vested in the year	% forfeited in year	Financial years in which grant vests (Year ended)	Value yet to vest \$
Directors						
M Atkins	5,000,000	4 Dec 2009	100%	-	31 Dec 2009	-
M Wilson	55,000,000	4 Dec 2009	100%	-	31 Dec 2009	-
Executive						
D Waterfield	3,000,000	18 Dec 2009	100%	-	31 Dec 2009	-
P Petrovic	1,000,000	18 Dec 2009	100%	-	31 Dec 2009	-

EXERCISE OF OPTIONS GRANTED AS COMPENSATION

31-Dec-10 Name	Balance at beginning of year 1 Jan 2010	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2010	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
M Atkins	5,000,000	-	-	-	5,000,000	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000	-	55,000,000
Executive							
T Walsh	500,000	-	-	-	500,000	-	500,000
D Waterfield	4,000,000	-	-	-	4,000,000	-	4,000,000
P Petrovic	1,300,000	-	-	-	1,300,000	-	1,300,000
Total	65,800,000	-	-	-	65,800,000	-	65,800,000

31-Dec-09 Name	Balance at beginning of year 1 Jan 2009	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2009	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
M Atkins	500,000	5,000,000	-	(500,000)	5,000,000	-	5,000,000
M Wilson	-	55,000,000	-	-	55,000,000	-	55,000,000
Executive							
T Walsh	500,000	-	-	-	500,000	-	500,000
D Waterfield	1,000,000	3,000,000	-	-	4,000,000	-	4,000,000
P Petrovic	300,000	1,000,000	-	-	1,300,000	-	1,300,000
Total	2,300,000	64,000,000	-	(500,000)	65,800,000	-	65,800,000

During the year, no shares were issued on exercise of options previously granted as compensation.

Directors' Report

12. REMUNERATION REPORT (continued)

VALUE OF OPTIONS AWARDED, EXERCISED AND LAPSED DURING THE YEAR

No options were granted as compensation to directors and key management personnel in 2010.

31-Dec-09 Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Directors				
M Atkins	177,853	-	-	73%
M Wilson	1,956,379	-	-	88%
D Ryan	-	-	-	-
Executive				
T Walsh	-	-	-	-
D Waterfield	63,399	-	-	25%
P Petrovic	21,133	-	-	24%
Total	2,218,764	-	-	-

OPTION HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

31-Dec-10	Balance 1-Jan-10	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-10
Directors					
M Atkins	-	-	-	-	-
M Wilson	-	-	-	-	-
D Ryan	-	-	-	-	-
Executives					
T Walsh	-	-	-	-	-
D Waterfield	-	-	-	-	-
P Petrovic	-	-	-	-	-
31-Dec-09					
	Balance 1-Jan-09	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-09
Directors					
M Atkins	-	-	-	-	-
M Wilson	-	-	-	-	-
D Ryan	-	-	-	-	-
Executives					
T Walsh	-	-	-	-	-
D Waterfield	-	-	-	-	-
P Petrovic	-	-	-	-	-

Directors' Report

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

31-Dec-10	Balance 1-Jan-10	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-10
Directors					
M Atkins	5,000,000	-	-	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000
D Ryan	-	-	-	-	-
Executives					
F Mabou	*71,200,000	-	-	-	71,200,000
T Walsh	500,000	-	-	-	500,000
D Waterfield	4,000,000	-	-	-	4,000,000
P Petrovic	1,300,000	-	-	-	1,300,000
	137,000,000	-	-	-	137,000,000

*Opening balance at 4 February 2010.

31-Dec-09	Balance 1-Jan-09	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-09
Directors					
M Atkins	500,000	5,000,000	-	(500,000)	5,000,000
M Wilson	-	55,000,000	-	-	55,000,000
D Ryan	-	-	-	-	-
Executives					
T Walsh	500,000	-	-	-	500,000
D Waterfield	1,000,000	3,000,000	-	-	4,000,000
P Petrovic	300,000	1,000,000	-	-	1,300,000
	2,300,000	64,000,000	-	(500,000)	65,800,000

SHAREHOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

*Opening balance at 4 February 2010.

Directors' Report

12. REMUNERATION REPORT (continued)**SHAREHOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)**

31-Dec-09	Balance 1-Jan-09	Granted as compensation	On exercise of options	Net change	Balance 31-Dec-09
Directors					
M Atkins (Windamurah P/L) (Alkali Exploration P/L)	1,558,334	-	-	-	1,558,334
M Wilson (Chester Nominees WA P/L)	26,100,000	-	-	3,900,000	30,000,000
D Ryan (Enterprise Family Trust)	16,025,000	-	-	(15,000,000)	1,025,000
Executives					
T Walsh	200,000	-	-	-	200,000
D Waterfield	1,000,000	-	-	-	1,000,000
P Petrovic	200,000	-	-	-	200,000
	45,083,334	-	-	(11,900,000)	33,983,334

OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

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 \$117,975 (2009: 122,525).

During the year Success Business Management (an entity associated with Mr P Petrovic) received fees for the provision of consulting services to the Company. The aggregate amount charged for such services and expenses was \$87,010 (2009: 67,640).

13. 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	10
Mark Wilson	10	10
Dermot Ryan	10	10

14. DIRECTORS' INTERESTS

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

Name	Ordinary shares	Options over ordinary shares
M Atkins (Windamurah P/L), (Alkali Exploration P/L)	1,558,334	5,000,000
M Wilson (Chester Nominees WA P/L)	35,000,000	55,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-

Directors' Report

15. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

NON-AUDIT SERVICES

There were no non-audit services provided by the Company's auditor, Stantons International during the 2010 financial year.

We have received the Declaration of Auditor Independence from Stantons International, the Company's Auditor, this is available for review on page 73 and forms part of this report.

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



Michael Atkins

Chairman

Dated this 31st day of March 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 \$	2009 \$
Continuing Operations			
Rental revenue	4(a)	507,500	500,000
Finance revenue	4(b)	408,067	287,801
Other income	4(c)	3,661,189	5,067,720
Employee benefits expense	4(d)	(630,521)	(2,740,715)
Deferred exploration expenditure written off	4(e)	(329,180)	(270,571)
Other expenses	4(f)	(640,697)	(1,113,118)
Corporate head office expenses	4(g)	(1,098,098)	(6,249,386)
Finance costs	4(h)	(40,342)	(21,188)
Net profit/(loss) from continuing operations before income tax expense		1,837,918	(4,539,457)
Income tax benefit/ (expense)	6	(713,792)	(874,916)
Net profit/(loss) from continuing operations for the year		1,124,126	(5,414,373)
Other comprehensive income			
Movement in foreign currency translation reserve		(514,624)	-
Other comprehensive income for the year, net of tax		(514,924)	-
Total comprehensive income/(loss) for the year		609,502	(5,414,373)
Net profit/(loss) attributable to:			
Members of Legend Mining Limited		1,263,765	(5,414,373)
Non-controlling interest		(139,639)	-
		1,124,126	(5,414,373)
Comprehensive income/(loss) attributable to:			
Members of Legend Mining Limited		743,241	(5,414,373)
Non-controlling interest		(133,739)	-
		609,502	(5,414,373)
PROFIT/(LOSS) PER SHARE (cents per share)			
Basic profit/(loss) for the year	5	0.075	(0.447)
Diluted profit/(loss) for the year	5	0.075	(0.380)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	Notes	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,676,441	5,437,937
Trade & other receivables	9	105,785	512,844
Prepayments		88,113	52,832
Other financial assets	10	8,602,503	8,640,900
Assets of disposal group classified as held for sale		497,944	-
Total Current Assets		15,970,786	14,644,513
Non-current Assets			
Deferred tax asset	6	1,111,563	1,672,331
Other financial assets	10	1,548,061	1,546,050
Property, plant & equipment	11	725,014	292,840
Deferred exploration costs	12	10,649,056	7,918,433
Mineral rights acquisition costs	26	23,253,764	-
Total Non-current Assets		37,287,458	11,429,654
TOTAL ASSETS		53,258,244	26,074,167
LIABILITIES			
Current Liabilities			
Trade & other payables	13	325,467	347,375
Provisions	14	52,696	56,153
Total Current Liabilities		378,163	403,528
Non-current Liabilities			
Provisions	14	1,529,254	1,514,866
Deferred tax liability	6	3,030,540	2,862,757
Total Non-current Liabilities		4,559,794	4,377,623
TOTAL LIABILITIES		4,937,957	4,781,151
NET ASSETS		48,320,287	21,293,016
EQUITY			
Equity attributable to equity holders of the parent			
Contributed Equity	15	53,075,655	38,420,414
Reserves	16	21,789,151	10,545,911
Accumulated profits/(losses)		(26,409,544)	(27,673,309)
Total parent entity interest		48,455,262	21,293,016
Non controlling interests		(134,975)	-
TOTAL EQUITY		48,320,287	21,293,016

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		544,703	745,004
Payments to suppliers, subsidiaries and employees		(2,351,292)	(1,774,553)
Interest received		402,971	290,079
Finance costs		(40,342)	(21,188)
Tax paid		-	(10,128)
Net cash flows used in operating activities	20(ii)	<u>(1,443,960)</u>	<u>(770,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment & scrap		41,529	606,130
Purchase of property, plant & equipment	11	(594,772)	(80,790)
Payment for the purchase of investments		(1,681,643)	(5,504,947)
Proceeds from the sale of investments	4(c)	5,229,110	7,507,454
Payment for exploration and evaluation		(3,557,749)	(1,559,197)
Dividends received	4(c)	68,000	-
Payment for performance bonds		(2,011)	(2,448)
Net cash flows from/ (used in) investing activities		<u>(497,536)</u>	<u>966,202</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares and (refund) of options		3,180,000	(165)
Proceeds for shares to be issued		-	240,000
Net cash flows from financing activities		<u>3,180,000</u>	<u>239,835</u>
Net increase/(decrease) in cash and cash equivalents		1,238,504	435,251
Cash and cash equivalents at the beginning of year		<u>5,437,937</u>	<u>5,002,686</u>
Cash and cash equivalents at end of year	20	<u>6,676,441</u>	<u>5,437,937</u>

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Issued Capital \$	Foreign Currency Translation Reserve \$	Share Option Premium Reserve \$	Accumulated Losses \$	Non controlling interests \$	Total Equity \$
At 1 January 2010	38,420,414	-	10,545,911	(27,673,309)	-	21,293,016
Profit/(Loss) for the period	-	-	-	1,263,765	(139,639)	1,124,126
Other comprehensive income	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	(520,524)	-	-	5,900	(514,624)
Total comprehensive profit for the year	-	(520,524)	-	1,263,765	(133,739)	609,502
Acquisition of 90% of Camina	12,250,000	-	11,003,764	-	-	23,253,764
Non-controlling interest acquired	-	-	-	-	(1,236)	(1,236)
Share based payments	-	-	760,000	-	-	760,000
Issue of shares	3,360,000	-	-	-	-	3,360,000
Cost of issue of share capital	(954,759)	-	-	-	-	(954,759)
At 31 December 2010	53,075,655	(520,524)	22,309,675	(26,409,544)	(134,975)	48,320,287
At 1 January 2009	36,333,141	-	3,241,607	(22,258,936)	-	17,315,812
Loss for the period	-	-	-	(5,414,373)	-	(5,414,373)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(5,414,373)	-	(5,414,373)
Share based payments	-	-	7,304,304	-	-	7,304,304
Refund for overpayment of option	(165)	-	-	-	-	(165)
Issue of shares	1,900,000	-	-	-	-	1,900,000
Shares to be issued	°240,000	-	-	-	-	240,000
Cost of issue of share capital	*(52,562)	-	-	-	-	(52,562)
	-	-	-	-	-	-
At 31 December 2009	38,420,414	-	10,545,911	(27,673,309)	-	21,293,016

* This is related to the movement in the deferred taxation cost on the capital raising costs

° This is related to monies received for shares issued after 31 December 2009

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

NOTE 1: CORPORATE INFORMATION

The financial report of Legend Mining Limited (the Company) for the year ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 31 March 2011.

Legend Mining Limited is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries together referred to as the Group or consolidated entity.

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

Separate financial statements of Legend Mining Limited as an individual entity are no longer presented as the consequences of a change to the Corporations Act 2001, however required financial information for Legend Mining Limited as an individual entity is included in note 25.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

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

(b) STATEMENT OF COMPLIANCE

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

(c) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Changes in accounting policy on initial application of Accounting Standards

In the year ended 31 December 2010, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2010.

During the current reporting period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2010.

The accounting policies and methods of computation adopted in the preparation of the 2010 annual financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- The Group has adopted revised AASB3 Business Combinations and amended AASB 127 Consolidated and separate financial statements for business combinations occurring in the financial year starting after 1 January 2010. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no impact on earnings for the year.
- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

Notes to the Financial Statements

AASB 2009-5 introduces amendments to Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

Consequently, cash flows in respect of exploration costs that are capitalised have been reclassified from operating to investing activities in the consolidated statement of cash flows. Prior year amounts have been restated for consistent presentation.

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities except as disclosed below:

(i) Basis of consolidation

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

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

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

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

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

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

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the Consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interest's interest in the net assets comprises their interests at the date of the original business combination and their share of changes in equity since that date.

(ii) Significant accounting judgements, estimates and assumptions

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

Share-based payment transactions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

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

Notes to the Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(ii) Significant accounting judgements, estimates and assumptions (continued)**

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.

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.

Notes to the Financial Statements

(iv) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of that asset. All other borrowings costs are expensed as incurred.

(v) Cash and cash equivalents

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

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

(vi) Trade and other receivables

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

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

(vii) Other Financial Assets

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Notes to the Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) Other Financial Assets (continued)

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) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(ix) Deferred exploration costs

Deferred exploration and evaluation costs

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

Mining information is stated at cost.

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

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

Notes to the Financial Statements

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

Impairment

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

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

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

(x) Provisions

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

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

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

Rehabilitation provision

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

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

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

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

(xi) Revenue

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

Sale of goods

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

Interest income

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

Notes to the Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(xi) Revenue (continued)***Rental Income*

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

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

(xii) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax law used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

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.

Notes to the Financial Statements

(xiii) Other taxes

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

- where the amount of the GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.
- Receivables and payables are stated with the amount of GST included.

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

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

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

(xiv) Business Combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(xv) Trade and or other payables

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

(xvi) Interest bearing loans and borrowings

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

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

Notes to the Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Notes to the Financial Statements

(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.

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

(xx) Earnings per share

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

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

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

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

(xxi) Financial risk management objectives and policies

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

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

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

Fair value interest risk

The Group's exposure to fair value interest risk is minimal

Notes to the Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxi) Financial risk management objectives and policies (continued)

Foreign currency risk

As a result of significant operations in Cameroon, the Group's statement of financial position can be affected significantly by movements in the CFA\$/A\$ exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by monitoring exchange rates daily and only transferring funds at the best rate possible for each individual transaction.

Commodity price risk

The Group's exposure to price risk is minimal as the group is still in an exploration phase and has no revenues from mining.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

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

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk within acceptable parameters, while optimising the return.

To minimise the risk the Group's investments are of high quality and are publicly traded on the ASX. The investments are managed on a day to day basis so as to pick up any significant adjustments to market prices.

(xxii) Interest in a jointly controlled operation

The Group has three interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interest in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations. For details of joint ventures please refer note 24.

(xxiii) Foreign currency translation

(a) *Functional and presentation currency*

Both the functional and presentation currency of Legend Mining Limited, its Australian subsidiaries and Legend Iron BVI is Australian dollars (\$). The Cameroon subsidiary's functional currency is Cameroon francs which is translated to the presentation currency.

Notes to the Financial Statements

(b) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Translation of Group Companies' functional currency to presentation currency

The results of the Cameroon subsidiary are translated into Australian Dollars (presentation currency) at an average rate. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

If the Cameroon subsidiary were sold, the exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(xxiv) New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- *AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- *AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).*

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

Notes to the Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(xxiv) New accounting standards for application in future periods (continued)**

- *AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).*

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).*

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- *AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).*

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- *AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).*

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- *AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).*

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

Notes to the Financial Statements

- *AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7; AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] [applicable for annual reporting periods commencing on or after 1 July 2010].*

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- requiring that recognition and/or adjustment of contingent consideration for acquisitions preceding 1 July 2009 be recognised against the cost of acquisition;
- clarifying the accounting for replacement share-based payments awarded to the acquiree's employees as part of the cost of the combination service, or in the case of non-replaced and unvested share-based payments of the acquiree that do not form part of the exchange, an allocation to both the cost of acquisition and post-combination services on the basis of a market-based measure; and
- making sundry transitional amendments to various Standards.

This Standard is not expected to impact the Group.

- *AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and interpretation 13] applicable for annual reporting periods commencing on or after 1 January 2011).*

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This standard is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

NOTE 3: NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

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

Notes to the Financial Statements

	Note	2010 \$	2009 \$
NOTE 4: REVENUE AND EXPENSES			
Revenues and expenses from continuing operations			
a) RENTAL REVENUE			
Rental revenue		507,500	500,000
b) FINANCE REVENUE			
Bank interest received and receivable		408,067	287,801
c) OTHER INCOME			
Fair value gain on investments held for trading		3,015,420	4,040,040
Gain on disposal of property, plant & equipment	(i)	41,529	467,056
Profit on sale of investments	(ii)	499,037	-
Field work completed by Legend Geologists		31,048	4,818
Gold sales		-	44,883
Refunds from DOIR		-	1,000
Dividends received		68,000	125,000
Underwriting fees		-	90,000
Plant & equipment hire		6,155	16,500
		3,661,189	5,067,720
(i) Gain/(loss) on disposal of property, plant & equipment comprises:			
Proceeds on sale		41,529	567,708
Carrying value of assets disposed		-	(100,652)
		41,529	467,056
(ii) Profit/(loss) on sale of investments comprises:			
Proceeds on sale of listed shares		5,229,110	-
Carrying value of investments disposed		(4,730,073)	-
Gain on sale of listed shares		499,037	-
		499,037	-
d) EMPLOYEE BENEFITS EXPENSE			
Salaries & oncosts		616,656	575,819
Share based payments		-	2,146,576
Other employee benefits		13,865	18,320
		630,521	2,740,715
e) DEFERRED EXPLORATION EXPENDITURE WRITTEN OFF			
Write down of deferred exploration expenditure	12	329,180	270,571

Notes to the Financial Statements

	2010 \$	2009 \$
f) OTHER EXPENSES		
Depreciation	162,598	138,132
Foreign exchange loss	107,172	-
Impairment of goodwill	11,122	-
Rehabilitation expenses	354,418	224,733
Loss on sale of tenements (i)	5,387	-
Loss on sale of investments (ii)	-	750,253
	640,697	1,113,118
(i) Loss on disposal of tenements comprises:		
(Proceeds) on sale	(60,000)	-
Carrying value of assets disposed	65,387	-
	5,387	-
(ii) Loss on sale of investments comprises:		
(Proceeds) on sale of listed shares	-	(7,738,272)
Carrying value of assets disposed	-	8,488,525
Loss on sale of listed shares	-	750,253
	-	750,253
g) CORPORATE HEAD OFFICE EXPENSES		
Fees – Audit/Tax	113,396	90,321
Fees – ASX	61,854	27,010
Fees – Share registry	27,019	24,326
Consultancy Fees*	128,404	4,987,576
New project assessment	1,523	516,755
Office rent	202,623	127,208
Legal expenses	13,478	10,718
Travel expenses	167,560	33,017
Other expenses	382,241	432,455
	1,098,098	6,249,386
* <i>In 2009 this amount included the valuation of 140 million unlisted options given to consultants in regards to the Cameroon transaction amounting to \$4,979,875.</i>		
h) FINANCE COSTS	40,342	21,188

Notes to the Financial Statements

	2010	2009
	\$	\$
NOTE 5: PROFIT/(LOSS) PER SHARE		
(a) Reconciliation of earnings to net profit/(loss):		
Net Profit/(Loss)	1,263,765	(5,414,373)
Profit/(loss) used in the calculation of basic earnings per share	1,263,765	(5,414,373)
(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	1,692,501,486	1,212,227,513
Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	1,696,306,248	1,212,227,513
NOTE 6: INCOME TAX		
The major components of income tax expense are:		
Income Statement		
<i>Current income tax</i>		
Current income tax charge/(benefit)	-	10,128
Under/(Over) Provision of Prior Year	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary difference	713,792	864,788
Under/(Over) Provision of Prior Year	-	-
Income tax expense/(benefit) reported in the income statement	713,792	874,916
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before tax from ordinary activities	1,837,918	(4,539,457)
Accounting profit/(loss) before income tax	1,837,918	(4,539,457)
At the Group's statutory income tax rate of 30%	551,376	(1,361,837)
Expenditure not allowed for income tax purposes	272,368	2,353,580
Tax effect of writedown of intragroup loan	-	-
Non taxable income	-	-
Gross up of imputation credits	8,743	16,071
Recognition of tax losses arising from conversion of unused imputation credits	(16,285)	(24,428)
Utilisation of imputation credits to offset tax payable	(12,857)	(29,142)
Small & general business tax break	(11,984)	-
Under/(Over) Provision of Prior Year	-	-
Deductible equity raising costs	(77,569)	(79,328)
Income tax expense/(benefit) reported in the consolidated income statement	713,792	874,916
Income tax expensed directly to equity		
Relating to equity costs	14,759	52,562
Relating to equity settled transactions	-	-
Relating to equity securities available for sale	-	-
Deferred tax expense/(income) recognised in equity	14,759	52,562

Notes to the Financial Statements

	2010 \$	2009 \$
Current Income Tax	-	-
Deferred Income Tax		
Deferred income tax at 31 December related to the following:		
Consolidated		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(1,393,028)	(1,163,843)
Investments	(1,630,259)	(1,692,246)
Accrued interest income	(7,253)	(6,668)
Gross deferred income tax liabilities	(3,030,540)	(2,862,757)
Deferred tax assets		
Losses available to offset against future taxable income	432,222	174,724
Capital losses available to offset against future capital gains	-	793,337
Provision for rehabilitation	444,578	443,974
Other provisions	51,409	42,978
Impairment of property, plant & equipment	53,842	55,368
Share based costs on equity	84,036	98,795
Other	45,476	63,155
Gross deferred tax assets	1,111,563	1,672,331

TAX CONSOLIDATION

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

TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

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

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

NOTE 7: SEGMENT INFORMATION**OPERATING SEGMENTS**

The Consolidated Entity has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

Notes to the Financial Statements

NOTE 7: SEGMENT INFORMATION (continued)

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

Primary Reporting – geographical segments

The geographical segments of the consolidated entity are as follows:

	AUSTRALIA		WEST AFRICA		TOTAL	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Revenue	4,576,756	5,855,521	-	-	4,576,756	5,855,521
Segment Result	2,010,382	(4,008,316)	(886,256)	(531,141)	1,124,126	(4,539,457)
Segment Assets	47,613,605	23,778,430	5,644,639	2,295,737	53,258,244	26,074,167
Segment Liabilities	(4,853,215)	(4,781,151)	(84,742)	-	(4,937,957)	(4,781,151)

Segment revenues and expenses are those directly attributable to the segments and include those expenses incurred by head office where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash and cash equivalents, receivables, property, plant and equipment, investments in listed entities and capitalised exploration. Segment liabilities consist principally of payables, employee benefits, accrued expenses and provisions.

	2010 \$	2009 \$

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	2,676,441	2,437,937
Deposits-at call	4,000,000	3,000,000
	<u>6,676,441</u>	<u>5,437,937</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

NOTE 9: TRADE AND OTHER RECEIVABLES**Current**

Trade Receivables	44,832	226,775
Other Receivables	60,953	286,069
	<u>105,785</u>	<u>512,844</u>

Terms and conditions relating to the above financial instruments

- Trade receivables are non-interest bearing and generally on 30 day terms.
- Other receivables are non-interest bearing and have repayment terms of between 30 and 60 days.

Trade and other receivables are not past due and no impairment is required.

Notes to the Financial Statements

	2010 \$	2009 \$
NOTE 10: OTHER FINANCIAL ASSETS		
Current		
Shares in Accent Resources NL – at market value	-	232,500
Shares in Pilbara Minerals Ltd – at market value	122,500	-
Shares in Independence Group – at market value	8,480,003	8,408,400
	<u>8,602,503</u>	<u>8,640,900</u>
Non-current		
Performance and other bonds	1,548,061	1,546,050

Terms and conditions relating to the above financial instruments

- (a) Non-Current Rehabilitation/Performance bonds – bank deposits were held as security for rehabilitation and credit cards, as security for joint venture assets and security for Mt Gibson rehabilitation bonds. These deposits were held on 3 and 6 month term deposits at interest rates ranging from 2.2% to 6.0% per annum.
- (b) Shares in Pilbara Minerals Ltd – 1,750,000 Pilbara Minerals were on hand at 31 December 2010. The shares had a market value of \$0.07 each at 31 December 2010.
- (c) Shares in Independence Group – 1,066,667 Independence Group were on hand at 31 December 2010. The shares had a market value of \$7.95 each at 31 December 2010 (\$4.90 at 31 December 2009).
- (d) Shares in Accent Resources NL – 1,500,000 Accent Resources were on hand at 31 December 2009. The shares had a market value of \$0.155 each at 31 December 2009.

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments.

Notes to the Financial Statements

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Buildings \$	Plant and equipment \$	Total \$
At 1 January 2010			
net of accumulated depreciation	49,707	243,133	292,840
Additions	173,566	418,495	592,061
Acquisition of Camina SA (note 26)	-	2,711	2,711
Depreciation expense	(67,807)	(94,791)	(162,598)
At 31 December 2010			
Net of accumulated depreciation	163,536	561,478	725,014
At 1 January 2010			
Cost	284,040	602,354	886,394
Accumulated depreciation	(234,333)	(359,221)	(593,554)
Net carrying amount	49,707	243,133	292,840
At 31 December 2010			
Cost	457,606	1,036,300	1,493,906
Accumulated depreciation	(294,070)	(474,822)	(768,892)
Net carrying amount	163,536	561,478	725,014
At 1 January 2009			
net of accumulated depreciation	106,515	344,319	450,834
Additions	-	80,790	80,790
Disposals	-	(100,652)	(100,652)
Depreciation expense	(56,808)	(81,324)	(138,132)
At 31 December 2009			
Net of accumulated depreciation	49,707	243,133	292,840
At 1 January 2009			
Cost	284,040	706,276	990,316
Accumulated depreciation	(177,525)	(361,957)	(539,482)
Net carrying amount	106,515	344,319	450,834
At 31 December 2009			
Cost	284,040	602,354	886,394
Accumulated depreciation	(234,333)	(359,221)	(593,554)
Net carrying amount	49,707	243,133	292,840

Notes to the Financial Statements

	Note	2010 \$	2009 \$
NOTE 12: DEFERRED EXPLORATION COSTS			
Deferred exploration and evaluation		8,976,553	6,245,930
Deferred mining information		1,672,503	1,672,503
		<u>10,649,056</u>	<u>7,918,433</u>
(a) DEFERRED EXPLORATION AND EVALUATION COSTS			
At 1 January, at cost		6,245,930	3,057,304
Expenditure incurred during the year		5,445,823	3,459,197
Transfer of Camina acquisition deposit		(1,900,000)	-
Assets reclassified as held for sale		(497,944)	-
Expenditure acquired during the year	26	11,924	-
Expenditure written off during the year	12(i)	(329,180)	(270,571)
At 31 December, at cost	12(ii)	<u>8,976,553</u>	<u>6,245,930</u>
(b) DEFERRED MINING INFORMATION			
At 1 January, at cost		1,672,503	1,672,503
At 31 December, at cost	12(ii)	<u>1,672,503</u>	<u>1,672,503</u>

Note:

- (i) Carrying values for certain tenements were reviewed and subject to the following conditions being met;
- (1) no substantive expenditure for further exploration in the specific areas has been budgeted for;
 - (2) exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources;
 - (3) it was decided to discontinue such activities in the specific areas;
- it was decided to write off the carrying values (\$329,180) of the affected tenements.
- (ii) The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

2010	2009
\$	\$

NOTE 13: TRADE AND OTHER PAYABLES

Current – unsecured

Trade payables	121,765	50,440
Other payables and accruals	203,702	296,935
	<u>325,467</u>	<u>347,375</u>

Terms and conditions relating to the above financial instruments

- (i) Trade payables are non-interest bearing and normally settled on 30 day terms.
- (ii) Other payables are non-interest bearing and normally settled as they fall due.
- (iii) There are no trade payables past due for payment.

Notes to the Financial Statements

	2010 \$	2009 \$
NOTE 14: PROVISIONS 2010		
Current		
Employee benefits	52,696	56,153
Non Current		
Employee benefits	47,327	34,950
Provision for restoration – Pilbara	92,927	90,916
Provision for restoration – Mt Gibson	1,389,000	1,389,000
	1,529,254	1,514,866
Number of employees at year end	27	7
Movement in provision for restoration:		
Carrying amount at beginning of the year	1,479,916	1,477,468
Additional provision	2,011	2,448
Carrying amount at year end	1,481,927	1,479,916

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 15: CONTRIBUTED EQUITY

Ordinary shares		
Issued and fully paid	55,711,385	39,861,385
Shares to be issued	-	240,000
Issue costs	(2,635,730)	(1,680,971)
	53,075,655	38,420,414

	No	\$
Movement in ordinary shares on issue 2010		
At 1 January 2010	1,259,350,801	40,101,385
11-Jan-10 Issue of shares for cash	120,000,000	3,360,000
5-Feb-10 Issue of shares to acquire Cameroon Project	350,000,000	12,250,000
	1,729,350,801	55,711,385
Movement in ordinary shares on issue 2009		
At 1 January 2009	1,209,350,801	37,961,550
31-Mar-09 Refund for overpayment of options	-	(82)
17-Apr-09 Refund for overpayment of options	-	(83)
11-Dec-09 Issued as consideration on First Completion of Cameroon transaction	50,000,000	1,900,000
	1,259,350,801	39,861,385
31-Dec-09 Cash received for shares not yet issued (note 1)	-	240,000
	1,259,350,801	40,101,385

Notes to the Financial Statements

Note 1: On 29 December 2009 Legend announced a placement of 120 million new shares at \$0.03 per share largely to institutional clients of CPS Securities, to raise \$3.42 million net of capital raising costs. As at 31 December 2009 \$240,000 had been received.

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.

Foreign currency translation reserve \$	Share option premium reserve \$
--------------------------------------------------	------------------------------------------

NOTE 16: RESERVES

Movement in share option premium reserve in 2010

At 1 January 2009	-	3,241,607
Share based payments	-	7,304,304
At 31 December 2009	-	10,545,911
Share based payments	-	11,763,764
Foreign currency translation	(520,524)	-
At 31 December 2010	(520,524)	22,309,675

Share option premium reserve

The share option premium reserve is used to record the value of share based payments provided to employees, directors and contractors, as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the Financial Statements

	Number	Exercise price cents per share
NOTE 17: SHARE OPTIONS		
Unlisted options – Expiry date 22 May 2012		
At 1 January 2010	2,400,000	4.25cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>2,400,000</u>	4.25cents
Unlisted options – Expiry date 16 December 2014		
At 1 January 2010	9,000,000	5.30cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>9,000,000</u>	5.30cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2010	200,000,000	4 cents
Options issued	-	-
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>200,000,000</u>	4cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2010	-	-
Options issued	30,000,000	6cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>30,000,000</u>	6cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2010	-	-
Options issued	400,000,000	0cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>400,000,000</u>	0cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2010	-	-
Options issued	400,000,000	0cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>400,000,000</u>	0cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2010	-	-
Options issued	200,000,000	4cents
Options exercised	-	-
Options expired/lapsed	-	-
At 31 December 2010	<u>200,000,000</u>	4cents

Notes to the Financial Statements

NOTE 18: 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:

	2010 \$	2009 \$
Employee Share Option Plan	-	190,197
Expense arising from issue of 30 million options to brokers	760,000	-
Expense arising from issue of 140 million options to consultants	-	4,979,875
Expense arising from issue of 60 million options to directors	-	2,134,232
Expense arising from Share Based Option Plan	<u>760,000</u>	<u>7,304,304</u>

(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.

At a General Meeting on the 4 December 2009 shareholders approved the implementation of Employee Share Option Plan No 3. The new plan differs from the previous plans in that there is no 12 month vesting period on any new options received under plan No 3. There is a significant change in the context of recent proposals by the Federal Government to change the tax treatment of options issued under incentive schemes. Removal of the vesting period requirement allows the Board maximum flexibility to make offers of options on the terms of the plans appropriate at the time, having regard for the tax environment which the proposed participants find themselves in when an offer of options is received from the company.

The new plan will not affect options that were issued prior to the date of the General Meeting, which will remain governed by Employee Option Plan No 2, which was approved by shareholders in General Meeting dated 15 May 2007.

Expense Share Option Plan, 'ExSOP'

Share options were granted during the financial year, as opposed to cash payments for the following expenses:

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

Notes to the Financial Statements

NOTE 18: SHARE-BASED PAYMENT PLANS (continued)

(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:

	2010 No.	2010 WAEP (\$)	2009 No.	2009 WAEP (\$)
Outstanding balance at the beginning of the year	71,400,000	0.0417	2,400,000	0.0425
Granted during the year	-	-	69,000,000	0.0417
Expired/lapsed during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	71,400,000	0.0417	71,400,000	0.0417
Exercisable at the end of the year	71,400,000	0.0417	71,400,000	0.0417

The outstanding balance as at 31 December 2010 is represented by:

- (i) 2,400,000 options over ordinary shares with an exercise price of \$0.0425 each, exercisable from 22 May 2008 to 22 May 2012.
- (ii) 9,000,000 options over ordinary shares with an exercise price of \$0.053 each, exercisable from 16 December 2009 to 16 December 2014
- (iii) 60,000,000 options over ordinary shares with an exercise price of \$0.04 each, exercisable from 4 December 2009 to 4 February 2015

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

	2010 No.	2010 WAEP (\$)	2009 No.	2009 WAEP (\$)
Outstanding balance at the beginning of the year	140,000,000	0.040	-	-
Granted during the year	30,000,000	0.060	140,000,000	0.040
Exercised during the year	-	-	-	-
Outstanding at the end of the year	170,000,000	0.044	140,000,000	0.040
Exercisable at the end of the year	170,000,000	0.044	140,000,000	0.040

The outstanding balance as at 31 December 2010 is represented by:

- (i) 30,000,000 options over ordinary shares with an exercise price of \$0.06 each, exercisable immediately
- (ii) 140,000,000 options over ordinary shares with an exercise price of \$0.04 each, exercisable immediately.

(d) OPTION PRICING MODEL

ESOP and ExSOP

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

30 million Options issued to Cunningham Securities

Expected volatility (%)	100%
Risk-free interest rate (%)	5.38%
Expected life of option (days)	1826
Option exercise price (\$)	0.06
Share price at measurement date (\$)	0.036

Notes to the Financial Statements

NOTE 19: RELATED PARTIES**(i) WHOLLY-OWNED GROUP TRANSACTIONS**

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

(ii) OTHER RELATED PARTY TRANSACTIONS

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

Allowance for impairment on trade receivables

For the year ended 31 December 2010 the Company made a provision for impairment loss relating to amounts owed by related parties of \$353,010 (2009 (\$184,146)). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

(iii) ULTIMATE PARENT

Legend Mining Limited is the ultimate parent company.

(iv) LOANS TO RELATED PARTIES

Legend Mining Limited advanced/ (received) the following loans to/(from) its subsidiary companies during 2010.

	2010 \$	2009 \$
Gibson Metals Pty Ltd	278,121	383,129
Armada Mining Limited	49,293	(175,867)
Legend Cameroon Pty Ltd	(391,247)	410,024
Camina SA	6,968,646	-

The \$391,247 was transferred from Legend Cameroon Pty Ltd to Camina SA as a result on final completion occurring on 4 February 2010.

During the 2010 Legend Mining Cameroon Pty Ltd also advanced \$7,539 to Legend Mining BVI Ltd.

The balances outstanding to Legend Mining Limited at 31 December 2010 are as follows:

	2010 \$	2009 \$
Gibson Metals Pty Ltd	5,466,645	5,188,524
Armada Mining Limited	557,295	508,002
Legend Cameroon Pty Ltd	18,777	410,025
Camina SA	6,968,646	-
	13,011,363	6,106,551
Provision for impairment	(5,541,534)	(5,188,524)
Balance	7,469,829	918,027

As at 31 December 2010 Legend Mining BVI Ltd also owed \$7,539 to Legend Mining Cameroon Pty Ltd.

Notes to the Financial Statements

NOTE 20: CASH FLOW INFORMATION**(i) RECONCILIATION OF CASH**

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

	Note	2010 \$	2009 \$
Cash on hand		300	300
Cash at bank		2,676,141	2,437,637
Deposits at call		4,000,000	3,000,000
	8	<u>6,676,441</u>	<u>5,437,937</u>

(ii) RECONCILIATION OF NET PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

Net Profit/(Loss) after tax		1,124,126	(5,414,373)
Adjusted for:			
Net (Gain)/Loss on disposal of property, plant & equipment		(41,529)	(467,056)
Net (Gain)/Loss on sale of tenement		5,387	(278,423)
Depreciation		162,598	138,132
Dividends received		(68,000)	-
Foreign exchange loss		(515,858)	-
(Gain)/Loss on sale of investments		(499,037)	750,253
Fair value gain on investments		(3,015,420)	(4,040,040)
Deferred exploration expenditure written off		329,180	270,571
Income tax expense/(benefit)		713,792	874,916
Share options expensed		-	7,304,304
		<u>(1,804,761)</u>	<u>(861,716)</u>
<i>Change in assets and liabilities:</i>			
(Increase)/ decrease in prepayments		(35,281)	(40,368)
(Increase)/ decrease in receivables		407,059	(53,962)
(Decrease)/Increase in provision for annual leave		(3,457)	13,826
(Decrease)/Increase in provision for long service leave		12,377	8,239
(Decrease)/ Increase in payables in operating activities		(21,908)	160,747
(Decrease)/ Increase in rehabilitation provision		2,011	2,448
Net Cash (Used)/ provided in operating activities		<u>(1,443,960)</u>	<u>(770,786)</u>

Non cash financing and investment activities

During the financial year, 30,000,000 options over ordinary shares were issued to Cunningham Securities in lieu of brokerage fees in January 2010 and were valued at \$760,000.

Also during the financial year, 350,000,000 shares and 1,000,000,000 options over ordinary shares were issued to Cameroon vendors on final completion of the Cameroon transaction valued at \$23,253,764.

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

Notes to the Financial Statements

NOTE 21: COMMITMENTS**(a) EXPLORATION EXPENDITURE COMMITMENTS.**

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay in 2011 amounts of approximately \$2,524,410 (2010: \$1,623,590) in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Industry & Resources. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

Note: This is the maximum commitment for exploration, to fully meet DOIR requirements. In practice, Legend has routinely applied for and been granted exemptions from meeting these requirements on a tenement by tenement basis. As a result the actual amount required to be expended on exploration in Australia is expected to be less than \$2.5 million, while still holding all the tenements in good standing.

(b) OPERATING LEASE COMMITMENTS.

The company has a lease commitment over its office premises located at 640 Murray Street West Perth. The lease is for a period of two year commencing 1 November 2009. The lease commitment is \$108,000 per annum.

NOTE 22: INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2010	Interest Held 2009
Gibson Metals Pty Ltd	Ordinary	100%	100%
Armada Mining Ltd	Ordinary	100%	100%
Gidgee Resources Ltd	Ordinary	0%	100%
Legend Cameroon Pty Ltd	Ordinary	100%	100%
Legend Iron Ltd (BVI)	Ordinary	100%	100%
Camina SA	Ordinary	90%	0%

Note: On 4 December 2009 the Legend board of directors met and elected to inform the ASIC of their decision to deregister Gidgee Resources Ltd. On 24 February 2010 the ASIC informed Legend that Gidgee Resources Ltd had been deregistered.

Notes to the Financial Statements

NOTE 23: 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:

	Weighted Average Interest Rate	Floating Interest \$	Fixed Interest \$	Non-Interest Bearing \$	Total \$
2010					
Financial assets:					
Cash and cash equivalents	4.58%	2,676,441	4,000,000	-	6,676,441
Other financial assets	4.77%	-	1,531,927	16,134	1,548,061
		2,676,441	5,531,927	16,134	8,224,502
2009					
Financial assets:					
Cash and cash equivalents	3.97%	2,437,937	3,000,000	-	5,437,937
Other financial assets	4.64%	-	1,529,916	16,134	1,546,050
		2,437,937	4,529,916	16,134	6,983,987

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

A change of 100 basis points in interest rates would result in a net gain/loss before taxation of \$82,084. This is based on the interest bearing financial assets as detailed above. As all the interest bearing financial assets are held by Legend Mining Limited, the company's sensitivity is the same as the consolidated entity.

(b) CREDIT RISK

The Group trades only with recognised, creditworthy third parties.

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

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

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

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

	Note	CARRYING AMOUNT	
		2010 \$	2009 \$
Cash and cash equivalents	8	6,676,441	5,437,937
Trade and other receivables	9	105,785	512,844
Performance bonds	10	1,548,061	1,546,050
		8,330,287	7,496,831

The Company's maximum exposure to credit risk at the reporting date was \$8,330,287 (2009: \$7,496,831).

All group trade and other receivables are current and have not been impaired

Notes to the Financial Statements

(c) LIQUIDITY RISK

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

	Carrying Amount	Contractual cash flows	6 mths or less	
31 DECEMBER 2010				
Non-derivative financial liabilities				
Trade and other payables	325,467	(325,467)	(325,467)	
31 DECEMBER 2009				
Non-derivative financial liabilities				
Trade and other payables	347,375	(347,375)	(347,375)	
	6 months or less	6 months to 1 year	1 to 5 years	Total
Liquid financial assets				
Cash and cash equivalents	6,676,441	-	-	6,676,441
Trade and other receivables	105,785	-	-	105,785
	<u>6,782,226</u>	-	-	<u>6,782,226</u>
Financial liabilities				
Trade and other payables	325,467	-	-	325,467
Net inflow/(outflow)	<u>6,456,759</u>	-	-	<u>6,456,759</u>

(d) NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	31 DECEMBER 2010		31 DECEMBER 2009	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Held for trading financial assets	8,602,503	8,602,503	8,640,900	8,640,900
Cash and cash equivalents	6,676,441	6,676,441	5,437,937	5,437,937
Performance and other bonds	1,548,061	1,548,061	1,546,050	1,546,050
Trade and other receivables	105,785	105,785	512,844	512,844
Trade and other payables	(325,467)	(325,467)	(347,375)	(347,375)
	<u>16,607,323</u>	<u>16,607,323</u>	<u>15,790,356</u>	<u>15,790,356</u>

(e) MARKET RISK

Market risk relates to the risk that the fair value or future cash flows from financial instruments will fluctuate because of changes in market prices. The group's exposure to equity securities is considered high as the company has significant investments in other listed investments totalling \$8,602,503 at 31 December 2010. Such risk is managed through diversification of investments and daily monitoring of price movements.

A change of 10% in market price of the shares would result in a gain/loss before taxation of \$860,250.

Notes to the Financial Statements

NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(f) FOREIGN EXCHANGE RISK

The consolidated entity is exposed to foreign currency risk on foreign currency bank balances, payments for services denominated in foreign currencies and intercompany loans that are denominated in a currency other than the functional currency. The currencies giving rise to this risk are primarily US Dollars and Cameroon Francs.

At balance date, the group had no foreign currency denominated liabilities and receivables (other than inter-company receivables and payables, which have been eliminated on consolidation). The main exposure to foreign currency risk relates to the cash holding of US\$1,066,421 (\$1,046,906) as at 31 December 2010.

Sensitivity

As at 31 December 2010, the post-tax profit of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

Based on the balance at 31 December 2010, if the US Dollar strengthens by 10% against the Australian Dollar, post-tax profit for the year would have been \$66,855 higher. If the US Dollar weakens by 10% against the Australian Dollar, post-tax profit for the year would have been \$81,139 lower.

NOTE 24: INTEREST IN JOINT VENTURE ASSETS

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

Joint Venture	Project	Activity	2010 Interest	2009 Interest
Munni Munni Joint Venture	Elizabeth Hill	Silver Exploration	30.12%	30.12%
West Bungara Joint Venture	Gum Creek	Nickel, Copper & Zinc Exploration	0%	70%
Mount Marie Joint Venture	Pilbara	Nickel, Copper & Zinc Exploration	-	-

Net assets employed in the joint ventures totalling \$868,596 (2009: \$683,178) are included as deferred exploration expenditure carried forward in the financial statements.

NOTE 25: INFORMATION RELATING TO LEGEND MINING LIMITED ("THE PARENT ENTITY")

	2010 \$	2009 \$
Current assets	15,203,776	14,644,513
Total assets	50,708,014	22,621,064
Current liabilities	247,100	232,205
Total liabilities	2,758,924	2,686,145
Net assets	<u>47,949,090</u>	<u>19,934,919</u>
Contributed equity	53,075,655	38,420,414
Accumulated profits/(losses)	(27,436,240)	(29,031,406)
Share option premium reserve	22,309,675	10,545,911
	<u>47,949,090</u>	<u>19,934,919</u>
Profit/(loss) of the parent entity after tax	1,595,166	(5,853,875)
Total comprehensive income/(loss) of the parent entity	1,595,166	(5,853,875)

Notes to the Financial Statements

NOTE 26: BUSINESS COMBINATIONS – ACQUISITION OF A SUBSIDIARY

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

(i) CONSIDERATION TRANSFERRED

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

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

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

400 million Performance Options A issued to Camina Vendors

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

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

400 million Performance Options B issued to Camina Vendors

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

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

200 million Options issued to Camina Vendors

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

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

Notes to the Financial Statements

NOTE 26: BUSINESS COMBINATIONS – ACQUISITION OF A SUBSIDIARY (continued)

(ii) ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF ACQUISITION

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

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

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

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

	As at 31-Dec-10 \$	As at 31-Dec-09 \$
Gross carrying amount		
Balance at the beginning of the year	-	-
Amounts recognised from business combinations occurring in the year	23,264,887	-
Balance at the end of the year	<u>23,264,887</u>	-
Accumulated impairment losses		
Balance at the beginning of the year	-	-
Impairment losses recognised during the year	11,123	-
Balance at the end of the year	<u>11,123</u>	-
Net book value		
At the beginning of the year	-	-
At the end of the year	<u>23,253,764</u>	-

(iii) NON-CONTROLLING INTEREST

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

Notes to the Financial Statements

NOTE 27: AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2010	2009
	\$	\$
Remuneration of the auditor of the parent entity Stantons International for		
– auditing or reviewing the financial report	52,397	37,769
– consulting fees corporate advice	-	875

NOTE 28: CONTINGENT LIABILITIES

There are no contingent liabilities at the date of this report.

The consolidated entity's activities in Australia are subject to the Native Titles Act and the Department of Environment. Uncertainty associated with Native Title issues may impact on the Group's future plans.

There are no unresolved Native Title issues and the consolidated entity is not aware of any other matters that may impact upon its access to the land that comprises its project areas.

NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE**(a) CHANGES IN SHARE PRICE OF INDEPENDENCE GROUP NL**

On 29 March 2011, the share price of Independence Group NL ("IGO") has declined from \$7.95 at 31 December 2010 to \$6.35. This results in a reduction in the fair value of Legend Mining Limited's investment in IGO of \$1,706,667 based on the number of shares held at 31 December 2010.

(b) Drilling recommenced at the Hill 335 prospect in the Eseka region on 28 January 2011 and first results were released to the ASX on 14 March 2011.

(c) Legend acquired the Tapare Gold Project in east Cameroon with details released to ASX on 3 March 2011.

NOTE 30: DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed this financial year.

There are no franking credits available for future reporting periods.

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, notes and the remuneration disclosures that are contained in the Remuneration report in the Directors report (pages 20 – 31), of the consolidated entity, are in accordance with the Corporations Act 2001, including;
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards' and the Corporations Regulations 2001; and
 - iii. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2010.

On behalf of the Board.



M Atkins
Chairman

Dated this 31st day of March 2011

Declaration of Auditor's Independence

Stantons International

ABN 41 100 088 697
LEVEL 1, 1 HAMBROCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

31 March 2011

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

Dear Directors

RE: LEGEND MINING LIMITED

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

As the Audit Director for the audit of the financial statements Legend Mining Limited for the year ended 31 December 2010, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

Independent Auditor's Report

Stantons International

ABN 41 103 088 697

LEVEL 3, 1 HAMELICK STREET
 WEST PERTH WA 6005, AUSTRALIA
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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 consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

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

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

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



Independent Auditor's Report

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Legend Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.

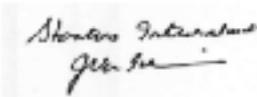
Report on the Remuneration Report

We have audited the remuneration report included in pages 29 to 36 of the directors' report for the year ended 31 December 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Legend Mining Limited for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
31 March 2011

Shareholder Information

The issued capital of the company as at 24 March 2011 is 1,738,850,801 ordinary fully paid shares.

DISTRIBUTION OF SHARE HOLDERS AS AT 24 MARCH 2011

Fully Paid Shares	Number
1 - 1,000	70
1,001 - 5,000	138
5,001 - 10,000	389
10,001 - 100,000	2,339
100,001 and over	1,381
	<u>4,317</u>
Number holding less than a marketable parcel	637

TOP 20 SHAREHOLDERS AS AT 24 MARCH 2011

Name	Total Holdings	% Issued Capital
Yandal Investments Pty Ltd	344,750,000	19.83
Australian Gold Resources Pty Ltd	164,985,000	9.49
Brispot Nominees Pty Ltd	75,209,922	4.33
Ron Medich Properties Pty Ltd	58,250,000	3.35
Mr John Francis Corr <Bawnlusk A/C>	56,000,000	3.22
Chester Nominees WA Pty Ltd	35,000,000	2.01
Mr Guillaume Alain Negou Tela	31,500,000	1.81
Karari Australia Pty Ltd	31,000,000	1.78
HSBC Custody Nominees (Australia) Limited	16,390,666	0.94
Mr Roger Bogne	10,040,000	0.58
J P Morgan Nominees Australia Limited	10,017,346	0.58
Laser Holdings Pty Ltd	10,000,000	0.58
Mr Philip Roy Trafford	10,000,000	0.58
Mr Brian McCubbing	9,000,000	0.52
Surfboard Pty Ltd	8,954,704	0.51
Mr Francis Mabou	8,685,475	0.50
J P Morgan Nominees Australia Limited <Cash Income A/c>	8,527,066	0.49
Mr Emmanuel Cheo Suh	8,500,000	0.49
Cleancare Nominees Pty Ltd	7,694,335	0.44
Holdrey Pty Ltd	7,550,000	0.43
	<u>912,024,514</u>	<u>52.46</u>

UNLISTED OPTION HOLDERS AS AT 24 MARCH 2011

Class of options	Number	Number of Holders
20 May 2010 exercisable at 4.25 cents per share	2,400,000	5
16 December 2014 exercisable at 5.30 cent per share	9,000,000	5
4 February 2015 exercisable at 6.0 cents per share	30,000,000	1
4 February 2015 exercisable at 4.0 cents per share	200,000,000	9
4 February 2015 exercisable at 4.0 cents per share	200,000,000	20
4 February 2015 exercisable at nil cents per share	400,000,000	18
4 February 2015 exercisable at nil cents per share	400,000,000	18

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

Tenement Listing

AS AT 24 MARCH 2011

GUM CREEK PROJECT

Tenement	Status	Percentage Interest
E57/632	Granted	100%
E57/634	Granted	100%

MT GIBSON PROJECT

Tenement	Status	Percentage Interest
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%
M59/217	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%

Tenement Listing

PILBARA PROJECT

Tenement	Status	Percentage Interest
E47/587	Granted	30.12%
E47/1178	Granted	100%
E47/1745	Granted	100%
E47/1746	Granted	100%
E47/1747	Granted	100%
E47/1797	Granted	100%
E47/1806	Granted	Earning 70% from Fox Radio Hill PL
E47/1807	Granted	Earning 70% from Fox Radio Hill PL
E47/1878	Granted	Earning 70% from Fox Radio Hill PL
M47/340	Granted	30.12%
M47/341	Granted	30.12%
M47/342	Granted	30.12%
M47/343	Granted	30.12%
P47/1360	Granted	100%
P47/1361	Granted	100%
P47/1362	Granted	100%
P47/1363	Granted	100%
P47/1364	Granted	100%
P47/1365	Granted	100%
P47/1366	Granted	100%
P47/1367	Granted	100%
P47/1368	Granted	100%
P47/1369	Granted	100%
P47/1370	Granted	100%
P47/1371	Granted	100%
P47/1372	Granted	100%
P47/1373	Granted	100%
P47/1374	Granted	100%
P47/1375	Granted	100%
P47/1380	Granted	100%
P47/1386	Granted	100%
M47/414	Pending	30.12%
M47/415	Pending	30.12%
P47/1112	Pending	100%
P47/1124	Pending	100%
P47/1126	Pending	100%
P47/1127	Pending	100%
P47/1131	Pending	100%
P47/1134	Pending	100%

Tenement Listing

CAMEROON PROJECT

Tenement	Status	Percentage Interest
EP136	Granted	90%
EP144	Granted	90%
EP196	Granted	90%
EP221	Granted	90%

Notes

Legend Mining Limited

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