Legend
mining limited

2018 Annual Report

CONTENTS

Web
www.legendmining.com.au

Email
legend@legendmining.com.au

ASX Code
LEG – ordinary shares

ACN
060 966 145

Directors

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

Secretary

Tony Walsh

Registered Office

Level 1
8 Kings Park Road
WEST PERTH WA 6005

Telephone: (08) 9212 0600
Facsimile: (08) 9212 0611

Bankers

Australian and New Zealand Banking Group Ltd
1275 Hay Street
WEST PERTH WA 6005

Lawyers

DLA Piper
Level 31, Central Park
PERTH WA 6000

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
110 Stirling Highway
NEDLANDS WA 6009

CHAIRMAN'S REPORT

Legend continues to carry out exploration at its Rockford Project in the Fraser Range in Western Australia. The Fraser Range hosts Independence Group's Nova- Bollinger mine and Creasy Group's Silver Knight deposit. Legend has circa 2,379 km^2 wholly within the Fraser Zone, which Legend regards as the most prospective area of the Fraser Range for a repeat of a Nova-Bollinger/Silver Knight style deposit.

During the last year, Legend made tremendous progress at area D, with the aircore drilling producing exciting geochemical results and extensive moving loop electromagetic surveys (MLTEM) identifying nine new conductors and better defining another two. Legend is very proud of the state-of-the-art exploration techniques that have been employed in identifying and defining numerous conductors at Rockford and underscores our belief that we have a real prospect at finding another Fraser Range orebody.

The initial field work for this year includes an Induced Polarisation survey and further infill aircore drilling at Area D, to enable better selection and design of diamond drilling planned for mid-2019.

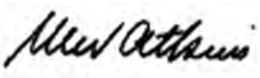
Your Board is most excited about the next few months, as we see progress towards the diamond drilling of the Area D conductors. This is what we have all been waiting for, and I am confident that we have done the work to the highest scientific and geological standard and underscores our belief that we have a real prospect of the discovery of another Fraser Range orebody.

Legend has also carried out exploration at its Shackleton prospect in the southern portion of its Rockford tenement holdings. The aircore drilling program intersected VMS pathfinder elements as well as elevated zinc values. The following MLTEM survey identified two significant bedrock conductors. An RC drill program to test one of these conductors and further MLTEM surveys are planned in this area during 2019.

Your company has a strong executive team, led by Mark Wilson and Derek Waterfield, and I also acknowledge the support and encouragement of our major shareholder Mark Creasy and his technical team. I also would like to thank all our contractors for the work they have done in challenging conditions.

Your Board thanks you the shareholders for your continuing support and we look forward to an exciting year ahead.

Yours sincerely



Michael Atkins
Chairman
20 March 2019

ROCKFORD PROJECT – Fraser Range District

(Nickel-Copper, Copper-Zinc-Silver, Gold)

The Rockford Project is located in the highly prospective Fraser Range district of Western Australia and covers a total area of 2,379km² (see Figure 1). The majority of the project (2,117km²), comprising seven contiguous granted exploration licences, is the subject of a joint venture between Legend (70%) and Creasy Group (30%), with Legend operator and manager of the joint venture. The remaining 262km² is 100% owned by Legend and includes five granted exploration licences. Exploration utilising innovative ground electromagnetic surveying is primarily focussed on Nova-Bollinger style magmatic sulphide nickel-copper, as well as targeting volcanogenic massive sulphide (VMS) copper-zinc-silver and Tropicana style structurally controlled gold mineralisation.

The Rockford Project covers a strike length of 100km over a regional gravity high "ridge" associated with dense mafic/ultramafic intrusive rocks of the Fraser Zone, within the larger Albany-Fraser Orogen. The Nova-Bollinger deposit and the Silver Knight nickel-copper discovery both located within the Fraser Zone, are situated on a similar tenor gravity ridge to that of the Rockford Project (see Figure 1).

During 2018 Legend undertook an extensive project wide exploration programme involving:

- Further interpretation and integration of drilling, aeromagnetic and gravity datasets
- Aircore drilling at Area D - 110 holes for 9,505m
- Area D innovative moving loop electromagnetic survey - 38 lines, 832 stations, 23km²
- Regional aircore drilling over Shackleton, central and south Rockford - 234 holes for 13,392m
- Petrology (15 bottom of hole aircore samples)
- Shackleton innovative moving loop electromagnetic survey - 11 lines, 278 stations, 9.6km²

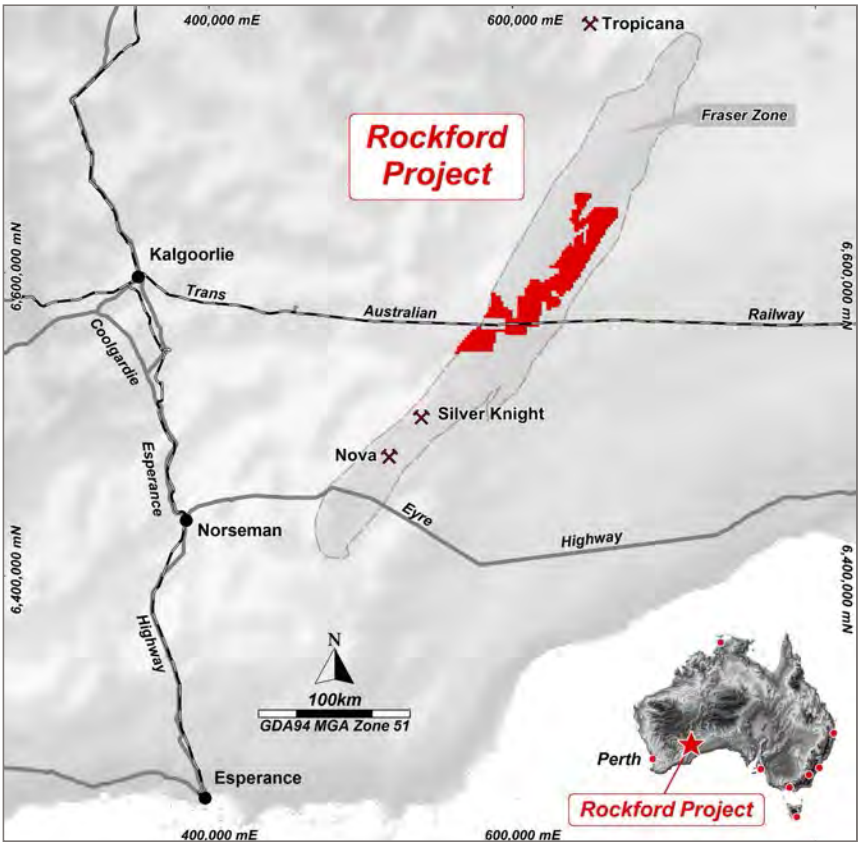


Figure 1: Rockford Project Location

Exploration activities initially involved aircore drilling following up the highly anomalous drill results in RKAC151 and RKAC167 from November 2017 and broad spaced holes aimed at providing geological and geochemical data over a wider Area D region (see Figure 2). This drilling programme identified four zones with anomalous nickel-copper associated with intrusive host rocks and significantly, disseminated sulphides were observed in nine drillholes associated with a gabbronorite host. An extensive innovative moving loop electromagnetic (MLTEM) survey over Area D identified nine new bedrock conductors (D9-D17) and provided better definition on the previously identified D3 and D5 conductors.

Regional aircore drilling predominantly over the central and southern part of the Rockford Project was undertaken in the second half of 2018 targeting a combination of aeromagnetic/gravity features and previously identified conductors J1-J2, Q1, S1 and U1 (see Figure 2). This programme highlighted the Shackleton prospect and returned anomalous geochemical results in drillholes RKAC505 (Cu-Zn-Ag) and RKAC520 (Ni-Cu-Co). Exploration activities at Area D and over the regional targets are discussed in further detail below.

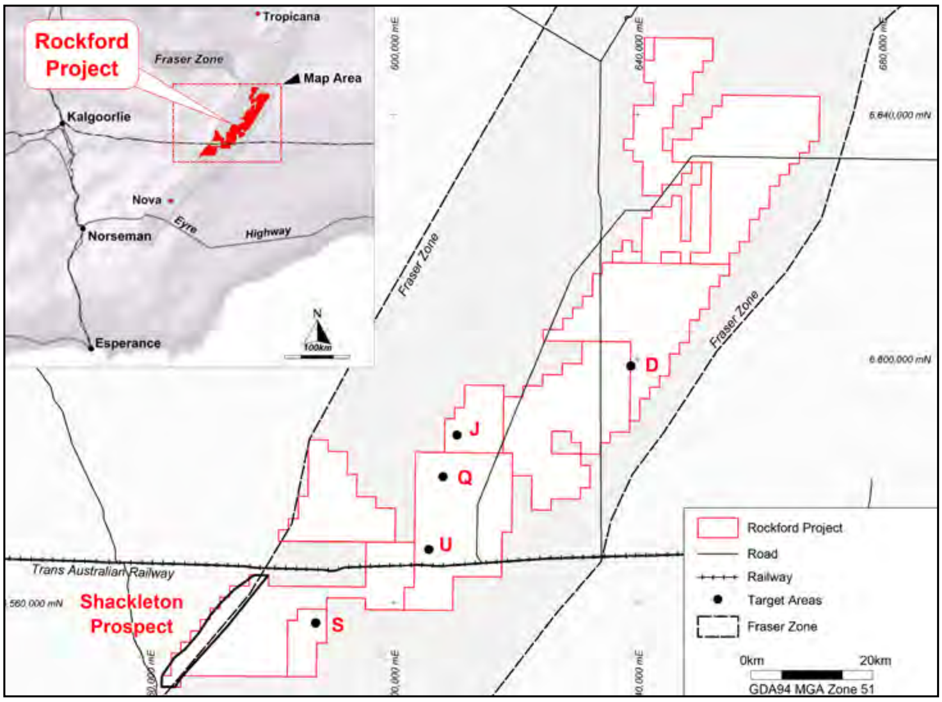


Figure 2: Exploration Prospect Locations

Area D Prospect

Exploration activities completed during 2018 at Area D comprised infill and broad spaced aircore drilling programmes followed by an extensive MLTEM survey. These activities were designed to define the extent of the anomalous Ni-Cu-Co identified in previous aircore drilling, identify further geochemical anomalies regionally, then test these anomalies with MLTEM for associated bedrock conductors.

The aircore drilling comprised 110 holes (RKAC181-290) for 9,505m with drilling initially focussed around highly anomalous drillholes RKAC151 and RKAC167 (November 2017), then at a broader nominal spacing of 800m x 400m (see Figure 3).

Drillhole RKAC151 intersected 47m @ 0.30% Ni, 0.11% Cu and 0.03% Co from 64m to EOH associated with goethitic/Fe-clay weathering over an olivine gabbronorite cumulate. Follow up hole RKAC183 (200m north of RKAC151) then intersected disseminated sulphides comprising pyrrhotite-chalcopyrite-pentlandite associated with the same olivine gabbronorite host rock returning 14m @ 0.37% Ni, 0.43% Cu and 0.03% Co from 72m to EOH.

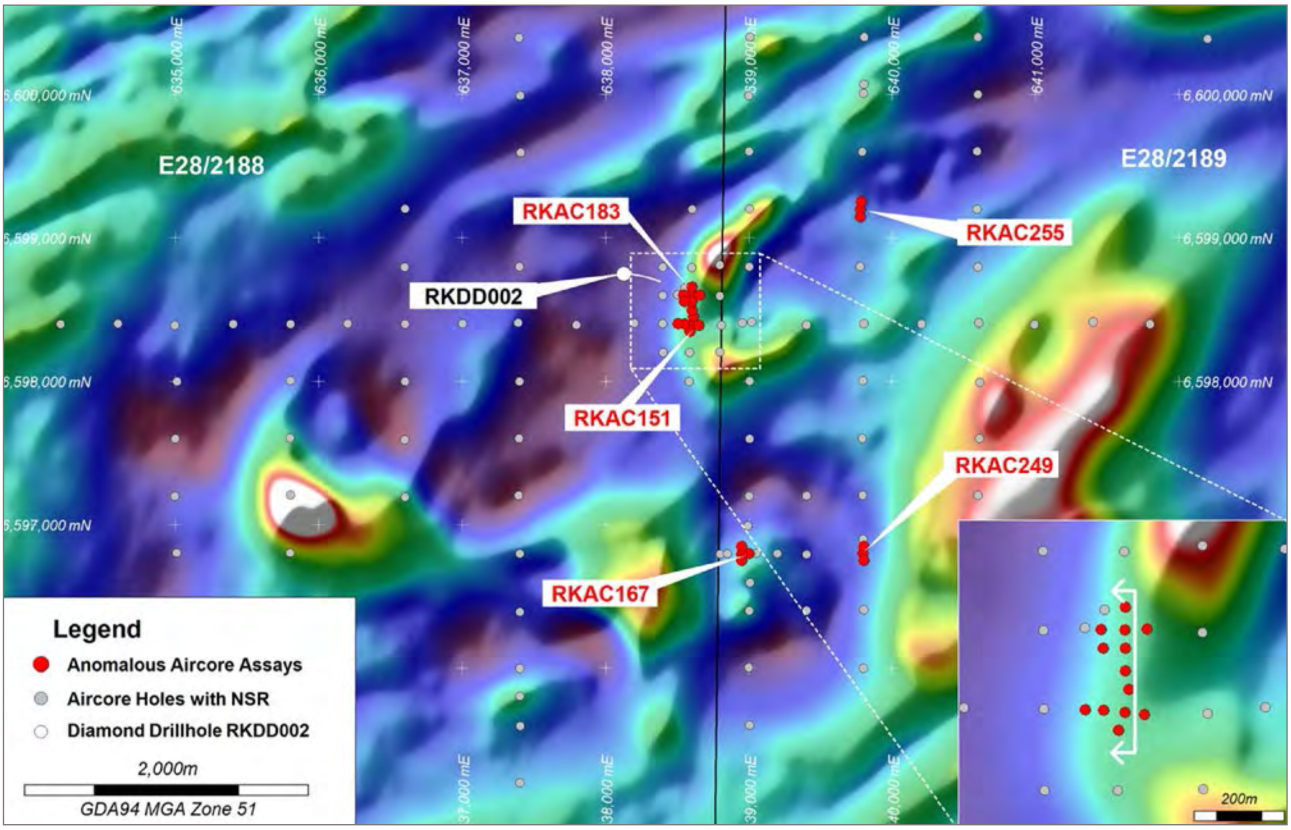


Figure 3: Area D Aircore Drillholes on Aeromagnetics

Subsequent 50m spaced infill drilling (RKAC205-209) was completed on Section 638600E (see Figures 3 & 4) to test the continuity of the mineralisation, with all holes intersecting gabbronorite and containing up to 1% total sulphides. Four of the five holes returned broad intersections of 26m to 41m with nickel values ranging between 0.17-0.34% Ni and associated copper between 0.10-0.31% Cu, (see Table 1). Additional infill drilling significantly defined a 100m wide zone (RKAC183, 224-225) containing disseminated magmatic sulphides within a larger ~300m x ~100m anomalous Ni-Cu (>0.2% Ni and >0.1% Cu) footprint.

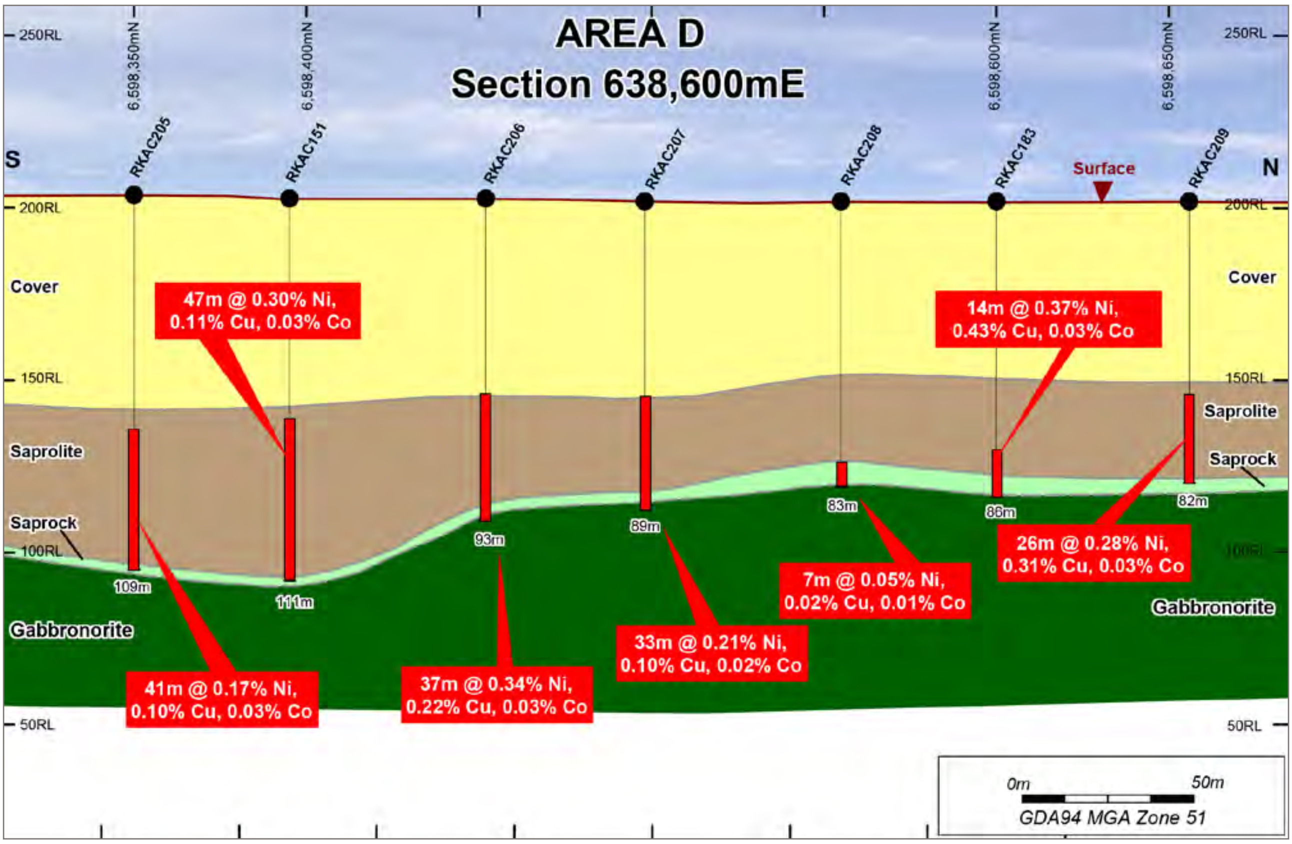


Figure 4: Area D Aircore Drill Section 638,600E

Table 1: Area D - Aircore Drillhole Results (4m Composites)

Drillhole	From	To	Int.	Ni %	Cu %	Co %	Ag g/t
*RKAC151	64	111 EOH	47	0.30	0.11	0.03	0.19
Incl.	64	74	10	0.23	0.25	0.03	0.39
Incl.	96	102	6	0.38	0.15	0.03	0.06
Incl.	106	111 EOH	5	0.43	0.06	0.02	0.44
*RKAC167	56	66 EOH	10	0.09	0.09	0.01	<0.05
Incl.	59	63	4	0.14	0.16	0.02	<0.05
*RKAC183	72	86 EOH	14	0.37	0.43	0.03	1.36
Incl.	77	79	2	0.46	1.44	0.04	5.12
RKAC205	68	109 EOH	41	0.17	0.10	0.03	0.80
RKAC206	56	93 EOH	37	0.34	0.22	0.03	0.40
RKAC207	56	89 EOH	33	0.21	0.10	0.02	0.25
RKAC208	76	83 EOH	7	0.05	0.02	0.01	0.09
RKAC209	56	82 EOH	26	0.28	0.31	0.03	0.86
RKAC225	52	71 EOH	19	0.23	0.33	0.02	3.16
Incl.	70	71 EOH	1	0.31	0.68	0.02	3.24
RKAC226	66	102	36	0.39	0.23	0.04	0.40
RKAC249	64	82 EOH	18	0.22	0.03	0.03	0.19
RKAC253	64	85 EOH	21	0.34	0.05	0.04	0.52
Incl.	72	76	4	0.64	0.07	0.06	0.31
RKAC255	78	115 EOH	37	0.25	0.03	0.04	0.10

* RKAC151, 167, 183 results based on 2018 1m resampling

The broad spaced aircore drilling returned coherent anomalous Ni-Cu-Co geochemistry from four zones centred around drillholes; RKAC151 and 183, RKAC167, RKAC249 and RKAC255, as shown on Figure 3 and summarised in Table 1. Two of these zones (RKAC167 and RKAC 249) are interpreted as within the same intrusive body.

Following the completion of the aircore drilling programme an extensive innovative MLTEM survey was undertaken over Area D covering an area of 23km^2. The survey was designed to test for massive sulphide mineralisation associated with the four zones of coherent anomalous Ni-Cu-Co geochemistry defined in aircore drilling, as well as the wider Area D region where numerous mafic/ultramafic intrusions were identified.

The survey successfully delineated nine new bedrock conductors (D9-D17) and provided better definition on the previously identified D3 and D5 conductors (see Figure 5 & Table 2).

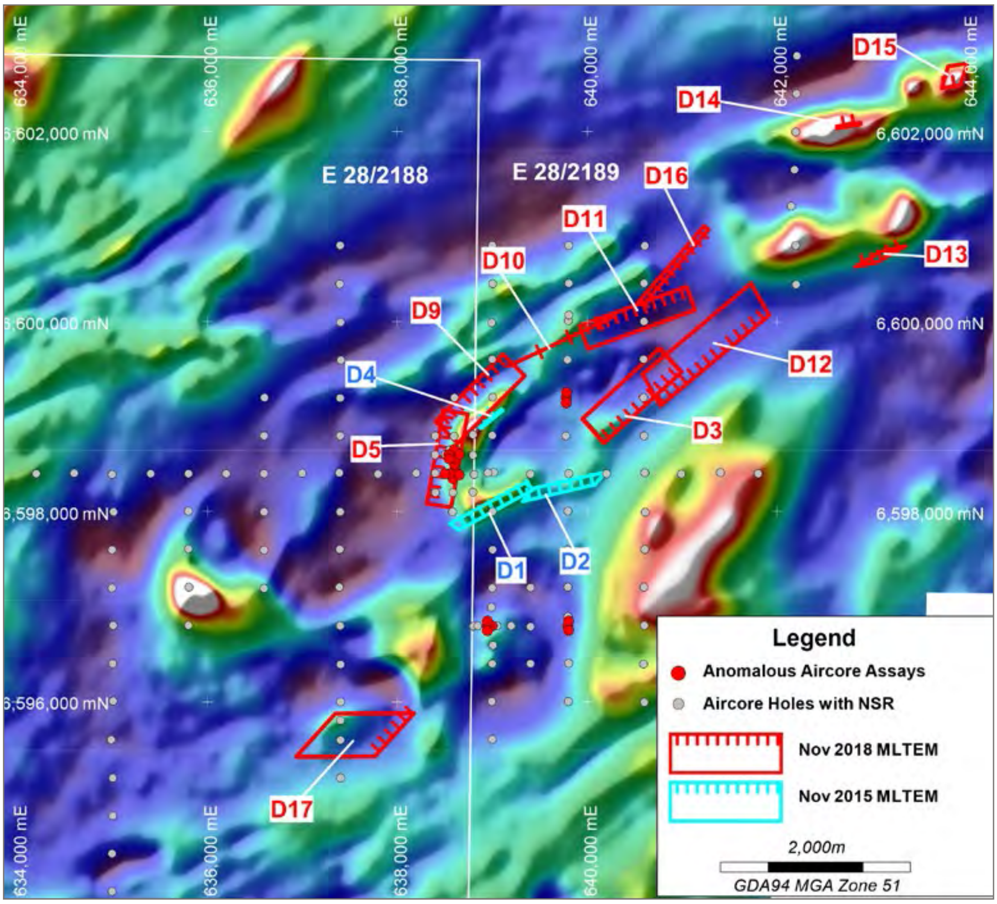


Figure 5: Area D MLTEM Conductor Plates and Anomalous Aircore Drillholes on Aeromagnetics

Table 2: Area D MLTEM Modelled Parameters

Conductor	Conductance	Dimensions	Depth to Top	Plate Orientation
D3*	~8,000-12,000S+	~1,000m x 700m	200-250m	55-65⁰ NW dip
D5*	~1,500-2,500S	~1,000m x 1,500m	125-175m	~80⁰ ESE dip
D9	~1,500-2,500S	~1,000m x 1,500m	125-175m	75-80⁰ SE dip
D10	~1,500-2,500S	~1,200m x 1,400m	125-175m	~80-90⁰ SSE dip
D11	~2,000-3,000S	~1,200m x 1,500m	125-175m	~75⁰ SSE dip
D12	~3,000-6,000S	~600m x 1,000m	150-200m	60-70⁰ NW dip
D13	~2,000-3,000S	~300 x 800m	125-150m	~80-90⁰ NNW dip
D14	~7,000-12,000S+	~200m x 50-75m	100-150m	60-70⁰ N dip
D15	~9,000-12,000S+	~250m x 500m	275-350m	70-80⁰ N dip
D16	~5,000-6,000S	~900m x 1,000m	125-175m	75-85⁰ SE dip
D17	400-750S	~700m x 800m+	150-200m	~60⁰ WNW dip

* Conductors D3 and D5 originally identified in the November 2015 survey have been remodelled with infill data from the November 2018 survey.

A total of 17 conductors with varying parameters have now been identified at Area D by the original MLTEM survey in November 2015, a FLTEM survey in April 2016 and the November 2018 MLTEM survey. Conductor D5 is considered a high priority conductor given its close proximity to aircore drillhole RKAC183, which intersected disseminated pyrrhotite-chalcopyrite-pentlandite in a gabbronorite host rock. Conductors D14 and D15 are also high priority conductors based on their high conductances (7,000-12,000S) and relatively small dimensions.

An Induced Polarisation survey and infill aircore drilling is planned at Area D to assist in the final selection of targets and design of a follow up diamond drilling programme.

Shackleton Prospect

A 51 hole aircore programme was completed at Shackleton over a magnetically distinct stratigraphic package considered prospective for VMS deposits similar to IGO's recently discovered Andromeda Cu-Zn prospect some 7km to the SW (see Figure 6). The drilling intersected a weathered pyritic black shale (possible exhalite horizon) in drillhole RKAC417 returning elevated zinc values (0.06% Zn) coincident with a range of VMS pathfinder elements Ag±S±Mo±Bi±Sn±In±Tl. MLTEM surveys at Shackleton identified two significant bedrock conductors (Shackleton 1 and 2), with Shackleton 1 associated with the interpreted exhalite horizon and magnetic high (see Figure 6). These surveys were undertaken over two separate priority target areas and cover only 30% of the 24km magnetic trend considered prospective for VMS mineralisation.

An RC drillhole to test the Shackleton 1 conductor and further MLTEM surveying over this magnetic trend are planned for 2019.

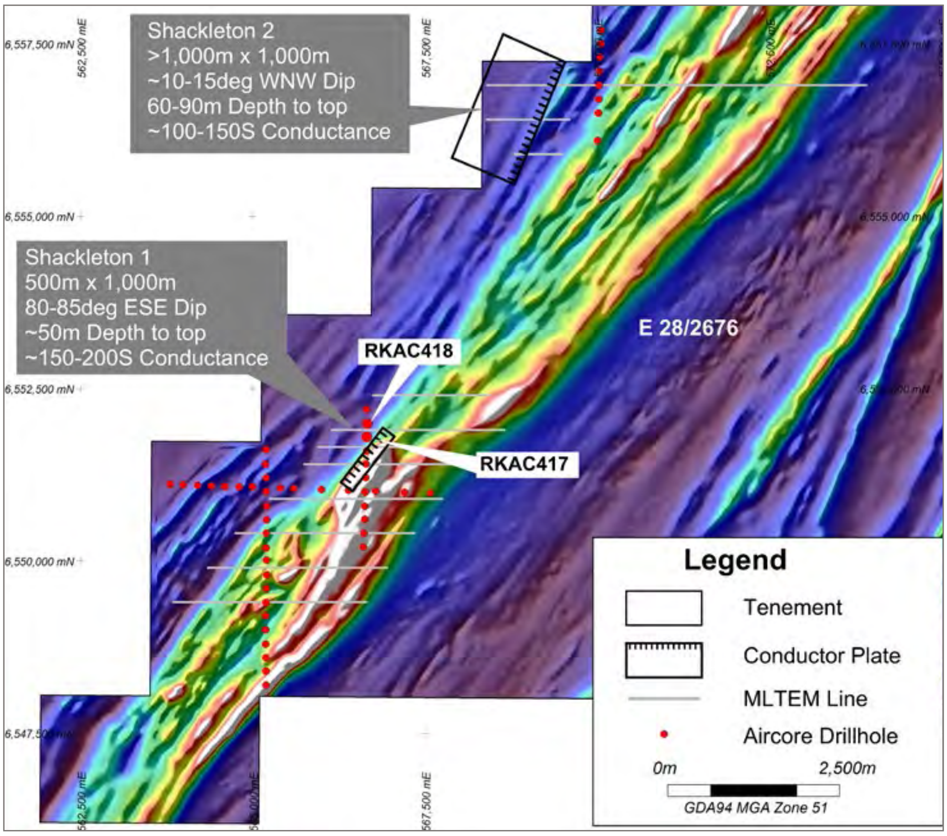


Figure 6: Shackleton Prospect MLTEM Conductor Locations and Aircore Drillholes

Regional Aircore Drilling Programme

An extensive regional aircore drilling programme was completed during 2018 as part of Legend's systematic exploration approach across the entire Rockford Project and involved 344 holes for 22,897m testing 27 separate targets. The drilling was predominantly over the central and southern part of Rockford targeting a combination of aeromagnetic/gravity features, structural positions and previously identified conductors J1-J2, Q1, S1 and U1 (see Figure 7).

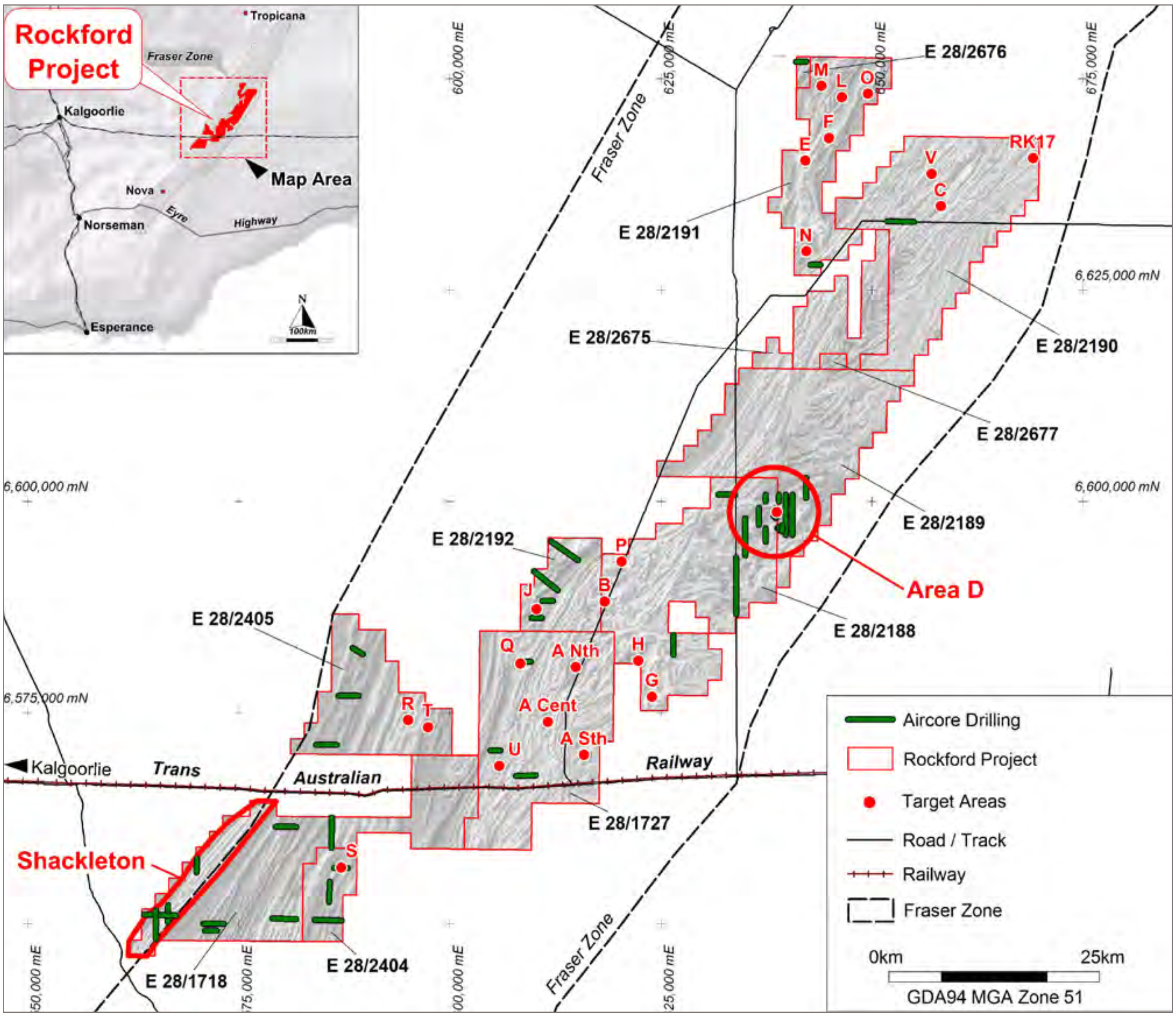


Figure 7: Regional Aircore Drillhole Locations

The programme returned anomalous geochemical results in drillholes RKAC505 (Cu-Zn-Ag) and RKAC520 (Ni-Cu-Co) (see Figure 8).

- RKAC505: 9m @ 0.09% Cu, 0.06% Zn, 1.47g/t Ag from 88m to EOH
  Incl. 4m @ 0.12% Cu, 0.08% Zn, 1.89g/t Ag from 88m
- RKAC520: 11m @ 0.42% Ni, 0.01% Cu, 0.03% Co from 32m to EOH
  Incl. 3m @ 0.71% Ni, 0.01% Cu, 0.04% Co from 40m to EOH

The anomalous results in RKAC505 coincide with the up dip projection of the previously identified S1 conductor plate and an increased depth of weathering/alteration potentially due to the presence of sulphides (see Figure 8). This hole displays characteristics of a Cu-Zn-Ag VMS system and is supported by a suite of VMS pathfinder elements.

The anomalous results in RKAC520 are related to an olivine-rich ultramafic host rock with strong silica alteration and serpentinisation. These results and the favourable intrusive host rock further highlights the potential for Nova style Ni-Cu mineralisation in the Rockford South region.

Infill aircore drilling is planned around both RKAC505 and RKAC520 to determine the extent of the anomalous geochemistry and assist with the design of future exploration activities.

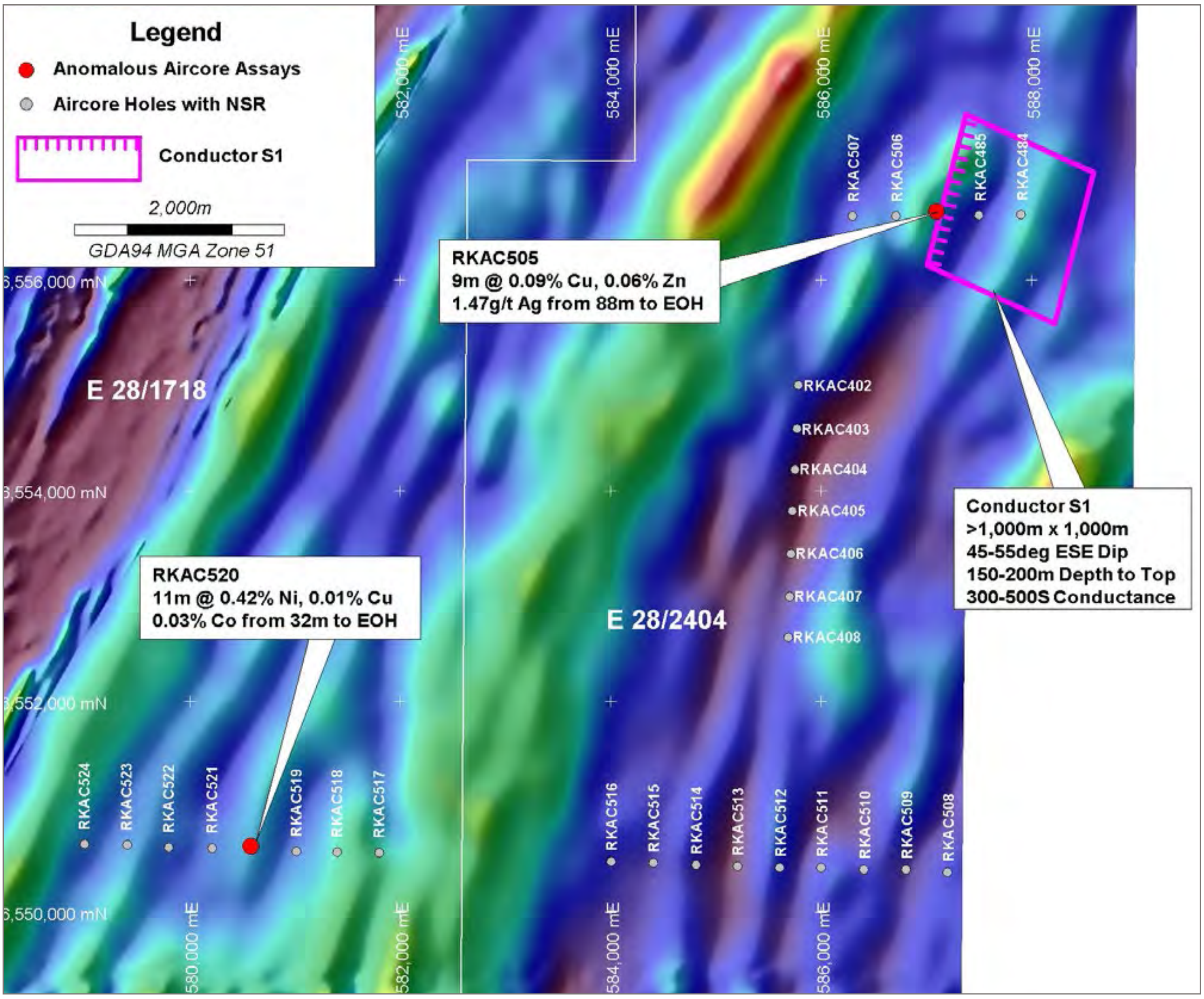


Figure 8: Anomalous Aircore Drillholes and S1 Conductor on Aeromagnetic Image

CORPORATE

Annual Tax Return – R & D Claim

In November 2018 Legend submitted its 2018 annual tax return, which included a research and development (R&D) claim for reimbursement of $1.28M. The cornerstone of Legend's exploration activities at the Rockford Project is using innovative geo-sensing MLTEM surveys. These surveys qualify Legend for R&D cash reimbursement for these surveys and other associated activities via the annual tax return. In December 2018, Legend received the R&D refund of $1.28M.

Cameroon Project Sale

Legend announced on 4 January 2017 that it had received a request from Jindal to consider a further deferral of the payment of the final amount of $3 million owing to Legend from the sale of the Cameroon Iron Ore project. Legend agreed to this request in principle, and will report to the ASX as soon as an agreement of new payment terms is reached.

Since this time, Legend has remained actively in contact with Jindal on its debt restructuring, which once completed, will enable Jindal to focus on matters such as the amount owing to Legend. In the meantime, the amount owing from Jindal continues to attract interest at the rate of 4% per annum paid quarterly and Jindal has paid each interest payment of $30,000 per quarter since January 2017.

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 styles 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.

The information in this report that relates to Legend's Exploration Results is a compilation of previously released to ASX by Legend Mining (22 January 2018, 9 April 2018, 3 May 2018, 6, 20 & 26 June 2018, 2 & 17 July 2018, 7 & 14 August 2018, 6 September 2018, 23 October 2018, 19 November 2018, 5 & 21 December 2018) and Mr Derek Waterfield consents to the inclusion of these Results in this report. Mr Waterfield has advised that this consent remains in place for subsequent releases by Legend of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent. Legend confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters in the market announcements continue to apply and have not materially changed. Legend confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Legend Mining Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Legend Mining Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 Corporate Governance Statement was approved by the Board on 20 March 2019 and is current as at 20 March 2019. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.legendmining.com.au

The Directors submit their report for the year ended 31 December 2018.

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)

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

He is currently non-executive chairman of Australian listed companies Azumah Resources Ltd and Castle Minerals Ltd, and non-executive director of SRG Global Limited. Mr Atkins has not held any former public company directorships in the last three years.

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 has also served as non-executive director of Australian listed company Tanga Resources Limited (resigned July 2017).

Derek Waterfield is a Member of the Australian Institute of Geoscientists and a graduate of the University of Queensland (B.Sc. Hons). He has 30 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 three years.

Tony Walsh (Company Secretary) was appointed Company Secretary effective on 12 December 2016.

Mr Walsh has over 30 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC committee, four years as Chairman of an ASX listed mining explorer and as a director of a London AIM listed explorer. Tony is also currently Company Secretary of Battery Minerals Mining Ltd and is a Director of Entek Energy Limited.

Mr Walsh is a member of the Australian Institute of Company Directors, a Fellow of the Governance Institute of Australia, the Institute of Chartered Secretaries and the Institute of Chartered Accountants in Australia.

He is currently a non-executive director of the Women's and Infants Research Foundation.

3. EARNINGS PER SHARE

Basic loss per share:	0.062 cents
Diluted loss per share:	0.0555 cents

4. DIVIDENDS

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

5. CORPORATE INFORMATION

Corporate Structure

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

Nature of Operations and Principal Activities

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

- exploration for nickel and copper deposits in Australia.

Employees

The consolidated entity had a staff of four employees at 31 December 2018 (2017: four employees).

6. OPERATING AND FINANCIAL REVIEW

Results of Operations

The net loss after income tax of the consolidated entity for the year was $1,267,602 (2017: loss of $567,068).

Review of Operations

The Directors' Review of Activities for the year ended 31 December 2018 is contained on pages 3 to 12 of the Annual Report.

Summarised Operating Results

Impairment of Deferred Exploration Costs: There was nil impairment of deferred expenditure expensed to the income statement during the year (2017: $NIL).

Deferred Exploration Costs: Total acquisition costs and deferred expenditure on tenements capitalised during the year, net of amounts reimbursed through the research and development incentive grant amounted to $336,032 (2017: $1,964,401).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes during the year.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation in Australia. 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 238,000,000 unissued ordinary shares under options. Refer to note 17 for further details of the options outstanding at 31 December 2018.

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

No other matters 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 of the Company or a related body corporate:

(i) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or

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

13. INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

14. 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

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.

14. REMUNERATION REPORT (CONTD)

Group Performance

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

	December 2018	December 2017	December 2016	December 2015	December 2014
Revenue	$223,469	$267,989	$407,180	$575,162	$371,332
Net loss after tax	($1,267,602)	($567,068)	($2,599,591)	($1,311,284)	($2,618,326)
Basic loss per share (cents per share)	(0.062)	(0.028)	(0.128)	(0.066)	(0.128)
Diluted loss per share (cents per share)	(0.062)	(0.028)	(0.128)	(0.066)	(0.128)
Net assets	$13,082,152	$14,349,754	$14,734,111	$17,127,502	$17,067,286
Share price (at balance date)	$0.03	$0.03	$0.01	$0.008	$0.007

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 other 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.

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 2018 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.

14. REMUNERATION REPORT (CONTD)

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 2018 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 Board.

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.

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.

14. REMUNERATION REPORT (CONTD)

Share-based Payments

During the year the Company did not grant any incentive options to directors (2017: $NIL).

Compensation of Key Management Personnel for Years Ended 31 December 2018 and 31 December 2017

Name	Year	Short term Salary and Fees[1] $	Post-Employment Super-annuation $	Long-term benefits Long Service Leave $	Share based payments options $	Total $	% of compen-sation granted as options	% of performance related remuneration
Director								
M Atkins	2018	80,000	7,600	-	-	87,600	-	-
	2017	80,000	7,600	-	-	87,600	-	-
M Wilson	2018	332,308	30,400	5,333	-	368,041	-	-
	2017	332,308	30,400	5,333	-	368,041	-	-
D Waterfield	2018	236,923	20,900	3,667	-	261,490	-	-
	2017	243,692	20,900	18,944	-	283,536	-	-
Total	**2018**	**649,231**	**58,900**	**9,000**	**-**	**717,131**	**-**	**-**
	2017	**656,000**	**58,900**	**24,277**	**-**	**739,177**	**-**	**-**

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

Option holdings of Key Management Personnel

Options held in Legend Mining Limited (number) during the year ended 31 December 2018

Name	Balance at beginning of year 1 Jan 2018	Granted as Remuneration	Exercised during the year	Net Change Other	Balance at end of year 31 Dec 2018	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
M Atkins	10,000,000	-	-	-	10,000,000	-	10,000,000
M Wilson	40,000,000	-	-	-	40,000,000	-	40,000,000
D Waterfield	20,000,000	-	-	-	20,000,000	-	20,000,000
Total	**70,000,000**	**-**	**-**	**-**	**70,000,000**	**-**	**70,000,000**

Shareholdings of Key Management Personnel[(1)(2)]

Shares held in Legend Mining Limited (number) during the year ended 31 December 2018

Name	Balance 1 Jan 18	Granted as remuneration	On exercise of options	Net change other[(3)]	Balance 31 Dec 18
Directors					
M Atkins (Windamurah P/L), (Alkali Exploration P/L)	7,108,334	-	-	-	7,108,334
M Wilson (Chester Nominees WA P/L)	126,000,000	-	-	2,748,200	128,748,200
D Waterfield	1,000,000	-	-	-	1,000,000
Total	**134,108,334**	**-**	**-**	**2,748,200**	**136,856,534**

(1) Includes shares held directly, indirectly and beneficially by KMP.
(2) On-market purchases made during the year.
(3) Power of Attorney over parent's interests.

END OF REMUNERATION REPORT

15. 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 Board Meetings Attended	No. of Meetings Held Whilst A Director	No of Audit Committee Meetings Attended	No of Audit Committee Meetings Held
Attended by:				
Michael Atkins	7	7	2	2
Mark Wilson	7	7	2	2
Derek Waterfield	5	7	0	2

16. 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 signing this report is as follows:

Name	Ordinary shares	Options over ordinary shares
M Atkins (Windamurah P/L), (Alkali Exploration P/L)	7,108,334	10,000,000
M Wilson (Chester Nominees WA P/L)	128,748,200	40,000,000
D Waterfield	1,000,000	20,000,000

17. 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 2018 financial year.

We have received the Declaration of Auditor Independence from Ernst & Young, the Company's Auditor. This is available for review on page 49 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 2019

	Note	2018 $	2017 $
Finance revenue	4(a)	223,469	267,989
Net gain/(loss) on revaluation of financial assets held for Trading	4(b)	(172,588)	353,632
Employee benefit expenses	4(c)	(301,634)	(569,415)
Other expenses	4(d)	(47,097)	(39,199)
Corporate and administration expenses	4(e)	(969,752)	(561,575)
Share-based payments expense	18(a)	-	(18,500)
Loss before income tax		(1,267,602)	(567,068)
Income tax benefit	6	-	-
Net loss for the year attributable to Members of Legend Mining Limited		**(1,267,602)**	**(567,068)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to Members of Legend Mining Limited		**(1,267,602)**	**(567,068)**
EARNINGS PER SHARE (cents per share)			
Basic loss per share	5	(0.062)	(0.028)
Diluted loss per share	5	(0.0555)	(0.028)

The accompanying notes form part of these financial statements

	Notes	2018	2017
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,323,829	4,469,964
Receivables	9	64,012	39,630
Other financial assets	10	117,279	289,868
Total Current Assets		3,505,120	4,799,462
Non-current Assets			
Other financial assets	10	5,775	5,775
Property, plant & equipment	11	109,099	149,039
Deferred exploration costs	12	10,012,564	9,676,532
Total Non-current Assets		10,127,438	9,831,346
TOTAL ASSETS		13,632,558	14,630,808
LIABILITIES			
Current Liabilities			
Trade and other payables	13	288,483	62,580
Employee benefit provisions	14	164,498	131,882
Total Current Liabilities		452,981	194,462
Non-current Liabilities			
Provisions	14	97,425	86,592
Total Non-current Liabilities		97,425	86,592
TOTAL LIABILITIES		550,406	281,054
NET ASSETS		13,082,152	14,349,754
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	15	60,711,242	60,711,242
Share option premium reserve	16	23,268,278	23,268,278
Accumulated losses		(70,897,368)	(69,629,766)
TOTAL EQUITY		13,082,152	14,349,754

The accompanying notes form part of these financial statements

		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**$**	**$**
Payments to suppliers and employees		(1,062,034)	(1,161,546)
Interest received		251,932	254,552
Net cash flows used in operating activities	20(ii)	(810,102)	(906,994)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	-	(43,282)
Proceeds from the sale of investments		-	466,072
Payments for deferred exploration costs		(2,921,850)	(2,756,591)
Receipt of research and development tax incentive grant		2,585,817	1,037,085
Net cash flows used in investing activities		(336,033)	(1,296,716)
Net decrease in cash and cash equivalents		(1,146,135)	(2,203,710)
Cash and cash equivalents at the beginning of year		4,469,964	6,673,674
Cash and cash equivalents at end of year	20(i)	3,323,829	4,469,964

The accompanying notes form part of these financial statement

	Contributed Equity	Share Option Premium Reserve	Accumulated Losses	Total Equity
At 1 January 2018	60,711,242	23,268,278	(69,629,766)	14,349,754
Loss for the year	-	-	(1,267,602)	(1,267,602)
Total comprehensive loss for the year	-	-	(1,267,602)	(1,267,602)
At 31 December 2018	60,711,242	23,268,278	(70,897,368	13,082,152

	Contributed Equity	Share Option Premium Reserve	Accumulated Losses	Total Equity
At 1 January 2017	60,588,031	23,208,778	(69,062,698)	14,734,111
Loss for the year	-	-	(567,068)	(567,068)
Total comprehensive loss for the year	-	-	(567,068)	(567,068)
Issue of share capital and options for tenement acquisition	123,211	41,000	-	164,211
Share-based payments	-	18,500	-	18,500
At 31 December 2017	60,711,242	23,268,278	(69,629,766)	14,349,754

The accompanying notes form part of these financial statements

NOTE 1: CORPORATE INFORMATION

The consolidated financial statements of Legend Mining Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 20 March 2019.

Legend Mining Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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.

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

Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the impact of new and amended accounting standards and interpretations as discussed below.

(i) New and amended standards and interpretations

The Group applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

AASB 9 *Financial Instruments* (AASB 9)

Classification and measurement

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 January 2018. The Group has elected to restate the comparative period.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the Goup's consolidated financial statements.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

a. Amortised cost;

b. Fair Value through Other Comprehensive Income (**FVOCI**) – debt investment;

c. FVOCI – equity investment; or

d. Fair Value through Profit or Loss (**FVTPL**)

The classification of financial assets under AASB 9 is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

As of 1 January 2018, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, bank term deposits investments in listed entities and trade and other payables.

Cash and cash equivalents, trade and other receivables, bank term deposits previously designated as loans and receivables under AASB 139 are now classified as a financial asset at amortised cost under AASB 9. The trade and other payables are designated as other financial liabilities, which are measured at amortised cost.

Classification of the Group's investments in listed equities which was previously classified as held for trading and is now classified as a financial asset at fair value through profit and loss. The changes in classification have not resulted in any re-measurement adjustments at 1 January 2018 or 1 January 2017.

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9	Carrying value at 1 January 2018 ($)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	4,469,964
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	39,630
Bank deposits and environmental rehabilitation security bonds	Loans and receivables	Financial assets at amortised cost	50,000
Investments in listed equities	Held for trading	Financial asset at fair value through profit and loss	239,868
Trade and other payables	Financial Liability at amortised cost	Financial liability at amortised cost	62,580

Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For receivables, with short term maturities the Group has has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Based on this approach, the lifetime ECL model has an immaterial impact on the Company.

Cash balances, other than immaterial petty cash balances, are being held with reputable financial institutions with sound credit ratings, which reduces credit risk and the expected credit loss to be insignificant.

AASB 15 Revenue from Contracts (AASB 15)

AASB 15 supersedes AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. As the Group is in the exploration and evaluation stage of operations and does not recognise revenue from contracts with customers, the adoption of this standard does not have an impact on the consolidated financial statements of the Group.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective. Several other amendments and interpretations have been issued but are not yet effective, but are not deemed to have an impact on the consolidated financial statements of the Group.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

AASB 16 *Leases*

AASB 16 was issued in February 2016 and it replaces AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

AASB 16 also requires lessees and lessors to make more extensive disclosures than under AASB 117.

AASB 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies AASB 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is in the process of assessing the potential effect of the amendments on its consolidated financial statements.

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The Group has not yet assessed the impact of the adoption of this interpretation.

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 2018. 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(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 accumulated impairment losses.

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.

The depreciation rates used for each class are:

Buildings	10%
Plant and equipment	7.5% - 50%

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Impairment

The carrying values of property, plant and equipment are reviewed for impairment as required, 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) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less, 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.

(v) Financial Assets

Financial assets at amortised cost (debt instruments)

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.
The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Refer note 2(i) above for policy adopted.

Financial assets at fair value through profit or loss (equity investments)

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

(vi) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

(vii) 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.

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.

(viii) 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ix) Interest and rental 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(x) Taxes

Current 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 reporting date.

Deferred tax

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

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

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

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

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

The carrying amounts of deferred tax assets is reviewed at each reporting 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 tax assets are reassessed at each reporting 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 reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

Goods and services tax (GST)

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

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(xi) Trade and or other payables

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

(xii) Share based payment transactions

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

There are currently three scenarios in place to provide these services:

(a) 'Employees Share Option Plan', which provides benefits to eligible persons;
(b) Capital raising costs, which provide payment to stockbrokers and finance institutions for capital raising services and commissions; and
(c) Other grants of options to directors on an ad hoc basis.

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

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

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

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

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

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

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

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

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

(xiii) 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.

(xiv) 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.

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave 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 periods of service.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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 outflows.

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.

(xv) 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.

(xvi) Foreign currency translation

(a) Functional and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchanges rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (ie translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss respectively).

NOTE 3: NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated entity were exploration for nickel and copper deposits in Australia.

NOTE 4: REVENUE AND EXPENSES

	Note	2018 $	2017 $
a) Finance Revenue			
Bank interest received and receivable		103,469	147,989
Other finance income	9	120,000	120,000
		223,469	267,989
b) Other			
Net gain/(loss) on revaluation of financial assets held for trading		(172,588)	353,632
		(172,588)	353,652
c) Employee Benefits Expense			
Salaries, on-costs and other employee benefits		301,634	587,915
		301,634	587,915
d) Other Expenses			
Depreciation		3,633	35,184
Exploration expenditure not capitalised		43,464	4,015
		47,097	39,199
e) Corporate and administration expenses			
Fees – Audit/Tax		452,077	215,407
Fees – ASX		46,184	36,734
Fees – Share Registry		15,096	13,617
Consultancy Fees		73,830	74,748
Office Rent		114,906	88,944
Legal expenses		1,880	5,493
Travel expenses		48,146	38,005
Other expenses		217,633	88,627
		969,752	561,575

NOTE 5: EARNINGS PER SHARE

	2018 $	2017 $
(a) Reconciliation of earnings to net loss:		
Net Loss	(1,267,602)	(567,068)
Loss used in the calculation of basic earnings per share	(1,267,602)	(567,068)
(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	2,044,350,801	2,042,487,787
Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	2,044,350,801	2,042,487,787

(c) Information on classification of options

For the year ended 31 December 2018, all options on issue were antidilutive as the various exercise prices were all greater than the average market price of the Company's shares during the year. This has resulted in the diluted earnings per share being the same as the basic earnings per share. These options could potentially dilute basic earnings per share in the future. The number of anti-dilutive potentially issuable ordinary shares at 31 December 2018 is 238,000,000. (31 December 2017: 238,000,000)

NOTE 6: INCOME TAX

	2018 $	2017 $
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current year income tax charge (benefit)	-	-
Under/Over provision of prior tax year	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Under/Over provision of prior tax year	-	-
Income tax benefit reported in the income statement	-	-

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

	2018 $	2017 $
Accounting loss before tax from ordinary activities	(1,267,602)	(567,068)
Accounting loss before income tax	(1,267,602)	(567,068)
At the Group's statutory income tax rate of 30%	(380,280)	(170,120)
Expenditure not allowed for income tax purposes	111,160	56,141
Current year tax losses not recognised	217,343	-
Non-assessable income	(343,220)	(106,090)
Utilisation of previous unrecognised tax losses	-	(85,822)
Deferred tax assets not brought to account	394,997	305,891
Deductible equity raising costs	-	-
Income tax expense attributable to entity reported in the consolidated income statement	-	-
Income tax expensed directly to equity		
Relating to equity costs	-	-
Deferred tax expense/(income) recognised in equity	-	-
Current Income Tax Asset/(Liability)	-	-

NOTE 6: INCOME TAX (CONTD)

	2018 $ 30%	2017 $ 30%
Deferred Income Tax		
Deferred income tax at 31 December related to the following:		
Consolidated		
Recognised deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(2,011,121)	(1,825,825)
Investments	-	-
Other	(3,350)	(2,889)
Amounts disclosed as deferred tax liability	(2,014,471)	(1,828,714)
Set-off of deferred tax assets	2,014,471	1,828,714
Net deferred tax liabilities disclosed	-	-
Recognised deferred tax assets		
Tax losses available to offset against future taxable income	1,894,220	1,664,086
Other provisions	89,461	74,542
Plant and Equipment	790	86
Other future blackhole deductions	30,000	90,000
Gross deferred tax assets	2,014,471	1,828,714
Set-off of deferred tax assets	(2,014,471)	(1,828,714)
Net deferred tax assets recognised	-	-
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		
Deductible temporary differences	1,140,240	1,088,464
Tax revenue losses	643,458	426,114
Tax capital losses	2,223,755	2,223,755
Net deferred tax assets not recognised	4,007,453	3,738,333

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. There were no contributions (or distributions) made during the year ended 31 December 2018.

2018 Tax Return

On 22 November 2018, the Company lodged its tax return for the tax year ended 30 June 2018 and claimed a refundable Research and Development (R&D) tax offset of $1,282,355. In December 2018, the Company received this refund.

NOTE 7: SEGMENT INFORMATION

Operating Segments

The group has one reportable operating segment, being exploration and evaluation activities in Australia.

NOTE 8: CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank and in hand	323,829	969,964
Deposits	3,000,000	3,500,000
	3,323,829	4,469,964

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 at an average rate of 2.65%.

NOTE 9: RECEIVABLES

	2018 $	2017 $
Current		
Other receivables (b)	64,012	39,630
	64,012	39,630
Non-current		
Receivable from Jindal Mining & Exploration Limited (a)	3,005,000	3,005,000
Provision for Jindal receivable	(3,005,000)	(3,005,000)
	-	-

Terms and conditions relating to the above financial instruments:

(a) On 4 January 2017, the Company announced that it has received a request from Jindal Steel and Power (Mauritius) Limited ("Jindal") to consider a further deferral of the payment of the final amount of $3 million owing to Legend from the sale of the Cameroon Iron Ore project. At that time, Legend agreed to this request in principle, and expected to report to the ASX as soon as an agreement of new payment terms was reached. Legend has since been advised by Jindal that it is undergoing a major debt rescheduling with its creditors and is unable to make any payments to creditors, including Legend, nor finalise any rescheduling of the Legend debt until its own debt rescheduling is complete. At the date of this report, Legend has yet to complete an agreement on new payment terms with Jindal. Since January 2017, Jindal has continued to pay the 4% interest due on the $3 million owing to Legend each quarter.

(b) Other receivables are non-interest bearing and have repayment terms of between 30 and 60 days.

NOTE 10: OTHER FINANCIAL ASSETS

	2018 $	2017 $
Current		
Shares in S2 Resources Ltd – at fair value (a)	67,279	173,868
Shares and options in Nemex Resources Ltd – at fair value (a)	-	66,000
Security bond – at amortised cost (b)	50,000	50,000
	117,279	289,868
Non-current		
Rental property bond (c)	5,775	5,775

NOTE 10: OTHER FINANCIAL ASSETS (CONTD)

Details of the above financial instruments:

(a) The equity investments are all classified as financial assets at fair value through profit and loss. 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.

(b) Security bond – bank deposit held as security for credit cards. At 31 December 2018, this deposit is held on a 6 month term deposit with an interest rate of 2.72% per annum (31 December 2017, 6 months at 2.46%pa).

(c) Rental Property Bond – this bond relates to a rental property in Boulder WA. No interest is received on this bond.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
Plant and equipment		
At 31 December		
Gross carrying amount at cost	324,726	324,726
Accumulated depreciation	(215,627)	(175,687)
Net carrying amount	109,099	149,039
At 1 January		
Net of accumulated depreciation	149,039	156,479
Additions	-	43,282
Disposals	-	-
Depreciation expense - Admin	(3,633)	(35,184)
Depreciation expense - Exploration	(36,307)	(15,538)
At 31 December		
Net of accumulated depreciation	109,099	149,039

NOTE 12: DEFERRED EXPLORATION COSTS

	Note	2018 $	2017 $
Deferred exploration costs		10,012,564	9,676,532
Deferred exploration and evaluation costs			
At 1 January, at cost		9,676,532	7,712,131
Acquired during the year	(i)	-	164,211
Reimbursement of exploration expenditure – R&D Rebate		(2,585,817)	(1,037,085)
Impaired during the year		-	-
Expenditure incurred during the year		2,921,849	2,837,275
At 31 December, at cost	(ii)	10,012,564	9,676,532

Note:

(i) During 2017 Legend purchased two exploration licences from Musgrave Minerals Limited in the Fraser Range district of Western Australia. Legend acquired 100% interest in the tenements E28/2404 and E28/2405 for the following consideration:

- 10,000,000 Legend Shares
- 10,000,000 unlisted options to subscribe for a fully paid ordinary Legend share at an exercise price of $0.04 each, exercisable by 30 March 2021.

NOTE 12: DEFERRED EXPLORATION COSTS (CONTD)

(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 13: TRADE AND OTHER PAYABLES

	2018 $	2017 $
Current – unsecured		
Trade payables	230,845	32,580
Other payables and accruals	57,638	30,000
	288,483	62,580

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 14: EMPLOYEE BENEFITS PROVISIONS

	2018 $	2017 $
Current		
Employee benefits	164,498	131,882
Non-Current		
Employee benefits	97,425	86,592
Number of employees at year end	4	4

NOTE 15: CONTRIBUTED EQUITY

	2018 $	2017 $
Ordinary shares		
Issued and fully paid	60,711,242	60,711,242
	60,711,242	60,711,242

Movement in ordinary shares on issue 2018	**No.**	**$**
At 1 January 2018	2,044,350,801	60,711,242
Nil Shares issued for tenement acquisition (refer note 12(i))	-	-
At 31 December 2018	2,044,350,801	60,711,242

Movement in ordinary shares on issue 2017	**No.**	**$**
At 1 January 2017	2,034,350,801	60,588,031
Shares issued for tenement acquisition (refer note 12(i))	10,000,000	123,211
At 31 December 2017	2,044,350,801	60,711,242

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 16: RESERVES

	Share option premium reserve $
Movement in reserves	
At 1 January 2018	23,268,278
Options issued to employees(refer note 18)	-
Options issued for tenement acquisition (refer note 12 (i))	-
At 31 December 2018	23,268,278
At 1 January 2017	23,208,778
Options issued to employees(refer note 18)	18,500
Options issued for tenement acquisition (refer note 12 (i))	41,000
At 31 December 2017	23,268,278

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.

NOTE 17: SHARE OPTIONS

	Number	Exercise price cents per share
Unlisted options – Expiry date 23 September 2020		
At 1 January 2018	150,000,000	4 cents
At 31 December 2018	150,000,000	
Unlisted options – Expiry date 30 March 2021		
At 1 January 2018	88,000,000	4 cents
Issued during the year	-	
At 31 December 2018	88,000,000	
Unlisted options – Expiry date 23 September 2020		
At 1 January 2017	150,000,000	4 cents
At 31 December 2017	150,000,000	
Unlisted options – Expiry date 30 March 2021		
At 1 January 2017	73,000,000	4 cents
Issued during the year	15,000,000	4 cents
At 31 December 2017	88,000,000	

NOTE 18: SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

During the 2018 year there were no options issued (2017: 5,000,000 options).

- In 2017 5,000,000 incentive options with an exercise price of 4 cents and expiring on 30 March 2021 were issued to employees. Under the Company's Employee Share Option Plan. The fair value of the options granted at the grant date was 0.37 cents, for a total value of $18,500 included within share based payments expense in the prior period.

The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	Incentive Options
Exercise price (cents)	4.0
Life of the option (years)	5.0
Underlying share price (cents)	1.2
Expected share price volatility	75.0%
Risk free interest rate	2.06%

18. SHARE BASED PAYMENT PLAN (CONTD)

(b) Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

Share options are granted to Eligible Persons with more than 6 months service. Eligible Persons are determined by the Board after taking into account the following considerations:
(i) the seniority of the Eligible Person and the position the Eligible Person occupies within the Group;
(ii) the length of service of the Eligible Person with the Group;
(iii) the record of employment of the Eligible Person with the Group;
(iv) the contractual history of the Eligible Person with the Group;
(v) the potential contribution of the Eligible Person to the growth of the Group;
(vi) the extent (if any) of the existing participation of the Eligible Person in the Plan; and
(vii) any other matters which the Board considers relevant.

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

Vendor Options

In 2017 share options were granted, as opposed to cash payments, for the following expenses:
(i) Tenement acquisition – 10,000,000 options were granted as part consideration for the tenement acquisition from Musgrave Minerals Limited in the Fraser Range district of Western Australia. Legend acquired 100% interest in the tenements E28/2404 and E28/2405.

(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:

	2018 No.	2018 WAEP ($)	2017 No.	2017 WAEP ($)
Outstanding balance at the beginning of the year	78,000,000	0.040	73,000,000	0.040
Granted during the year	-	-	5,000,000	0.040
Expired/lapsed during the year	-	-	-	-
Outstanding at the end of the year	78,000,000	0.040	78,000,000	0.040
Exercisable at the end of the year	78,000,000	0.040	78,000,000	0.040

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

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Outstanding balance at the beginning of the year	160,000,000	0.040	150,000,000	0.040
Granted during the year	-	-	10,000,000	0.040
Expired/lapsed during the year	-	-	-	-
Outstanding at the end of the year	160,000,000	0.040	160,000,000	0.040
Exercisable at the end of the year	160,000,000	0.040	160,000,000	0.040

The outstanding balance as at 31 December 2018 is represented by:

(i) 150,000,000 options over ordinary shares with an exercise price of $0.04 each, exercisable immediately and expiring on 23 September 2020.

(ii) 88,000,000 options over ordinary shares with an exercise price of $0.04 each, exercisable immediately and expiring on 30 March 2021.

NOTE 19: RELATED PARTIES

(i) Wholly-owned group transactions

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

(ii) Other related party transactions

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

(iii) Ultimate parent

Legend Mining Limited is the ultimate parent company.

(iv) Compensation of key management personnel of the Group

	2018 $	2017 $
Short-term employee benefits	654,564	656,000
Post-employment benefits	58,900	58,900
Other long-term benefits	9,000	24,277
Termination benefits	-	-
Share-based payment	-	-
Total compensation paid to Key Management Personnel	722,464	739,177

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

NOTE 20: CASH FLOW INFORMATION

(i) Reconciliation of Cash

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

	Note	2018 $	2017 $
Cash on hand		500	500
Cash at bank		323,329	969,464
Deposits at call		3,000,000	3,500,000
	8	3,323,829	4,469,964

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

	2018	2017
Net loss after tax	(1,267,602)	(567,068)
Depreciation	39,940	35,184
Share-based payments expense	-	18,500
Fair value (gain)/loss on investments	172,588	(353,632)
Deferred exploration costs	-	-
Movement in provisions and other	43,448	(5,150)
	(1,011,626)	(872,166)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	15,913	(8,387)
Increase/(decrease) in payables	185,611	(26,441)
Net cash used in operating activities	(810,102)	(906,994)

20. CASH FLOW INFORMATION (CONTD)

Non-cash financing and investing activities

In 2017 Legend purchased two exploration licences from Musgrave Minerals Limited in the Fraser Range district of Western Australia. Legend acquired 100% interest in the tenements E28/2404 and E28/2405 for the following non-cash consideration:

- 10,000,000 Legend Shares;
- 10,000,000 unlisted options to subscribe for a fully paid ordinary Legend share at an exercise price of $0.04 each, exercisable by 30 March 2021.

Other than listed above there were no other non-cash financing or investing activities during the 2018 or 2017 years.

NOTE 21: COMMITMENTS

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay approximately $1,830,500 (2017: $2,110,500) in the following twelve months in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Industry & Resources. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

(b) Operating Lease commitments

In March 2019 the company signed a lease commitment over its office premises located at 8 Kings Park Road, West Perth for a term of two years commencing on 1 April 2019 with an option for a further term of two years. Total minimum lease payments (including car bays) for the twelve months subsequent 31 December 2018 totals $50,820, with lease commitments from 1 January 2020 onward to the end of the lease term at 31 March 20221 totalling $59,147.

NOTE 22: INVESTMENTS IN CONTROLLED ENTITIES

Details of subsidiaries

Set out below are the Group's subsidiaries at 31 December 2018. 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	
		2018 %	2017 %	2018 %	2017 %
Gibson Metals Pty Ltd	Australia	100	100	-	-
Legend Cameroon Pty Ltd	Australia	100	100	-	-

NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE

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

The main purpose of these financial instruments is to finance 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. 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.

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.

NOTE 23: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

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.

The only significant concentration of credit risk within the Group is the loan receivable from Jindal. Exposure to credit risk is managed through regular analysis of Jindal's ability and willingness to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure. The Company has provided in full for the $3 million receivable from Jindal (see Note 9 for full details on this impairment). No collateral is held as security.

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:

2018	**Weighted Average Interest Rate**	**Floating Interest $**	**Fixed Interest $**	**Non-Interest Bearing $**	**Total $**
Financial assets:					
Cash and cash equivalents	2.59%	323,329	3,000,000	500	3,323,829
Other financial assets		-	50,000	-	50,000
		323,329	3,050,000	500	3,373,829
2017					
Financial assets:					
Cash and cash equivalents	2.55%	969,464	3,500,000	500	4,469,964
Other financial assets		-	50,000	-	50,000
		969,464	3,550,000	500	4,519,964

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 $38,969 (2017: $55,716). This is based on the interest bearing financial assets as detailed above.

NOTE 23: 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 2018	2017
		$	$
Cash and cash equivalents	8	3,323,829	4,469,964
Trade and other receivables	9	64,011	39,630
Rental Bond/Security bond	10	55,775	55,775
		3,443,615	4,565,369

The Company's maximum exposure to credit risk at the reporting date was $3,443,615 (2017: $4,565,369).

Except for the amount receivable from Jindal, all other 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 2018	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	288,483	288,483	288,483
	288,483	288,483	288,483

31 December 2017	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	62,580	62,580	62,580
	62,580	62,580	62,580

(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 2018		31 December 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Held for trading financial assets	67,279	67,279	239,968	239,968
Cash and cash equivalents	3,323,829	3,323,829	4,469,964	4,469,964
Security bond	50,000	50,000	50,000	50,000
Trade and other receivables	64,011	64011	39,630	39,630
Trade and other payables	(288,483)	(288,483)	(62,580)	(62,580)
	3,216,636	3,216,636	4,736,982	4,736,982

(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 $67,279 at 31 December 2018. 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 $6,728 (2017: $23,997).

(f) Foreign Exchange risk

At balance date, the group had no material foreign currency denominated liabilities and receivables.

NOTE 24: FAIR VALUES

The carrying amounts of the Group's financial assets and financial liabilities at 31 December 2018 and 31 December 2017 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 10)	31-Dec-2018	67,279	67,279	-	-

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.

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

	2018	2017
	$	$
Current assets	3,505,120	4,799,462
Total assets	13,632,558	14,630,808
Current liabilities	452,981	194,462
Total liabilities	550,406	281,054
Net assets	13,082,152	14,349,754
Contributed equity	60,711,242	60,711,242
Accumulated losses	(70,897,368)	(69,629,766)
Share option premium reserve	23,268,278	23,268,278
	13,082,152	14,349,754
Loss of the parent entity after tax	(1,267,602)	(567,068)
Total comprehensive loss of the parent entity	(1,267,602)	(567,068)

There have been no guarantees entered into by the Parent Entity in relation to any debts of its subsidiaries.

The Parent has no contingent liabilities as at date of this report.

The Parent Entity has no contractual commitments for the acquisition of property, plant or equipment.

NOTE 26: AUDITOR'S REMUNERATION

The auditor of Legend Mining Limited is Ernst & Young Australia.

	Consolidated	
	2018	2017
	$	$
Amounts received or due and receivable by Ernst & Young Australia for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	31,673	30,900
	31,673	30,900

NOTE 27: 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 28: EVENTS AFTER THE BALANCE SHEET DATE

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 29: DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed this financial year. There are no franking credits available for future reporting periods.

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 on pages 21-47, and the remuneration disclosures that are contained in the Remuneration report in the Directors report pages 14-20, 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 2018 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; 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 2018.

On behalf of the Board.

M.W.

Mark Wilson
Managing Director

Dated this 21st day of March 2019

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration Members of Legend Mining Limited

As lead auditor for the audit of the financial report of Legend Mining Limited for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Legend Mining Limited and the entities it controlled during the financial year.

Ernst & Young

Darryn Hall
Partner
21 March 2019

DH:DA:LEGEND:014

Building a better working world

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the Members of Legend Mining Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Legend Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

1. Accounting for and carrying value assessment of deferred exploration and evaluation costs

Why significant	How our audit addressed the key audit matter
At 31 December 2018 the Group held deferred exploration and evaluation assets of $ 10.1 million. At 31 December 2018, the majority of the Group's deferred exploration and evaluation assets relates to its Rockford Project. The carrying value of deferred exploration and evaluation costs are assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount. At 31 December 2018, the directors did not identify any impairment indicators. The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, the Group's ability and intention to continue to explore and evaluate the asset and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable for extraction. Accordingly, the recoverability of the carrying value of these assets is a key audit matter. Included in deferred exploration costs as at 31 December 2018, and treated as reduction in the amount of capitalised expenditure, is any research and development (R&D) tax incentive benefits received in respect of the deferred exploration costs. Refer to Note 12 - Deferred exploration costs to the financial statements for the amounts held on the consolidated statement of financial position as at 31 December 2018 and related disclosure.	We evaluated the Group's assessment of the carrying value of deferred exploration and evaluation assets. In obtaining sufficient audit evidence, we: ▸ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and extension of term applications; ▸ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models, enquiries with senior management and directors as to the intentions and strategy of the Group; ▸ Assessed the carrying value of intangible assets where recent exploration activity in a given exploration license provided negative indicators as to the recoverability of other intangible costs that remain capitalised; ▸ Assessed the commercial viability of results relating to exploration and evaluation activities carried out in the relevant licensed area; ▸ Assessed the ability to finance any planned future exploration and evaluation activity; ▸ Assessed the work of management's external expert in measuring and preparing the Group's R&D tax incentive claims and engaged our own tax specialists to review the form and nature of the claim submitted; ▸ Agreed the receipt of R&D tax incentive claims monies by the Group to supporting documentation; and ▸ Assessed the adequacy of the disclosure included in the financial report.

DH:DA:LEGEND:015

Building a better working world

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

EY
Building a better working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 19 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Legend Mining Limited for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Darryn Hall
Partner
Perth
21 March 2019

DH:DA:LEGEND:015

The issued capital of the company as at 15 March 2019 is 2,044,350,801 ordinary fully paid shares.

Distribution of Share Holders as at 15 March 2019

Fully Paid Shares	Shares	Holders
1 – 1,000	26,680	104
1,001 – 5,000	443,211	120
5,001 – 10,000	2,500,035	293
10,001 – 100,000	81,334,075	1,737
100,001 and over	1,960,046,800	1,259
Total	**2,044,350,801**	**3,513**
Number of holdings less than a marketable parcel	**6,665,074**	**782**

Top 20 Shareholders as at 15 March 2019

Name	Shares	% of Units
CREASY GROUP	581,235,000	28.43
WILSON GROUP	128,748,200	6.30
BAILEY GROUP	119,428,338	5.84
ZERO NOMINEES PTY LTD	64,181,824	3.14
BELLARINE GOLD PTY LTD	46,821,963	2.29
LISTOGA PTY LTD	35,000,000	1.71
MR MATTHEW MCLEISH	24,000,000	1.17
TOPAZ PTY LTD	22,703,072	1.11
PHH PTY LIMITED	17,800,000	0.87
MR PETER HAWKES WHITCOMBE	14,464,488	0.71
NINO CONSTRUCTIONS PTY LTD	13,161,547	0.64
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,110,681	0.64
CITICORP NOMINEES PTY LTD	12,130,690	0.59
THREE CHEEKY MONKEYS	11,990,000	0.59
MICHAELMAS ISLAND PTY LTD	11,216,945	0.55
MR ANDREW NICHOLAS VUKOSAV	10,377,777	0.51
MUSGRAVE MINERALS LIMITED	10,000,000	0.49
MR PHILIP ROY TRAFFORD	9,800,000	0.48
M & K LI HOWARD	9,455,844	0.46
IRONBRIDGE FARMS PTY LTD	9,000,000	0.44
	1,164,626,369	**56.96**

Substantial shareholders as at 15 March 2019

Name	Shares	% of Units
CREASY GROUP	581,235,000	28.43
WILSON GROUP	128,748,200	6.30
BAILEY GROUP	119,428,338	5.84

Unlisted Option holders as at 15 March 2019

Class of options	Options	Holders
23 September 2020 exercisable at 4.0 cents per share	150,000,000	2
30 March 2021 exercisable at 4.0 cents per share	88,000,000	7

AUSTRALIA – FRASER RANGE – ROCKFORD PROJECT

Tenements held at 20 March 2019

Tenement	Status	Percentage Interest
E28/1718	Granted	70%
E28/1727	Granted	70%
E28/2188	Granted	70%
E28/2189	Granted	70%
E28/2190	Granted	70%
E28/2191	Granted	70%
E28/2192	Granted	70%
E28/2404	Granted	100%
E28/2405	Granted	100%
E28/2675	Granted	100%
E28/2676	Granted	100%
E28/2677	Granted	100%