



ANNUAL REPORT

2013

CONTENTS

	Page
Company Directory	1
Chairman’s Report	2
Directors’ Review of Activities	3
Corporate Governance Statement	7
Directors’ Report	11
Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Cash Flows	20
Consolidated Statement of Changes in Equity	21
Notes to the Financial Statements	22
Directors’ Declaration	54
Declaration of Auditor’s Independence	55
Independent Auditor’s Report	56
Shareholder Information	58
Tenement Listing	59



COMPANY DIRECTORY

ACN 060 966 145

Directors

Michael William Atkins (Chairman)
Mark William Wilson (Managing Director)
Derek William Waterfield (Executive Director-Technical)

Secretary

Dennis Wilkins

Registered Office

Legend Mining Limited
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8 Kings Park Road
WEST PERTH WA 6005

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Facsimile: (08) 9212 0611

Bankers

National Australia Bank
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WEST PERTH WA 6005

Auditors

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

Home Exchange

Australian Securities Exchange
2 The Esplanade
PERTH WA 6000

Share Registry

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

Telephone: (08) 9389 8033

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Lawyers

Hilary Macdonald
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ASX Code

LEG – ordinary shares



CHAIRMAN'S REPORT

For the year ended December 31 2013

The last year has again been a challenging one for Legend. The combination of adverse stock market and capital market conditions for companies with non-DSO iron ore projects in West Africa, made market recognition of project value difficult to achieve.

As advised in the 2012 Annual Report, Legend had received approaches from a number of international steel producers looking to establish iron ore production in West Africa and we were successful in reaching agreement with Jindal for the sale of Legend's Ngovayang Project in Cameroon, culminating with the signing of a share sale agreement on 18 November 2013.

Your Board considers this to be a very good outcome for Legend, given the very large amounts of capital required to develop magnetite projects, a task considered beyond a small company like Legend.

Agreements of this kind are very complex and take a long time from initial agreement, including the requirement to satisfy many conditions precedent. We would like to thank all those in the Government of Cameroon in respect to their efforts towards satisfying these conditions precedent. We also are very appreciative of the very professional approach adopted by Jindal and in particular the very positive and constructive manner in which they have engaged with Legend's management both during the initial negotiations and the period thereafter.

Completion of this sale will leave Legend in an excellent position to acquire new projects for the benefit of its shareholders. Legend has already commenced the task of reviewing a great number of prospective projects. In addition, to complement our investment in Sirius Resources NL, Legend has applied for its own exploration licence in the region, which it expects to be granted in the near future.

As in previous years, Legend has carefully managed its cash position, and our cash and investments at 31 December 2013 amounted to \$8.4million. Upon completion of the Ngovayang Project sale, Legend expects to have cash and liquid investments of approximately \$20million with the possible receipt of a further \$5.5million in the future should Jindal be successful in negotiating a mining convention on the Ngovayang Project tenements EP144 and EP221.

On behalf of the Board I would like to thank our Managing Director, Mark Wilson, for the effort he has put in to the Jindal negotiations and in the period thereafter in respect to progressing to completion. I would also like to thank our Cameroon and Perth based management teams. We look forward to completing the Ngovayang sale and to building value in your Legend shares from our project acquisition activities.



Michael Atkins

Chairman
21 March 2014

DIRECTOR'S REVIEW

For the year ended December 31 2013

CAMEROON PROJECT (Iron Ore, Gold)

Legend Mining Limited ("**Legend**") announced to the ASX on 20 November 2013 that it had entered into a Share Sale and Debt Assignment Agreement ("**SSDAA**") with a wholly-owned subsidiary of Jindal Steel and Power Limited ("**Jindal**") for the sale of its Ngovayang Project in Cameroon (the "**Transaction**").

Comprehensive details of the Transaction were published in the Notice of Meeting (released to the ASX on 26 November 2013) for the General Meeting of Legend Shareholders held on 24 December 2013. Completion of the Transaction is subject to certain conditions, including Legend shareholder approval, which was received at the Legend shareholder General Meeting on 24 December 2013.

Pursuant to the SSDAA, Legend shall receive cash consideration of:

- A\$12.0 million upon completion of the Transaction (subject to working capital adjustments),
- A\$5.5 million within 10 business days of the execution of a Mining Convention between Jindal and the Government of Cameroon.

The remaining conditions involve certain written approvals and confirmations in Cameroon and the approval of the Reserve Bank of India permitting payment by Jindal of the Transaction consideration in foreign exchange. The satisfaction of these conditions are progressing in an orderly manner. Upon completion of the sale, Legend will have approximately \$20 million in cash and liquids.

Rationale for the Transaction

Legend acquired a 90% interest in the Ngovayang Project in February 2010, via the acquisition of a 90% shareholding in Camina SA ("**Camina**"), which was approved by Legend shareholders in December 2009.

The Project was considered primarily prospective for iron ore in the form of direct shipping ore ("**DSO**"), with a secondary target of lower grade, but higher tonnage magnetite or itabirite ore. The potential for structurally controlled, shear hosted gold deposits was also recognised.

Ngovayang is a large scale exploration project comprising four exploration permits covering a total area of 2,469 km², see Figure 1. It is situated in southwestern Cameroon and located favourably with respect to existing and potential new infrastructure options.

Since February 2010, Legend has undertaken a wide range of exploration activities, including aeromagnetic and radiometric



DIRECTOR'S REVIEW

For the year ended December 31 2013

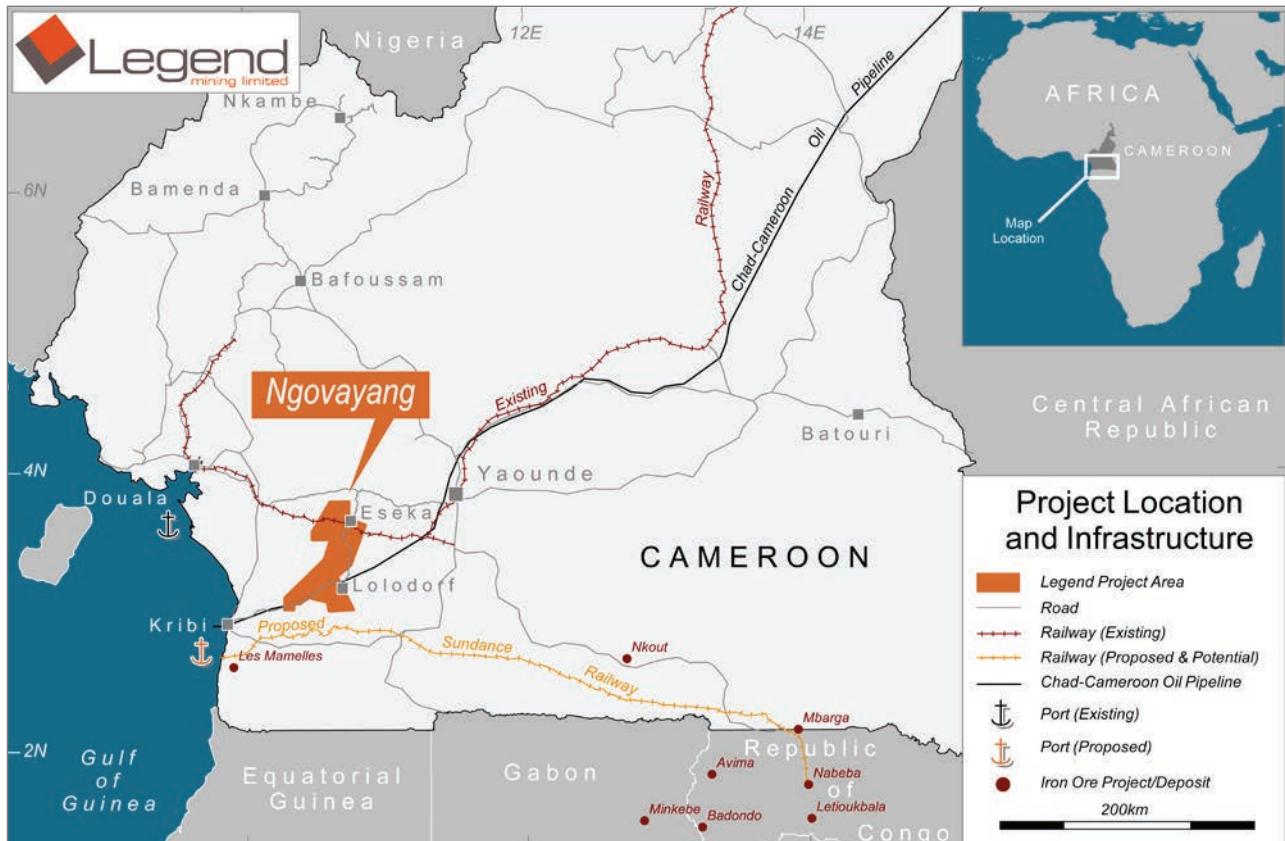


Figure 1: Cameroon Project Location and Infrastructure

surveys, geological mapping, regional geochemical sampling and the completion of 101 diamond drillholes totalling 7,267m, see Figure 2. This work identified extensive occurrences of gneissic

magnetite iron ore grading 15-40% Fe, with intersections in places starting close to the surface and extending to over 100m depth. Metallurgical test work has also illustrated that this material has

the potential to produce a premium iron concentrate with grades averaging 69% Fe, using standard grinding and magnetic separation techniques (but without the need for flotation).

Legend has undertaken a wide range of exploration activities, including aeromagnetic and radiometric surveys.

DIRECTOR'S REVIEW

For the year ended December 31 2013

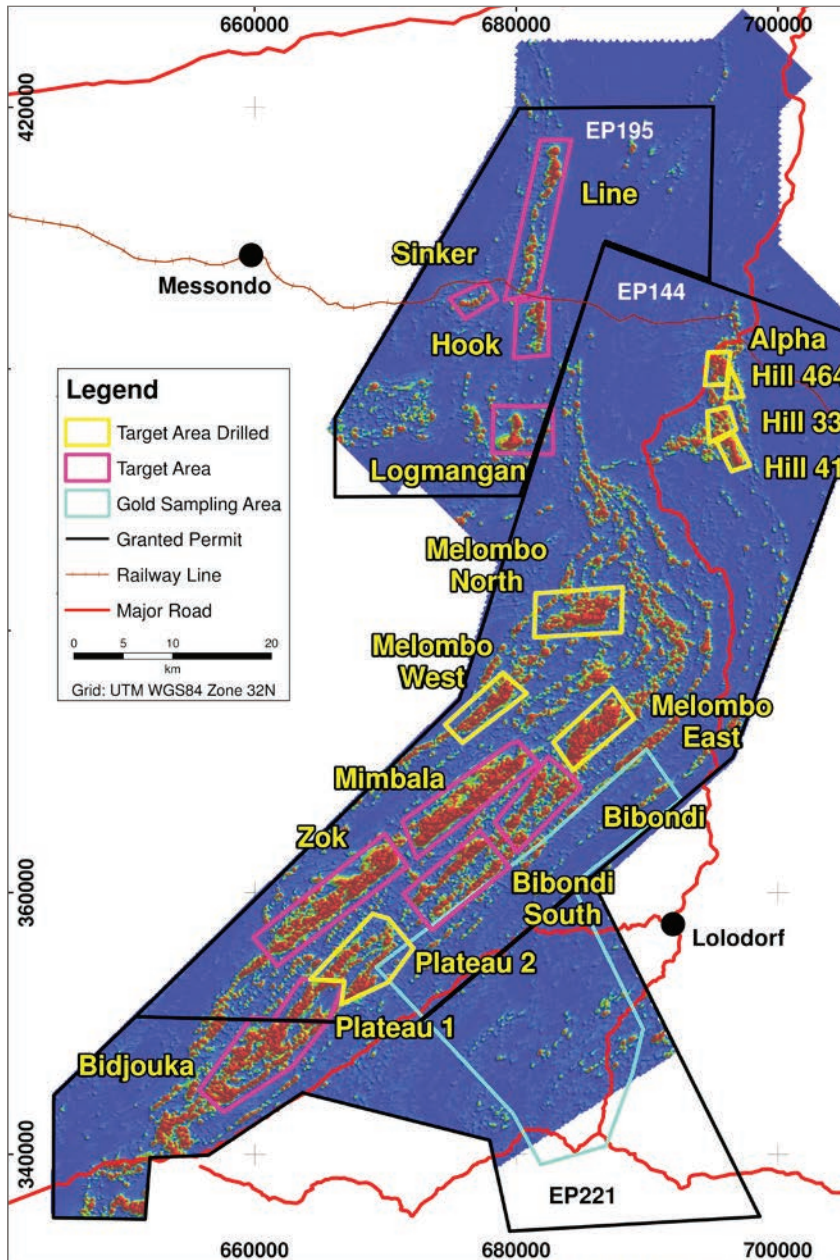


Figure 2: Ngovayang Project – Iron Ore Drill Target Areas & Gold Sampling Area Overlying Aeromagnetic Image



DIRECTOR'S REVIEW

For the year ended December 31 2013

However, based on extensive reconnaissance work and the exploration results mentioned above, the potential for the Project to contain economic deposits of high grade DSO are now considered low.

Given the significant time, capital and risks involved in developing a magnetite mining and processing operation, and the risk averse state of equity markets for junior exploration companies, Legend began seeking a buyer or a partner to assist in progressing the Project. Legend commenced discussions with Jindal early in 2013, followed by a comprehensive technical and financial due diligence on the Project during the year. This culminated in the SSDAA with Jindal on 18 November 2013.

Whilst encouraging gold results were received from regional stream sediment and follow up soil sampling over two prospect areas (Bikala and Nkoutou), the identification of specific drill targets proved problematic. Consequently no further work on the gold prospects was planned.

The directors of Legend believe the Transaction represents the best available opportunity for Legend to recover value from its investment in the Project to date, and that the advantages of the Transaction outweigh the disadvantages.

Project Generation

Following the decision to sell the Cameroon Project, Legend has been actively seeking new project opportunities or acquisitions both within Australia and overseas.

As part of this search, Legend applied for an exploration licence (E28/2342) covering an area of 356km² within the Fraser Range District of Western Australia. The tenement is considered prospective for Nova-style nickel-copper and Tropicana-style structurally controlled gold mineralisation and has an expected grant date in April 2014.

The information in this report that relates to Exploration Results is based on information compiled by Mr Derek Waterfield, a Member of the Australian Institute of Geoscientists and a full time employee of Legend Mining Limited. Mr Waterfield has sufficient experience that is relevant to the style of mineralisation and types of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Waterfield consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Legend Mining Limited (“Company”) carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

- 1 Lay solid foundations for management and oversight;
- 2 Structure the Board to add value;
- 3 Promote ethical and responsible decision-making;
- 4 Safeguard integrity in financial reporting;
- 5 Make timely and balanced disclosure;
- 6 Respect the rights of shareholders;
- 7 Recognise and manage risk; and
- 8 Remunerate fairly and responsibly.

The following table sets out the Company’s present position in relation to each of the corporate governance principles.

ASX Principle	Status	Reference/Comment
Principle 1: Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	The Company has a formal Board Charter. In broad terms, the Board Charter sets out the role and responsibilities of the Board and management.
1.2 Companies should disclose the process for evaluating the performance of senior executives	N/A	The Board has a Remuneration Committee Charter and Nomination Committee Charter which establishes a Remuneration Committee and a Nomination Committee to review and make decisions in relation to senior executive remuneration and incentive policies. No other formal procedure is currently adopted for evaluating the performance of senior executives. However, the Board concurs with the full implementation of this Principle and will review appropriate ways of compliance as and when further senior executives are engaged.
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1	A	
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors	N/A	The Board comprises three directors, one of whom is non-executive and classified as independent. The Board believes that this is both appropriate and acceptable at this stage of the Company’s development.
2.2 The chair should be an independent director	A	The Chairman is an independent director.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual	A	These positions are held by separate persons.
2.4 The board should establish a nomination committee	A	The full Board comprises the Nomination Committee.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	N/A	No formal procedure is currently adopted for evaluating the performance of senior executives. However, the Board concurs with the full implementation of this Principle and will review appropriate ways of compliance as and when further senior executives are engaged.
A = Adopted N/A = Not Adopted		

CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
2.6	A	The skills and experience of Directors, as well as each Director's period of office, are set out in the Company's Annual Report and on its website.
Principle 3: Promote ethical and responsible decision-making		
3.1	A	The board has established a Code of Conduct which all employees and directors are expected to follow. The code of conduct outlines how the Company expects directors and employees of the Company to behave and conduct business in the workplace.
3.2	N/A	The Company has established a Diversity Policy. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. Given the Company's size and stage of development as an exploration company, the Board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.3	N/A	The Company has established a Diversity Policy.
3.4	A	The Company has one female employee in the Perth office who is in a senior executive position however there are no female representatives on the Board. The Board considers this is not inappropriate The Company currently has an active exploration program in Cameroon which has a large workforce which includes many female employees.
3.5	A	
Principle 4: Safeguard integrity in financial reporting		
4.1	A	
4.2	N/A	The full Board comprise the Audit Committee and Risk Committee. The composition of these committees is considered appropriate at this stage of the Company's development.
	N/A	Refer previous comment.

A = Adopted
N/A = Not Adopted

CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
<ul style="list-style-type: none"> is chaired by an independent chair, who is not chair of the board 	N/A	The size and composition of the Board prevents membership of the audit committee being structured to comply with this Recommendation. The Board supports the concept proposed by the recommendations and will look to review the composition of this Committee as the Company's grows.
4.3	A	<ul style="list-style-type: none"> has at least three members <p>The audit committee should have a formal charter</p>
4.4	A	Companies should provide the information indicated in the Guide to reporting on Principle 4
Principle 5:		Make timely and balanced disclosure
5.1	A	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance
5.2	A	Companies should provide the information indicated in the Guide to reporting on Principle 5
Principle 6:		Respect the rights of shareholders
6.1	A	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings
6.2	A	Companies should provide the information indicated in the Guide to reporting on Principle 6
Principle 7:		Recognise and manage risk
7.1	A	Companies should establish policies for the oversight and management of material business risks
7.2	N/A	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively

A = Adopted

N/A = Not Adopted

CORPORATE GOVERNANCE STATEMENT

ASX Principle	Status	Reference/Comment
7.3	A	The Board has received the required assurance and declaration.
7.4	A	
Principle 8: Remunerate fairly and responsibly		
8.1	A	The Company has established a Remuneration Committee.
8.2	N/A	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> consists of a majority of independent directors
	N/A	has at least three members
	N/A	is chaired by an independent director
8.3	N/A	The Company has established a Remuneration Committee, comprised of the full Board. The size and composition of the Board prevents membership of the remuneration committee being structured to comply with this Recommendation. The Board supports the concept proposed by the recommendations and will look to review the composition of this Committee as the Company's grows.
		The size and composition of the Board prevents membership of the remuneration committee being structured to comply with this Recommendation.
		The size and composition of the Board prevents membership of the remuneration committee being structured to comply with this Recommendation. The Board supports the concept proposed by the recommendations and will look to review the composition of this Committee as the Company's grows.
		The Remuneration operates under the Remuneration Committee Charter. The Charter states that no executive is to be directly involved in deciding their own remuneration and that, when making recommendations to the Board, the Committee should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors.
8.4	A	

A = Adopted
N/A = Not adopted

DIRECTORS' REPORT

The Directors submit their report for the year ended 31 December 2013.

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)

Derek Waterfield (Executive Director - Technical)

Dermot Ryan (Non-Executive Director, resigned 23 October 2013)

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Michael Atkins is 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 and was a Fellow of the Institute of Chartered Accountants in Australia between 1984 and 2012.

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 2011 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 company Azumah Resources Ltd and non-executive director of Enterprise Uranium Limited.

During the past three years, Mr Atkins has also served as a director of Westgold Resources Ltd (resigned October 2012), a publicly listed company.

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 twenty years in executive, non-executive, consulting and owner roles in resource focused companies. During the past three years Mr Wilson held the position of non-executive director of Eureka Energy Limited.

Derek Waterfield is a Member of the Australian Institute of Geoscientists and a graduate of the University of Queensland (B.Sc. Hons). He has over 20 years' experience in gold, base metals, iron ore, nickel and uranium exploration throughout Australia and Cameroon.

He started his career with CRA Exploration Pty Ltd and has held senior exploration leadership positions with Normandy Mining and Newmont Australia, and led the team that discovered the Moolart Well gold deposit in the Duketon Belt 350km north of Kalgoorlie. He was Exploration Manager at Legend Mining for five years managing Legend's WA and Cameroon projects. More recently he has been Exploration Manager for Enterprise Metals Ltd, responsible for gold, iron ore, uranium and base metal exploration in WA. Mr Waterfield has not held any former public company directorships in the last 3 years.

Dennis Wilkins (Company Secretary) is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry.

Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

He is currently a non-executive director of Australian listed company Key Petroleum Limited.

3. EARNINGS PER SHARE

Basic loss per share:	1.769 cents
Diluted loss per share:	1.769 cents

DIRECTORS' REPORT

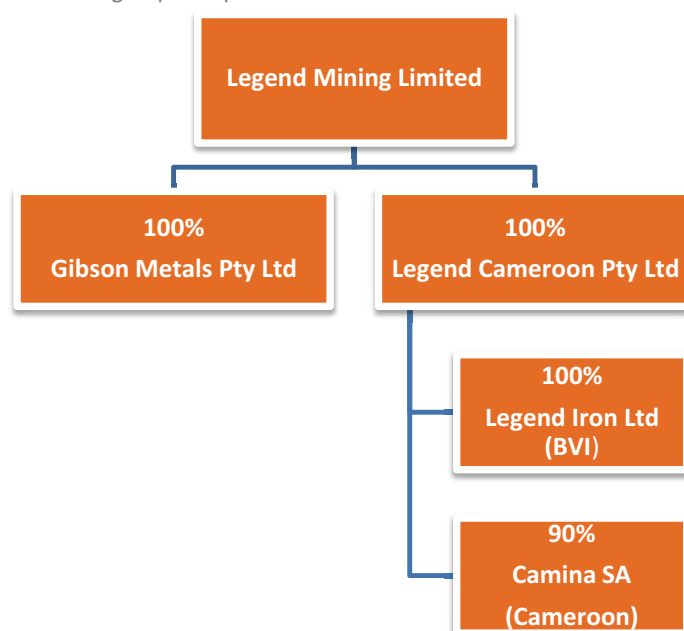
4. DIVIDENDS

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 and gold deposits in Australia and Cameroon.

Employees

The consolidated entity had a staff of 32 employees at 31 December 2013 (2012: 66 employees).

6. OPERATING AND FINANCIAL REVIEW

Results of Operations

The net loss after income tax of the consolidated entity for the year was \$38,412,494 (2012: \$2,215,446 profit). The loss is primarily a result of the carrying value of the Group's projects in West Africa being impaired by \$36,829,394, in light of the sale agreement entered into (refer note 12).

Review of Operations

The Directors' Review of Activities for the year ended 31 December 2013 is contained on pages 3 to 6 of the Annual Report.

Summarised Operating Results

Impairment of Deferred Exploration Costs: Impairment of deferred expenditure during the year amounted to \$36,829,394 and was expensed to the income statement (2012: nil).

Deferred Exploration Costs: Total deferred expenditure on tenements capitalised during the year amounted to \$2,712,353 (2012: \$6,418,922).

DIRECTORS' REPORT

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2013 Legend has:

- Announced that it had entered into a Share Sale and Debt Assignment Agreement ("Agreement") for the sale of Legend's 90% interest in Camina SA, the holding company of the Ngovayang Project in the Republic of Cameroon (the "Transaction"). The sale is to be implemented by the sale of 100% of Legend's wholly-owned British Virgin Islands subsidiary, Legend Iron Limited, and transfer of intercompany debts (refer note 12).
- Reviewed the carrying value of the Group's projects in West Africa, and recognised impairment of \$36,829,394, in light of the sale agreement entered into.

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 1,244,400,000 unissued ordinary shares under options. Refer to note 19 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

There were no shares issued as a result of the exercise of options during the financial year.

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The condition precedent in note 12, noted as Cameroon approvals (iii), has been satisfied.

No other matter or circumstance has arisen since the end of the financial year which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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:

- 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
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

13. REMUNERATION REPORT (AUDITED)

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

Details of key management personnel

Directors

M Atkins	Chairman (non-executive)
M Wilson	Managing Director
D Waterfield	Executive Director - Technical
D Ryan	Non-Executive Director (resigned 23 October 2013)

DIRECTORS' REPORT

13. REMUNERATION REPORT (CONTD)

Compensation Philosophy

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

The Company embodies the following principle in its compensation framework:

- Provide competitive rewards to attract high-calibre executives.

Group Performance

The Group's financial performance for the last five years has been as follows:

	December 2013	December 2012	December 2011	December 2010	December 2009
Revenue	\$280,734	\$602,416	\$780,553	\$915,567	\$787,801
Net profit/(loss) after tax	(\$38,412,494)	\$2,215,446	(\$4,250,169)	\$1,124,126	(\$5,414,373)
Basic earnings/(loss) per share (cents per share)	(1.769)	0.112	(0.241)	0.075	(0.447)
Diluted earnings/(loss) per share (cents per share)	(1.769)	0.112	(0.214)	0.075	(0.380)
Net assets	\$22,354,576	\$51,900,776	\$49,575,238	\$48,320,287	\$21,293,016
Share price (at balance date)	\$0.008	\$0.02	\$0.03	\$0.06	\$0.04

As the Group is currently in exploration and evaluation phases, historical earnings are not yet an accurate reflection of Group performance and cannot be used as a long term incentive measure. Consideration of the Group's earnings will be more relevant as the Group matures.

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.

Compensation Structure

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

Objective of Non-Executive Director Compensation

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

Structure of Non-Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 16 May 2012 when shareholders approved the aggregate remuneration of \$300,000 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 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.

DIRECTORS' REPORT

13. REMUNERATION REPORT (CONTD)

Structure of Senior Management and Executive Director Compensation

In determining the level and make-up of executive compensation, the Board may engage external consultants to provide independent advice. No external advice was obtained during the 2013 year.

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. No external advice was obtained during the 2013 year.

Structure

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

Employment Contracts

The Managing Director, Mr Mark Wilson, is employed under contract. The current contract commenced on 1 July 2011 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Wilson receives remuneration of \$320,000 per annum exclusive of 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 six months' written notice if the position has become redundant, or three months' written notice in all other circumstances; and
- The Company may terminate Mr Wilson's contract at any time without notice if serious misconduct has occurred.

Mr Michael Atkins, is employed under contract. The current contract commenced on 1 July 2012 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Atkins receives remuneration of \$80,000 per annum exclusive of superannuation;
- Mr Atkins' agreement provides for engagement of consultancy services outside of the scope of the ordinary duties of a non-executive chairman. In addition to the director's fees above, Mr Atkins is paid \$2,000 per day (inclusive of superannuation) for the provision of these consultancy services.
- 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 written notice; and
- The Company may terminate Mr Atkins' contract by way of resolution of the Company.

Mr Derek Waterfield, is employed under contract. The current contract commenced on 1 November 2012 and is effective until terminated in accordance with the contract. The significant terms of the contract are:

- Mr Waterfield receives remuneration of \$220,000 per annum exclusive of superannuation;
- Mr Waterfield may resign from his position and thus terminate his contract by giving one month written notice;
- The company may terminate Mr Waterfield's employment contract by providing three months' written notice if the position has become redundant, or one months' written notice in all other circumstances; and
- The Company may terminate Mr Waterfield's contract at any time without notice if serious misconduct has occurred.

Mr Dermot Ryan was employed under contract until his resignation on 23 October 2013. Mr Ryan received remuneration of \$48,000 per annum exclusive of superannuation.

DIRECTORS' REPORT

13. REMUNERATION REPORT (CONTD)

Employee Share Option Plan

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

At a General Meeting on 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.

Compensation of Key Management Personnel for Year Ended 31 December 2013

Name	Year	Short term Salary and Fees ⁽¹⁾	Post Employment Super-annuation	Share based payments options	Total	% of compensation granted as options	% of performance related remuneration
		\$	\$	\$	\$		
Director							
M Atkins	2013	87,200 ⁽²⁾	7,966	-	95,166	-	-
	2012	158,555 ⁽²⁾	14,270	-	172,825	-	-
M Wilson	2013	348,720	29,200	-	377,920	-	-
	2012	393,660	33,605	-	427,265	-	-
D Waterfield	2013	226,770	20,075	-	246,845	-	-
	2012 ⁽³⁾	46,978	4,050	-	51,028	-	-
D Ryan	2013 ⁽⁴⁾	40,000	3,640	-	43,640	-	-
	2012	55,321	4,979	-	60,300	-	-
Total	2013	707,490	56,081	-	763,571	-	-
	2012	654,514	56,904	-	711,418	-	-

(1) Short term salary and fees includes net movements in leave provisions.

(2) These amounts include \$7,200 (2012: \$67,033) for consultancy services outside of the scope of the ordinary duties of a non-executive chairman.

(3) Mr Derek Waterfield commenced as Executive Director - Technical on 1 November 2012.

(4) Mr Dermot Ryan resigned on 23 October 2013.

Options and rights over equity instruments granted as compensation in 2013 to key management personnel.

No options have been granted to key management personnel from 1 January 2013 to the date of this report.

Details of vesting profiles of options granted as remuneration to each key management personnel of the Group.

No options have vested, or are vesting, with any key management personnel of the Group from 1 January 2013 to the date of this report.

Exercise of options granted as compensation

31-Dec-13	Balance at beginning of year 1 Jan 2013	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2013	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
D Waterfield	3,000,000	-	-	-	3,000,000	-	3,000,000
D Ryan	-	-	-	-	-	-	-
Total	63,000,000	-	-	-	63,000,000	-	63,000,000

DIRECTORS' REPORT

13. REMUNERATION REPORT (CONTD)

31-Dec-12 Name	Balance at beginning of year 1 Jan 2012	Granted as Remuneration	Exercised during the year	Lapsed during the year	Balance at end of year 31 Dec 2012	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
D Waterfield	3,000,000^	-	-	-	3,000,000	-	3,000,000
D Ryan	-	-	-	-	-	-	-
Total	63,000,000	-	-	-	63,000,000	-	63,000,000

^Opening balance at date of appointment.

*Closing balance at respective dates of resignation.

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

Value of options awarded, exercised and lapsed during the year

No options were granted as compensation to key management personnel in 2013 or 2012.

14. DIRECTORS' MEETINGS

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

Name	No. of Meetings Attended	No. of Meetings Held Whilst A Director
Attended by:		
Michael Atkins	11	11
Mark Wilson	11	11
Derek Waterfield	11	11
Dermot Ryan	8	8

15. DIRECTORS' INTERESTS

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

Name	Ordinary shares	Options over ordinary shares
M Atkins (Windamurah P/L), (Alkali Exploration P/L)	4,558,334	5,000,000
M Wilson (Chester Nominees WA P/L)	45,000,000	55,000,000
D Waterfield	1,000,000	3,000,000

16. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Non-audit services

There were no non-audit services provided by the Company's auditor, Ernst & Young during the 2013 financial year.

We have received the Declaration of Auditor Independence from Ernst & Young, the Company's Auditor. This is available for review on page 55 and forms part of this report.

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



Mark Wilson
Managing Director

Dated this 21st day of March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$	2012 \$
Continuing operations			
Rental revenue	4(a)	-	20,168
Finance revenue	4(b)	280,734	582,248
Other income	4(c)	52,266	6,269,871
Employee benefits expense	4(d)	(876,682)	(879,415)
Impairment of deferred exploration costs	4(e)	(36,829,394)	-
Other expenses	4(f)	(278,728)	(1,132,390)
Corporate and administration expenses	4(g)	(1,137,170)	(1,115,455)
Finance costs	4(h)	-	(6,831)
Net (loss)/profit before income tax		(38,788,974)	3,738,196
Income tax benefit/(expense)	6	376,480	(1,522,750)
Net (loss)/profit for the year		(38,412,494)	2,215,446
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Movement in foreign currency translation reserve		8,016,807	379,669
<i>Items that will not be reclassified to profit or loss</i>			
Non-controlling interest in foreign currency translation reserve		890,756	42,186
Other comprehensive income for the year, net of tax		8,907,563	421,855
Total comprehensive (expense)/income for the year		(29,504,931)	2,637,301
Net (loss)/profit attributable to:			
Members of Legend Mining Limited		(34,729,555)	2,215,446
Non-controlling interest		(3,682,939)	-
		(38,412,494)	2,215,446
Total comprehensive (expense)/income attributable to:			
Members of Legend Mining Limited		(26,712,748)	2,595,115
Non-controlling interest		(2,792,183)	42,186
		(29,504,931)	2,637,301
EARNINGS PER SHARE (cents per share)			
Basic (loss)/profit per share	5	(1.769)	0.112
Diluted (loss)/profit per share	5	(1.769)	0.112

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	4,652,135	9,958,535
Trade & other receivables	9	32,480	14,283
Prepayments	10	-	53,692
Inventory		-	10,556
Other financial assets	11	3,727,050	3,895,850
		8,411,665	13,932,916
Assets of disposal group classified as held for sale	12	14,076,514	-
Total Current Assets		22,488,179	13,932,916
Non-current Assets			
Other financial assets	11	50,000	66,134
Property, plant & equipment	13	62,624	1,114,928
Deferred exploration costs	14	66,979	38,904,952
Total Non-current Assets		179,603	40,086,014
TOTAL ASSETS		22,667,782	54,018,930
LIABILITIES			
Current Liabilities			
Trade & other payables	15	166,920	461,630
Current tax liabilities		-	1,400,105
Provisions	16	103,498	80,232
Total Current Liabilities		270,418	1,941,967
Non-current Liabilities			
Provisions	16	42,788	35,620
Deferred tax liability	6	-	140,567
Total Non-current Liabilities		42,788	176,187
TOTAL LIABILITIES		313,206	2,118,154
NET ASSETS		22,354,576	51,900,776
EQUITY			
Equity attributable to equity holders of the parent			
Contributed Equity	17	59,818,890	59,860,159
Reserves	18	22,417,578	17,898,298
Reserves attributable to disposal group classified as held for sale	12	3,497,527	-
Accumulated losses		(62,644,018)	(27,914,463)
Total parent entity interest		23,089,977	49,843,994
Non-controlling interests		(735,401)	2,056,782
TOTAL EQUITY		22,354,576	51,900,776

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		52,266	207,515
Payments to suppliers and employees		(1,915,420)	(2,014,743)
Interest received		275,124	589,591
Finance costs		-	(19,944)
Income taxes paid		(1,203,513)	-
Net cash flows used in operating activities	22(ii)	(2,791,543)	(1,237,581)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tenements		-	7,750,000
Proceeds from sale of property, plant & equipment & scrap		6,565	45,000
Purchase of property, plant & equipment	13	(49,560)	(550,984)
Payment for the purchase of investments		-	(1,874,659)
Proceeds from the sale of investments	4(c)	-	2,033,993
Payment for exploration and evaluation		(2,446,025)	(5,584,754)
Dividends received	4(c)	-	12,000
Refund of performance bonds		16,134	1,389,000
Net cash flows (used in)/from investing activities		(2,472,886)	3,219,596
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share buy-back		(42,389)	(455,333)
Refund of share issue that did not proceed	15	-	(71,130)
Payments of share issue transaction costs		-	(10,790)
Net cash flows used in financing activities		(42,389)	(537,253)
Net (decrease)/increase in cash and cash equivalents		(5,306,818)	1,444,762
Cash and cash equivalents at the beginning of year		9,958,535	8,423,590
Effects of exchange rate movements on cash and cash equivalents		418	90,183
Cash and cash equivalents at end of year	22(i)	4,652,135	9,958,535

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Contributed Equity	Foreign Currency Translation Reserve	Share Option Premium Reserve	Accumulated Losses	Non- controlling interests	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 January 2012	60,171,922	(4,898,949)	22,417,578	(30,129,909)	2,014,596	49,575,238
Profit for the year	-	-	-	2,215,446	-	2,215,446
Other comprehensive income	-	379,669	-	-	42,186	421,855
Total comprehensive income for the year	-	379,669	-	2,215,446	42,186	2,637,301
Share buy-back	(482,770)	-	-	-	-	(482,770)
Issue of shares	200,000	-	-	-	-	200,000
Cost of issue of share capital	(28,993)	-	-	-	-	(28,993)
At 31 December 2012	59,860,159	(4,519,280)	22,417,578	(27,914,463)	2,056,782	51,900,776
At 1 January 2013	59,860,159	(4,519,280)	22,417,578	(27,914,463)	2,056,782	51,900,776
Loss for the year	-	-	-	(34,729,555)	(3,682,939)	(38,412,494)
Other comprehensive income	-	8,016,807	-	-	890,756	8,907,563
Total comprehensive expense for the year	-	8,016,807	-	(34,729,555)	(2,792,183)	(29,504,931)
Share buy-back	(14,952)	-	-	-	-	(14,952)
Cost of issue of share capital	(26,317)	-	-	-	-	(26,317)
At 31 December 2013	59,818,890	3,497,527	22,417,578	(62,644,018)	(735,401)	22,354,576

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: CORPORATE INFORMATION

The financial report of Legend Mining Limited (the Company) for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 21 March 2014.

Legend Mining Limited is a for profit 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 2013 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.

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 and the disposal group classified as held for sale which is measured at the lower of cost and fair value less costs to sell.

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

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(c) Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

(i) New and amended standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 1 January 2013; including:

- AASB 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 7
- AASB 10 Consolidated Financial Statements, AASB 127 Separate Financial Statements
- AASB 11 Joint Arrangements, AASB 128 Investments in Associates and Joint Ventures
- AASB 12 Disclosures of Interest in Other Entities
- AASB 13 Fair Value Measurement
- AASB 19 Employee Benefits (revised 2011)

The nature and impact of each new standard and interpretation is described below:

AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The amendments have no impact on the Group's financial position or performance.

AASB 11 Joint Arrangements and AASB 128 Investment in Associates and Joint Ventures

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. The amendments have no impact on the Group's financial position or performance.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group has a subsidiary with material non-controlling interests and has provided the disclosures required by AASB 12 in note 24.

AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure fair value under Australian Accounting Standards.

Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets whose fair values were determined.

AASB 119 *Employee Benefits (Revised 2011)*

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The amendments have no impact on the Group's financial position or performance.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2013 are outlined below:

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable for annual reporting periods commencing on or after 1 January 2014).

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

There will be no impact on the Group's financial position or performance, however there will be changes to disclosures in the financial statements.

AASB 2012-3 Amendments to Australian Accounting Standards – *Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right to set-off" and that some gross settlement systems may be considered equivalent to net settlement. There will be no material impact on the Group's financial position or performance resulting from this amendment.

AASB 9 *Financial Instruments* (applicable for annual reporting periods commencing on or after 1 January 2017).

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

- (b) Allows 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.
- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;
2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and
3. The mandatory effective date moved to 1 January 2017.

The effect of this amendment on the Group's financial statements has yet to be determined.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. There will be no impact on the Group's financial position or performance, however there may be changes to disclosures in the financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (applicable for annual reporting periods commencing on or after 1 January 2015).

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard:

- IFRS 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's assets.
- IAS 16 & IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendment added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

The effect of this amendment on the Group's financial statements has yet to be determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Annual Improvements to IFRSs 2011-2013 Cycle (applicable to annual reporting periods commencing on or after 1 January 2015).

This standard sets out amendments to IFRSs and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard:

- IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.
- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgement is based on guidance in IFRS 3.

The effect of this amendment on the Group's financial statements has yet to be determined.

AASB 1031 Materiality (applicable to annual reporting periods commencing on or after 1 January 2014).

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. There will be no impact on the Group's financial position or performance.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

The standard contains three main parts and makes amendments to a number of Standards and Interpretations.

- Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards (applicable to annual reporting periods commencing on or after 1 January 2014).
- Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments (applicable to annual reporting periods commencing on or after 1 January 2015).

There will be no impact on the Group's financial position or performance.

(d) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Legend Mining Limited and its subsidiaries ('the Group') as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(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.

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.

(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%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently

measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale investments

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

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

(viii) 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

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

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

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

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

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

(xiii) Other taxes

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

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interest the acquire at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the identifiable net assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(xv) Trade and 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

(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 profit or 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 profit or 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xxi) 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.

(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.

(xxii) Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. For the sale to be highly probable management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

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 and gold deposits in Australia and Cameroon.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4: REVENUE AND EXPENSES

	Note	2013 \$	2012 \$
Revenues and expenses from continuing operations			
a) Rental Revenue			
Rental revenue		-	20,168
b) Finance Revenue			
Bank interest received and receivable		280,734	575,021
c) Other Income			
Fair value gain on investments held for trading		-	412,934
Profit on disposal of property, plant & equipment	(i)	-	45,000
Gain on sale of tenements	(ii)	-	5,593,420
Management fee		-	200,000
Plant & equipment hire		-	450
Other		52,266	18,067
		52,266	6,269,871
(i) (Loss)/Profit on disposal of property, plant & equipment comprises:			
Proceeds on sale		6,565	45,000
Carrying value of assets disposed		(39,061)	-
		(32,496)	45,000
(ii) Profit on sale of tenements comprises:			
Proceeds on sale		-	7,750,000
Carrying value of assets disposed		-	(2,156,580)
		-	5,593,420
d) Employee Benefits Expense			
Salaries & on-costs		868,394	862,674
Other employee benefits		8,288	16,741
		876,682	879,415
e) Impairment of Deferred Exploration Costs			
Impairment of deferred exploration costs	14	36,829,394	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4: REVENUE AND EXPENSES (CONTD)

Note

		2013 \$	2012 \$
f) Other Expenses			
Depreciation		32,268	43,372
Foreign exchange loss		-	364
Loss on disposal of property, plant & equipment	(c)(i)	32,496	-
Loss on disposal of Armada Mining Limited and remaining tenements of the Pilbara Project		-	1,022,663
Fair value loss on investments held for trading		168,800	-
Exploration expenditure not capitalised		45,164	65,991
		<u>278,728</u>	<u>1,132,390</u>
g) Corporate and administration expenses			
Fees – Audit/Tax		94,885	126,406
Fees – ASX		27,769	35,098
Fees – Share registry		33,858	15,357
Consultancy Fees		287,695	289,035
Office rent		97,237	101,807
Legal expenses		210,692	167,825
Travel expenses		113,030	108,766
Other expenses		272,004	271,161
		<u>1,137,170</u>	<u>1,115,455</u>
h) Finance costs		-	6,831

NOTE 5: EARNINGS PER SHARE

(a) Reconciliation of earnings to net (loss)/profit:		
Net (loss)/profit	(34,729,555)	2,215,446
(Loss)/Profit used in the calculation of basic earnings per share	<u>(34,729,555)</u>	<u>2,215,446</u>
(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	<u>1,963,205,071</u>	<u>1,985,969,636</u>
Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	<u>1,963,205,071</u>	<u>1,985,969,636</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 6: INCOME TAX

	2013 \$	2012 \$
The major components of income tax expense are:		
Income Statement		
<i>Current income tax</i>		
Current income tax (benefit)/charge	(13,004)	1,400,105
Over provision of prior tax year	(196,592)	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(166,884)	122,848
Over Provision of Prior Year	-	(203)
Income tax (benefit)/expense reported in the income statement	(376,480)	1,522,750
A reconciliation between tax (benefit)/expense and the product of accounting (loss)/profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting (loss)/profit before tax from ordinary activities	(38,788,974)	3,738,196
Accounting (loss)/profit before income tax	(38,788,974)	3,738,196
At the Group's statutory income tax rate of 30%	(11,636,692)	1,121,459
Expenditure not allowed for income tax purposes	180,908	176,749
Utilisation of losses against prior period taxable income	196,592	-
Gross up of imputation credits	-	1,543
In respect of sale of subsidiary	-	257,338
Impairment of foreign exploration costs	11,048,818	-
Current year tax losses not recognised	56,802	-
Utilisation of imputation credits to offset tax payable	-	(5,143)
Over Provision of Prior Year	(196,592)	(203)
Deductible equity raising costs	(26,316)	(28,993)
Income tax (benefit)/expense reported in the consolidated income statement	(376,480)	1,522,750
Income tax expensed directly to equity		
Relating to equity costs	26,316	28,993
Deferred tax expense recognised in equity	26,316	28,993
Current Income Tax Asset/(Liability)	13,004	(1,400,105)
Deferred Income Tax		
Deferred income tax at 31 December related to the following:		
Consolidated		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(20,094)	(2,201)
Investments	(178,918)	(229,558)
Other	(6,366)	(8,729)
Total deferred tax liability	(205,377)	(240,488)
Set-off of deferred tax assets	205,377	99,920
Net deferred tax liabilities disclosed	-	(140,567)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 6: INCOME TAX (CONTD)

	2013 \$	2012 \$
Recognised deferred tax assets		
Losses available to offset against future taxable income	121,294	-
Other provisions	54,386	43,756
Share based costs on equity	29,698	56,014
Other	-	150
Gross deferred tax assets	205,377	99,920
Set-off of deferred tax assets	(205,377)	(99,920)
Net deferred tax assets disclosed	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following as the statutory requirements for recognising those deferred tax assets have not been met

Tax revenue losses	56,802	-
Tax capital losses	6,421,487	-
	6,478,289	-

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 the income tax liabilities between the entities within the Group 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 a 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

AASB 8 requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. The CODM of the Group is the Board of Directors.

The Group has identified its operating segments based on the internal reports that are provided to the CODM on a regular basis. The Group has two reportable operating segments being Australia and Africa, and conducts exploration and evaluation activities in Africa.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of this financial report.

	Australia		West Africa		Total	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Revenue and Income	333,000	6,865,060	-	7,227	333,000	6,872,287
Segment Result	(1,550,604)	2,208,219	(36,861,890)	7,227	(38,412,494)	2,215,446
Segment Assets	8,586,484	13,986,320	14,081,298	40,032,610	22,667,782	54,018,930
Segment Liabilities	(289,522)	(1,756,742)	(23,684)	(361,412)	(313,206)	(2,118,154)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 7: SEGMENT INFORMATION (CONTD)

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.

The West Africa segment is the subject of a sale agreement and has been classified as held-for-sale in the financial statements, refer to note 12.

NOTE 8: CASH AND CASH EQUIVALENTS

	2013 \$	2012 \$
Cash at bank and in hand	652,135	958,535
Deposits at call	4,000,000	9,000,000
	<u>4,652,135</u>	<u>9,958,535</u>

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

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

NOTE 9: TRADE AND OTHER RECEIVABLES

	2013 \$	2012 \$
Current		
Other Receivables	19,476	14,283
Current tax receivable	13,004	-
	<u>32,480</u>	<u>14,283</u>

Terms and conditions relating to the above financial instruments

- 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.

NOTE 10: PREPAYMENTS

	Note	2013 \$	2012 \$
Current			
Prepayments		-	53,692

NOTE 11: OTHER FINANCIAL ASSETS

	Note	2013 \$	2012 \$
Current			
Shares in Pilbara Minerals Ltd – at market value (a)		21,000	50,750
Shares and options in Nemex Resources Ltd – at market value (b)		61,050	155,100
Shares in Artemis Resources Ltd – at market value (c)		240,000	420,000
Shares in Sirius Resources Ltd – at market value (d)		3,405,000	3,270,000
		<u>3,727,050</u>	<u>3,895,850</u>
Non-current			
Performance and other bonds (e)		50,000	66,134

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 11: OTHER FINANCIAL ASSETS (CONTD)

Terms and conditions relating to the above financial instruments:

- (a) Shares in Pilbara Minerals Ltd – 1,750,000 shares were on hand at 31 December 2013. The shares had a market value of \$0.012 each at 31 December 2013 (\$0.029 at 31 December 2012).
- (b) Shares and options in Nemex Resources Ltd – 3,300,000 shares and 1,650,000 options were on hand at 31 December 2013. The shares had a market value of \$0.018 each and the options had a market value of \$0.001 each at 31 December 2013 (2012: 3,300,000 shares at \$0.042, and 1,650,000 options at \$0.01).
- (c) Shares in Artemis Resources Ltd – 60,000,000 shares were on hand at 31 December 2013. The shares had a market value of \$0.004 each at 31 December 2013 (\$0.007 at 31 December 2012).
- (d) Shares in Sirius Resources Ltd – 1,500,000 shares were on hand at 31 December 2013. The shares had a market value of \$2.27 each at 31 December 2013 (\$2.18 at 31 December 2012).
- (e) Performance bonds – bank deposit held as security for credit cards. At 31 December 2013, this deposit is held on a 6 month term deposit with an interest rate of 3.75% per annum (31 December 2012, 6 months at 4.60%pa).

The equity investments are all classified as held for trading. 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. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

NOTE 12: DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2013 \$
Assets – at fair value less costs to sell	
Prepayments	48,944
Inventory	11,164
Property, plant & equipment	842,304
Deferred exploration costs	13,174,102
	<u>14,076,514</u>
Reserves attributable to disposal group classified as held for sale	
Foreign currency translation reserve	<u>3,497,527</u>

On 20 November 2013 Legend announced that it had entered into a Share Sale and Debt Assignment Agreement (“Agreement”) for the sale of Legend’s 90% interest in Camina SA, the holding company of the Ngovayang Project in the Republic of Cameroon (the “Transaction”). The sale is to be implemented by the sale of 100% of Legend’s wholly-owned British Virgin Islands subsidiary, Legend Iron Limited (“Company”), and transfer of intercompany debts by Legend Cameroon Pty Ltd (“Seller”) to Jindal Mining & Exploration Limited (“Purchaser”).

Pursuant to the Agreement, Legend shall receive cash consideration of:

- \$12 million upon completion of the Transaction; and
- \$5.5 million within 10 business days of the execution of a Mining Convention between the purchaser and the Government of Cameroon.

Completion of the Transaction is subject to the following conditions precedent:

- **India regulatory approval:** approval of Reserve Bank of India permitting the payment in foreign currency by Jindal Steel & Power Limited, India, for payment of the Consideration under this Agreement under an application to be made by Jindal Steel & Power Limited, India to the authorised dealer;
- **Cameroon approvals:**
 - (i) unconditional written approval of the relevant authority of the Republic of Cameroon under the directive of the President of the Republic of Cameroon is issued to any party to this Agreement pursuant to which the controlling interest in all Exploration Licences are approved to be transferred to the Purchaser;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 12: DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD)

- (ii) written approval of the relevant authority of the Republic of Cameroon under the directive of the President of Republic of Cameroon has been issued to Camina stating that the provisions of Section 38 of the Mining Code with respect to the renewal of the Exploration Licences (4 renewals of 2 years each) shall continue to apply notwithstanding that the repealed Section 38 (under law No. 2010/011 of 29 July 2010) stipulates 2 renewals of 2 years each;
 - (iii) issuance of exploration permit to Camina under the application dated 31 May 2013 submitted by Camina to Ministry of Mines and Geology, Republic of Cameroon for grant of exploration permit on about 307 sq kms area that is adjoined by the area of exploration permit 144 held by Camina; and
 - (iv) written confirmation from the Minister of Finance of the Republic of Cameroon or by the concerned competent authority under directive of the Minister of Finance stating that no Tax is required to be deposited with any Governmental Agency in the Republic of Cameroon by the Purchaser, Seller, the Company or Camina as a result of the consummation of the Proposed Transaction;
- **Consents:** each of Camina, the Company and the Camina Parties providing their written consent (for the purposes of clause 15.1 of the Camina Share Sale Agreement) to the novation of Legend Mining's rights and obligations under the Camina Share Sale Agreement to the Purchaser without amendment (unless the amendment is acceptable to the Purchaser and Legend Mining) and on the basis that the Purchaser assumes all of Legend Mining's obligations and liability in connection with the Camina Share Sale Agreement, including the Funding Obligation and the Guarantee Obligation, with effect on and from the Completion Date; and
 - **Amendment to Camina Share Sale Agreement:** each of Legend Mining, the Company, Camina and the Camina Parties executing an amendment to the Camina Share Sale Agreement pursuant to which clause 15.1 (Assignments and Transfers of the Camina Share Sale Agreement) shall be amended so as to remove the restriction on assignments and transfers by the Company, Camina and, Legend Mining (and the Purchaser after the novation referred to in clause 7 above), with effect from the Completion Date.

The Director's believe that satisfaction of the conditions precedent is highly probable. As at the date of this report, the Cameroon approval listed at iii above has been satisfied.

The fair value of the disposal group has been determined by reference to the estimated fair value of the consideration receivable.

The fair value of the contingent consideration of \$5.5 million is dependent upon the execution of a mining convention between the purchaser and the government of Cameroon and has thus been determined based on the directors best estimate of discounted cash flows taking into consideration the probability and time risk of the mining convention being executed. The fair value of the consideration is dependent on some unobservable market inputs (refer note 26).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Total
	\$	\$	\$
At 1 January 2013			
Net of accumulated depreciation	299,314	815,614	1,114,928
Exchange differences	59,453	121,996	181,449
Additions	-	49,560	49,560
Disposals	-	(39,060)	(39,060)
Reclassification to disposal group classified as held for sale (note 12)	(319,186)	(523,118)	(842,304)
Depreciation expense	(39,581)	(362,368)	(401,949)
At 31 December 2013			
Net of accumulated depreciation	-	62,624	62,624
At 1 January 2013			
Cost	366,781	1,436,491	1,803,272
Accumulated depreciation	(67,467)	(620,877)	(688,344)
Net carrying amount	299,314	815,614	1,114,928
At 31 December 2013			
Cost	-	250,488	250,488
Accumulated depreciation	-	(187,864)	(187,864)
Net carrying amount	-	62,624	62,624
At 1 January 2012			
Net of accumulated depreciation	270,570	906,631	1,177,201
Exchange differences	(3,669)	(21,379)	(25,048)
Additions	66,408	484,576	550,984
Transfer from prepayments	-	376,547	376,547
Reclassification to deferred exploration costs	-	(576,190)	(576,190)
Depreciation expense	(33,995)	(354,571)	(388,566)
At 31 December 2012			
Net of accumulated depreciation	299,314	815,614	1,114,928
At 1 January 2012			
Cost	304,090	1,272,654	1,576,744
Accumulated depreciation	(33,520)	(366,023)	(399,543)
Net carrying amount	270,570	906,631	1,177,201
At 31 December 2012			
Cost	366,781	1,436,491	1,803,272
Accumulated depreciation	(67,467)	(620,877)	(688,344)
Net carrying amount	299,314	815,614	1,114,928

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 14: DEFERRED EXPLORATION COSTS

	Note	2013 \$	2012 \$
Deferred exploration costs		66,979	38,904,952
Deferred exploration and evaluation costs			
At 1 January, at cost		38,904,952	32,141,786
Exchange differences		8,498,334	(231,946)
Expenditure incurred during the year		2,667,189	6,418,922
Reclassification from plant and equipment		-	576,190
Assets reclassified as held for sale	12, 14(i)	(13,174,102)	-
Expenditure impaired during the year	14(i)	(36,829,394)	-
At 31 December, at cost	14(ii)	66,979	38,904,952

Note:

- (i) The carrying value of the Group's projects in West Africa were reviewed, and impairment recognised, in light of the sale agreement entered into (refer note 12). The carrying value has been determined by reference to the fair value of the proceeds to be received in accordance with the sale agreement. The carrying value of these projects has been transferred to disposal group classified as held for sale.
- (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.

NOTE 15: TRADE AND OTHER PAYABLES

	2013 \$	2012 \$
Current – unsecured		
Trade payables	122,604	101,190
Other payables and accruals	44,316	360,440
	166,920	461,630

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.

NOTE 16: PROVISIONS

	2013 \$	2012 \$
Current		
Employee benefits	103,498	80,232
Non-Current		
Employee benefits	42,788	35,620
Number of employees at year end	32	66

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 17: CONTRIBUTED EQUITY

	2013 \$	2012 \$
Ordinary shares		
Issued and fully paid	63,075,664	63,090,616
Issue costs	(3,256,774)	(3,230,457)
	<u>59,818,890</u>	<u>59,860,159</u>
Movement in ordinary shares on issue 2013		
	No	\$
At 1 January 2013	1,983,467,684	63,090,616
Share buy-back	(20,616,883)	(14,952)
	<u>1,962,850,801</u>	<u>63,075,664</u>
Movement in ordinary shares on issue 2012		
	No	\$
At 1 January 2012	1,980,350,801	63,373,386
7-May-12 Issue of shares pursuant to agreement	10,000,000	200,000
14-November-12 Share buy-back	(6,883,117)	(482,770)
	<u>1,983,467,684</u>	<u>63,090,616</u>

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

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

NOTE 18: RESERVES

	Foreign currency translation reserve \$	Share option premium reserve \$
Movement in reserves		
At 1 January 2012	(4,898,949)	22,417,578
Foreign currency translation	379,669	-
At 31 December 2012	<u>(4,519,280)</u>	<u>22,417,578</u>
Foreign currency translation	8,016,807	-
Transferred to reserves attributable to disposal group classified as held for sale	<u>(3,497,527)</u>	<u>-</u>
At 31 December 2013	<u>-</u>	<u>22,417,578</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 19: SHARE OPTIONS

	Number	Exercise price cents per share
Unlisted options – Expiry date 16 December 2014		
At 1 January 2013	9,000,000	5.3 cents
No movement during the year	-	-
At 31 December 2013	<u>9,000,000</u>	5.3 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2013	191,250,000	4 cents
No movement during the year	-	-
At 31 December 2013	<u>191,250,000</u>	4 cents
Unlisted options – Expiry date 21 December 2015		
At 1 January 2013	30,000,000	6 cents
No movement during the year	-	-
At 31 December 2013	<u>30,000,000</u>	6 cents
Unlisted options – Expiry date 4 February 2015		
Performance Options A (refer note 20(b))		
At 1 January 2013	400,000,000	0 cents
No movement during the year	-	-
At 31 December 2013	<u>400,000,000</u>	0 cents
Unlisted options – Expiry date 4 February 2015		
Performance Options B (refer note 20(b))		
At 1 January 2013	400,000,000	0 cents
No movement during the year	-	-
At 31 December 2013	<u>400,000,000</u>	0 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2013	199,750,000	4 cents
No movement during the year	-	-
At 31 December 2013	<u>199,750,000</u>	4 cents
Unlisted options – Expiry date 4 February 2015		
At 1 January 2013	14,400,000	5 cents
No movement during the year	-	-
At 31 December 2013	<u>14,400,000</u>	5 cents

NOTE 20: SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

There was no expense recognised for services received during the current or prior year.

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 20: SHARE-BASED PAYMENT PLANS (CONTD)

(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 as opposed to cash payments for the following expenses:

- (i) capital raising costs – 14,400,000 options were granted to Azure Capital as compensation for the commission on the share issue dated 24 November 2011. The options were not issued until 9 January 2012.

Performance Options

A total of 800 million performance options, with a nil exercise price, were granted as part consideration for the acquisition of Camina SA, expiring 5 years from final completion which occurred on 4 February 2010. The options were issued in two equal tranches of 400 million each with the following vesting conditions:

Performance Options A - will vest once the Group has established that there is a 250 million tonnes inferred iron ore resource which is in compliance with the JORC Code within the permit area, including a minimum of 50 million tonnes of direct shipping ore.

Performance Options B - will vest once the Group has:

- (i) generated at least US\$60 million in sales revenue from mining activity in the permit area; or
- (ii) established that there is an inferred iron ore resource of at least 2 billion tonnes which is in compliance with the JORC Code within the permit area, including a minimum of 200 million tonnes of direct shipping ore.

(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:

	2013 No.	2013 WAEP (\$)	2012 No.	2012 WAEP (\$)
Outstanding balance at the beginning of the year	69,000,000	0.0417	71,400,000	0.0417
Granted during the year	-	-	-	-
Expired/lapsed during the year	-	-	(2,400,000)	0.0425
Exercised during the year	-	-	-	-
Outstanding at the end of the year	69,000,000	0.0417	69,000,000	0.0417
Exercisable at the end of the year	69,000,000	0.0417	69,000,000	0.0417

The outstanding balance as at 31 December 2013 is represented by:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 20: SHARE-BASED PAYMENT PLANS (CONTD)

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

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding balance at the beginning of the year	175,650,000	0.044	175,650,000	0.044
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	175,650,000	0.044	175,650,000	0.044
Exercisable at the end of the year	175,650,000	0.044	175,650,000	0.044

The outstanding balance as at 31 December 2013 is represented by:

- (i) 14,400,000 options over ordinary shares with an exercise price of \$0.05 each, exercisable immediately and expiring on 4 February 2015.
- (ii) 30,000,000 options over ordinary shares with an exercise price of \$0.06 each, exercisable immediately and expiring on 21 December 2015.
- (iii) 131,250,000 options over ordinary shares with an exercise price of \$0.04 each, exercisable immediately and expiring on 4 February 2015.

NOTE 21: 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.

(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 the year.

Name		2013 \$	2012 \$
Gibson Metals Pty Ltd		-	(5,293,473)
Legend Cameroon Pty Ltd		-	-
Camina SA		1,780,508	5,904,164

The balances outstanding to Legend Mining Limited at 31 December 2013 are as follows:

Name		2013 \$	2012 \$
Gibson Metals Pty Ltd		492,292	492,292
Legend Cameroon Pty Ltd		18,777	18,777
Camina SA		21,436,892	19,656,384
		21,947,961	20,167,453
Provision for impairment		(9,315,009)	(511,069)
Balance		12,632,952	19,656,384

As at 31 December 2013 Legend Mining BVI Ltd also owed \$7,539 (2012: \$7,539) to Legend Mining Cameroon Pty Ltd.

(v) Equity instrument disclosures relating to key management personnel

Option holdings of Directors and Key Management Personnel

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

There have been no listed options on issue during either the 2012 or 2013 years, hence nil holdings of listed options for all key management personnel.

NOTE 21: RELATED PARTIES (CONTD)

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

31-Dec-13	Balance 1-Jan-13	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-13
Directors					
M Atkins	5,000,000	-	-	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000
D Waterfield	3,000,000	-	-	-	3,000,000
D Ryan	-	-	-	-	(2) -
	63,000,000	-	-	-	63,000,000

31-Dec-12	Balance 1-Jan-12	Granted as compensation	On exercise of options	Options Lapsed	Balance 31-Dec-12
Directors					
M Atkins	5,000,000	-	-	-	5,000,000
M Wilson	55,000,000	-	-	-	55,000,000
D Waterfield	(1) 3,000,000	-	-	-	3,000,000
D Ryan	-	-	-	-	-
	63,000,000	-	-	-	63,000,000

(1) Opening balance at date of appointment.

(2) Closing balance at date of resignation.

Shareholdings of Directors and Key Management Personnel

31-Dec-13	Balance 1-Jan-13	Granted as compensation	On exercise of options	Net change	Balance 31-Dec-13
Directors					
M Atkins (Windamurah P/L)				-	
(Alkali Exploration P/L)	4,558,334	-	-		4,558,334
M Wilson(Chester Nominees WA P/L)	45,000,000	-	-	-	45,000,000
D Waterfield	1,000,000	-	-	-	1,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-	-	(2) (1,025,000)	-
	51,583,334	-	-	(1,025,000)	50,558,334

31-Dec-12	Balance 1-Jan-12	Granted as compensation	On exercise of options	Net change	Balance 31-Dec-12
Directors					
M Atkins (Windamurah P/L)				3,000,000	
(Alkali Exploration P/L)	1,558,334	-	-		4,558,334
M Wilson (Chester Nominees WA P/L)	35,000,000	-	-	10,000,000	45,000,000
D Waterfield	-	-	-	(1) 1,000,000	1,000,000
D Ryan (Enterprise Family Trust)	1,025,000	-	-	-	1,025,000
	37,583,334	-	-	14,000,000	51,583,334

(1) Opening balance at date of appointment.

(2) Closing balance at date of resignation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 22: 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	2013 \$	2012 \$
Cash on hand		2,857	1,753
Cash at bank		649,278	956,782
Deposits at call		4,000,000	9,000,000
	8	<u>4,652,135</u>	<u>9,958,535</u>

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

Net (loss)/profit after tax	(38,412,494)	2,215,446
Adjusted for:		
Net loss/(gain) on disposal of property, plant & equipment	32,496	(45,000)
Net gain on sale of tenements	-	(5,593,420)
Depreciation	32,268	43,372
Dividends received	-	(12,000)
Loss on disposal of Armada Mining Limited and remaining tenements of the Pilbara Project	-	1,022,663
Fair value loss/(gain) on investments	168,800	(412,934)
Deferred exploration costs impaired or expensed	36,874,558	65,991
	<u>(1,304,372)</u>	<u>(2,715,882)</u>
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in receivables	(5,610)	14,700
Decrease in deferred tax assets	-	893,595
Increase/(decrease) in provision for annual leave	23,266	(28,549)
Increase/(decrease) in provision for long service leave	7,168	(7,653)
(Decrease)/increase in provision for income tax payables	(1,413,109)	1,400,105
(Decrease) in deferred tax liabilities	(166,884)	(770,950)
Increase/(decrease) in payables	67,998	(22,947)
Net cash used in operating activities	<u>(2,791,543)</u>	<u>(1,237,581)</u>

Non cash financing and investment activities

During the 2012 financial year, 10,000,000 ordinary shares were issued pursuant to a tenement acquisition agreement valued at \$200,000.

During the 2012 financial year, in consideration for the sale of Armada Mining Limited and remaining tenements of the Pilbara Project, the Group received 60 million fully paid ordinary shares in Artemis Resources Limited, at a market value of \$720,000 at completion.

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

NOTE 23: COMMITMENTS

(a) Exploration expenditure commitments

The Group does not currently have any granted tenement holdings within Australia, and therefore no minimum expenditure requirements of the Department of Mines & Petroleum. All minimum expenditure requirements for the tenements held in Cameroon have been met for the current licence terms.

(b) Operating Lease commitments

The company has a lease commitment over its office premises located at 8 Kings Park Road, West Perth. The lease is for a period of two years commencing 1 November 2013. The lease commitment is \$68,122 for the first year increased for CPI in the second year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 24: INVESTMENTS IN CONTROLLED ENTITIES

(a) Details of subsidiaries

Set out below are the Group's subsidiaries at 31 December 2013. All the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of Business / Country of Incorporation	Ownership Interest Held by the Group		Ownership Interest Held by Non-Controlling Interests	
		2013 %	2012 %	2013 %	2012 %
Gibson Metals Pty Ltd	Australia	100	100	-	-
Legend Cameroon Pty Ltd	Australia	100	100	-	-
Legend Iron Ltd	BVI	100	100	-	-
Camina SA	Cameroon	90	90	10	10

(b) Non-controlling interests (NCI)

Set out below is summarised financial information for Camina SA, the only subsidiary of the Group that has non-controlling interests. The amounts disclosed are before inter-company eliminations.

	2013 \$	2012 \$
Summarised Statement of Financial Position		
Current assets	64,891	66,607
Non-current assets	14,016,405	39,966,004
Current liabilities	(23,684)	(361,412)
Non-current liabilities	(21,436,892)	(19,656,384)
Net (liabilities)/assets	(7,379,280)	20,014,815
Accumulated NCI	(735,401)	2,056,782
Summarised Statement of Comprehensive Income		
Revenue	-	7,227
(Loss)/Profit for the year	(36,301,658)	7,227
Other comprehensive income	8,907,563	421,855
Total comprehensive income	(27,394,095)	429,082
(Loss)/Profit allocated to NCI	(3,682,939)	-
Dividends paid to NCI	-	-
Summarised Cash Flows		
Cash flows from operating activities	-	7,227
Cash flows from investing activities	(1,993,704)	(6,130,150)
Cash flows from financing activities	2,015,532	5,805,887
Net increase/(decrease) in cash and cash equivalents	21,828	(317,036)

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE

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

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, credit risk and equity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

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 in note 2 to the financial statements.

Fair value interest risk

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

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.

Equity price risk

Equity price risk is the risk that changes in equity prices will affect the fair value of the Group's holdings of financial instruments. The objective of equity price risk management is to manage and control the 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.

(a) Interest Rate Risk

The consolidated entity's exposure to cashflow interest rate risk is as follows:

2013	Weighted Average Interest Rate	Floating Interest \$	Fixed Interest \$	Non-Interest Bearing \$	Total \$
Financial assets:					
Cash and cash equivalents	3.82%	649,278	4,000,000	2,857	4,652,135
Other financial assets	3.28%	-	50,000	-	50,000
		649,278	4,050,000	2,857	4,702,135
2012					
Financial assets:					
Cash and cash equivalents	6.12%	956,782	9,000,000	1,753	9,958,535
Other financial assets	2.62%	-	50,000	16,134	66,134
		956,782	9,050,000	17,887	10,024,669

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 \$73,634 (2012: \$90,156). This is based on the interest bearing financial assets as detailed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

(b) Credit Risk

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	
		2013 \$	2012 \$
Cash and cash equivalents	8	4,652,135	9,958,535
Trade and other receivables	9	32,480	14,283
Performance bonds	11	50,000	66,134
		<u>4,734,615</u>	<u>10,038,952</u>

The Company's maximum exposure to credit risk at the reporting date was \$4,734,615 (2012: \$10,038,952).

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

(c) Liquidity Risk

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

31 December 2013	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	166,920	(166,920)	(166,920)
	<u>166,920</u>	<u>(166,920)</u>	<u>(166,920)</u>
31 December 2012	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	461,630	(461,630)	(461,630)
	<u>461,630</u>	<u>(461,630)</u>	<u>(461,630)</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 2013		31 December 2012	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Held for trading financial assets	3,727,050	3,727,050	3,895,850	3,895,850
Cash and cash equivalents	4,652,135	4,652,135	9,958,535	9,958,535
Performance and other bonds	50,000	50,000	66,134	66,134
Trade and other receivables	32,480	32,480	14,283	14,283
Trade and other payables	(166,920)	(166,920)	(461,630)	(461,630)
	<u>8,294,745</u>	<u>8,294,745</u>	<u>13,473,172</u>	<u>13,473,172</u>

(e) Equity price risk

The Group's exposure to equity securities is considered high as the company has significant investments in other listed investments totalling \$3,727,050 at 31 December 2013. Such risk is managed through diversification of investments and daily monitoring of price movements.

A change of 10% in the market price of the shares would result in a gain/loss before taxation of \$372,705 (2012: \$389,585).

(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 (XAF).

At balance date, the group had no material foreign currency denominated liabilities and receivables (other than inter-company receivables and payables, which have been eliminated on consolidation).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

Sensitivity

Based on the balance at 31 December 2013, if the Cameroon Franc strengthens by 10% against the Australian Dollar, pre-tax profit for the year would have been \$478 higher. If the Cameroon Franc weakens by 10% against the Australian Dollar, pre-tax profit for the year would have been \$435 lower.

NOTE 26: FAIR VALUES

The carrying amounts of the Group's financial assets and financial liabilities at 31 December 2013 and 31 December 2012 are reasonable approximations of its fair value.

Management assessed that cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following table provides the fair value measurement hierarchy of the Group's assets measured at fair value:

Asset measured at fair value	Date of valuation	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Recurring				
Quoted equity investments (Note 11)	31 December 2013	3,727,050	3,727,050	-	-
	Non-recurring				
Assets of disposal group classified as held for sale (Note 12)	31 December 2013	14,076,514	-	-	14,076,514

There have been no transfers between Level 1 and Level 2 during the year.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value of the quoted equity instruments is based on price quotations at the reporting date.

Fair value of the assets of the disposal group held for sale is determined with reference to the estimated fair value of the consideration receivable by the Group in respect of to the transaction. Pursuant to the Agreement, Legend shall receive cash consideration of:

- \$12 million upon completion of the Transaction; and
- \$5.5 million within 10 business days of the execution of a Mining Convention between the purchaser and the Government of Cameroon.

In determining fair value, the \$12 million cash consideration is valued at its face value given the expected short term maturity thereof, while the \$5.5 million consideration is valued based on the Group's best estimate of the timeframe within which it is expected that the Mining Convention will be executed, being estimated as 5 years from reporting date, discounted at 50% over that period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 27: INFORMATION RELATING TO LEGEND MINING LIMITED ("THE PARENT ENTITY")

	2013	2012
	\$	\$
Current assets	8,406,881	13,866,309
Total assets	23,379,499	51,600,736
Current liabilities	246,733	1,580,554
Total liabilities	289,522	1,756,742
Net assets	23,089,977	49,843,994
Contributed equity	59,818,890	59,860,159
Accumulated losses	(59,146,491)	(32,433,743)
Share option premium reserve	22,417,578	22,417,578
	23,089,977	49,843,994
Loss of the parent entity after tax	(26,712,748)	(487,551)
Total comprehensive loss of the parent entity	(26,712,748)	(487,551)

NOTE 28: AUDITOR'S REMUNERATION

	2013	Consolidated	2012
	\$		\$
Remuneration of the auditor of the parent entity for auditing or reviewing the financial report			
- Ernst & Young	56,500		50,600
- Stantons International	-		14,636
	56,500		65,236

NOTE 29: 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 30: EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the condition precedent in note 12, noted as Cameroon approvals (iii), has been satisfied.

No other matter or circumstance has arisen since the end of the financial year which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

NOTE 31: 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 and notes (pages 18-53) and the remuneration disclosures that are contained in the Remuneration report in the Directors report (pages 13-17) 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 2013 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 2013.

On behalf of the Board.

A handwritten signature in black ink, appearing to read 'M. W. Wilson', followed by a horizontal line.

Mark Wilson
Managing Director

Dated this 21st day of March 2014

DECLARATION OF AUDITOR'S INDEPENDENCE



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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

In relation to our audit of the financial report of Legend Mining Limited for the year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gavin Buckingham
Partner
Perth
21 March 2014

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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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 2013, 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 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 controls as the directors determine are 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 Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

INDEPENDENT AUDITOR'S REPORT



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 2013 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the 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 13 to 17 of the directors' report for the year ended 31 December 2013. 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.

Opinion

In our opinion, the Remuneration Report of Legend Mining Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
21 March 2014

SHAREHOLDER INFORMATION

The issued capital of the company as at 17 March 2014 is 1,962,850,801 ordinary fully paid shares.

Distribution of Share Holders as at 17 March 2014

Fully Paid Shares			Number of Holders	Number of Shares
1	-	1,000	85	26,337
1,001	-	5,000	128	478,967
5,001	-	10,000	326	2,749,570
10,001	-	100,000	1,918	90,472,103
100,001		and over	1,312	1,869,123,824
			3,769	1,962,850,801
Number holding less than a marketable parcel			2,108	59,526,365

Top 20 Shareholders as at 17 March 2014

Name	Total Holdings	% Issued Capital
Yandal Investments Pty Ltd	344,750,000	17.564
Australian Gold Resources	164,985,000	8.405
Brispot Nominees Pty Ltd	119,180,845	6.072
Invia Custodian Pty Limited	67,784,328	3.453
Mikado Corporation Pty Ltd	53,500,000	2.726
Ron Medich Properties Pty Ltd	50,000,000	2.547
Chester Nominees WA Pty Ltd	45,000,000	2.293
Paul Gabriel Sharbanee	36,000,000	1.834
Karari Australia Pty Ltd	31,000,000	1.579
Alexander Jason Elks	25,000,000	1.274
Bellarine Gold Pty Ltd	21,500,000	1.095
PHH Pty Limited	17,800,000	0.907
Thomas Super Fund	15,462,962	0.788
HSBC Custody Nominees (Australia) Limited	13,137,059	0.669
J P Morgan Nominees Australia Limited	11,971,354	0.610
Damien Michael O'Donnell & Carolyn Ann O'Donnell	10,400,000	0.530
Yu Ma	10,150,000	0.517
Palazzo Corporation Pty Ltd	10,000,000	0.509
Phillip Roy Trafford	10,000,000	0.509
Gary Clive Berwyn Davies & Christine Ann Davies	10,000,000	0.509
	1,067,621,548	54.390

Unlisted Option holders as at 17 March 2014

Class of options	Number	Number of Holders
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 5.0 cents per share	14,400,000	1
4 February 2015 exercisable at 4.0 cents per share	191,250,000	9
4 February 2015 exercisable at 4.0 cents per share	199,750,000	22
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 17 MARCH 2014

Tenement	Status	Percentage Interest
CAMEROON PROJECT		
EP144	Granted	90%
EP195	Granted	90%
EP221	Granted	90%
EP307	Granted	90%
FRASER PROJECT		
E28/2342	Application	N/A
E28/2408	Application	N/A
E28/2409	Application	N/A
E28/2415	Application	N/A

