



A.C.N. 060 966 145

HALF - YEAR FINANCIAL REPORT

30 JUNE 2004

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**Legend
Mining Limited**
A.C.N. 060 966 145

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COMPANY DIRECTORY

DIRECTORS

Michael Atkins (Chairman)
Murray McDonald (Managing Director)
Ian Cowden (Director)

AUDITORS

Ernst & Young
152 St George's Terrace
PERTH WA 6000

COMPANY SECRETARY

Donna Dockerill

REGISTERED OFFICE

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SHARE REGISTRY

Advanced Share Registry Services Pty Ltd
6th Floor
200 Adelaide Terrace
EAST PERTH WA 6004

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HOME EXCHANGE

Australian Stock Exchange Ltd
2 The Esplanade
PERTH WA 6000

BANKERS

National Australia Bank
1232 Hay Street
WEST PERTH WA 6005

DIRECTORS' REPORT

Your Directors submit their report for the half year ended 30 June 2004.

DIRECTORS

The names of the company's directors in office during the half-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)

Murray McDonald (Managing Director)

Ian Cowden (Director)

RESULTS OF OPERATIONS

The profit of the consolidated entity for the half-year was \$94,947 (2003: loss \$171,847) after income tax.

REVIEW OF OPERATIONS

During the half-year, the Company's operations were focused on the Gidgee Gold Project.

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



M V McDonald
Director

Dated this 27th day of AUGUST 2004

Perth, Western Australia

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 30 JUNE 2004**

	Note	CONSOLIDATED	
		30 June 2004	30 June 2003
		\$	\$
Sales revenues		15,709,814	-
Cost of sales		(14,647,675)	(15,153)
Gross profit/(loss)		1,062,139	(15,153)
Other income from ordinary activities		77,713	65,299
Exploration expenditure written off		(1,664)	-
Borrowing costs expense		(244,972)	(19,217)
Corporate head office costs		(773,057)	(202,776)
Net profit/(loss) from ordinary activities before income tax expense	2	120,159	(171,847)
Income tax expense relating to ordinary activities		(25,212)	-
Net profit/(loss) attributable to members of the entity		94,947	(171,847)
Share issue costs		(162,000)	(191,569)
Total revenues, expenses and valuation adjustments recognized directly in equity		(162,000)	(191,569)
Total changes in equity other than those resulting from transactions with owners as owners		(67,053)	(363,416)
EARNINGS/(LOSS) PER SHARE			
Basic earnings profit/(loss) per share (cents per share)		0.001	(0.41)
Dilutive earnings profit/(loss) per share (cents per share)		0.001	(0.41)

CONDENSED STATEMENT OF FINANCIAL POSITION
HALF-YEAR ENDED 30 JUNE 2004

	CONSOLIDATED	
	As At	As At
	30 June 2004	31 December 2003
	\$	\$
CURRENT ASSETS		
Cash assets	4,489,951	2,059,068
Receivables	2,895,428	256,699
Other financial assets	140,000	-
Inventories	752,893	1,825,998
TOTAL CURRENT ASSETS	8,278,272	4,141,765
NON-CURRENT ASSETS		
Other financial assets	37,697	33,705
Property, plant and equipment	2,282,060	2,223,927
Deferred exploration, evaluation & development costs	7,829,096	6,059,152
TOTAL NON-CURRENT ASSETS	10,148,853	8,316,784
TOTAL ASSETS	18,427,125	12,458,549
CURRENT LIABILITIES		
Payables	5,322,091	3,991,018
Interest-bearing liabilities	1,237,311	6,593
Provisions	107,494	77,028
TOTAL CURRENT LIABILITIES	6,666,896	4,074,639
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	-	24,092
Provisions	2,082,212	2,057,000
TOTAL NON-CURRENT LIABILITIES	2,082,212	2,081,092
TOTAL LIABILITIES	8,749,108	6,155,731
NET ASSETS	9,678,017	6,302,818
EQUITY		
Contributed equity	16,510,697	13,230,447
Reserves	361,890	361,890
Accumulated losses	(7,194,570)	(7,289,519)
TOTAL EQUITY	9,678,017	6,302,818

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2004**

	CONSOLIDATED	
	30 June 2004	30 June 2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	15,430,574	22,156
Payments to suppliers and employees	(10,092,565)	(217,300)
Payments for exploration	(782,738)	(64,245)
Interest received	60,573	2,989
Borrowing costs	(124,416)	(21,807)
Net cash flows (used in)/from operating activities	4,491,428	(278,207)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	7,300	-
Payments for property, plant & equipment	(135,229)	-
Payment of final amount due to vendor for the acquisition of the Gidgee Gold Project	(1,300,000)	-
Payment for mine properties & development	(3,025,269)	-
Performance Bond Term Deposit	(2,057,000)	-
Net cash flows used in investing activities	(6,510,198)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares & options	3,242,250	73,771
Payment of share issue costs	(162,000)	-
Proceeds from borrowings	2,000,000	-
Repayment of borrowings	(630,597)	-
Net cash provided by financing activities	4,449,653	73,771
 Net increase/(decrease) in cash held	 2,430,883	 (204,436)
Add: Cash at 31 December	2,059,068	375,767
Cash at 30 June	4,489,951	171,331

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2004**

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report has been prepared in accordance with the historical cost convention.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2003 and any public announcements made by Legend Mining Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 31 December 2003 Annual Report.

The half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

CONSOLIDATED
30 June 2004 30 June 2003
\$ \$

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Revenues from ordinary activities

Sales revenue	15,709,814	-
Interest revenue	60,573	2,989

Expenses

Debt forgiveness	-	59,583
Depreciation & amortisation	2,637,725	15,153
Employee Benefits	231,486	2,992
Royalties paid	370,017	-
Salaries and wages expense	1,700,890	32,910

NOTE 3: SEGMENT INFORMATION

The consolidated entity operates in one business and geographical segment being mineral exploration and gold mining within Australia.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2004**

NOTE 4: CONTINGENT LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since the end of the half-year to the date of this report which has significantly effected, or may significantly effect, the operations of the consolidated entity the results of those operations or the state of affairs of the consolidated entity.

NOTE 6: TAX CONSOLIDATION

As at 30 June, 2004 Legend Mining Limited and its subsidiaries had not formed a tax consolidated group. This will not have any material financial impact on the consolidated entity.

NOTE 7: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Legend Mining Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents in International Financial Reporting Standards (IFRS). The company has allocated internal and external resources to isolate key areas that will be impacted by the transition to IFRS. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Legend Mining Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report. It is not expected that there will be any material impact as a result of the adoption of these standards.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Under AASB 139 Financial Instruments: *Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with changes taken to equity and non-trading liabilities - measured at amortised costs. Current measurement is at amortised cost.

IMPAIRMENT OF ASSETS

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater.

SHARE BASED PAYMENTS

Under AASB 2 *Share Based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November, 2002 which have not vested as at 1 January, 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2004**

INCOME TAXES

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet.

EXPLORATION & EVALUATION EXPENDITURE

No specific IFRS guidance currently exists for the treatment of exploration and evaluation expenditure. An exposure draft, ED6 *Exploration for and Evaluation of Mineral Resources*, has been drafted which proposes that the treatment previously used under the Australian GAAP may continue to be used, subject to impairment testing. If it was determined that the asset is impaired, it would be immediately written-off to the statement of financial performance.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Legend Mining Limited, I state that in the opinion of the directors:

1. the financial statements and notes, of the consolidated entity:
 - a. comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2004 and of the performance for the half year ended on that date of the consolidated entity.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



M V McDonald
Director

Dated this 27th day of August 2004

Independent review report to members of Legend Mining Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Legend Mining Limited (the company) and the entities it controlled during the 6 months ended 30 June 2004, and the directors' declaration for the company, for the period ended 30 June 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our review of the financial report, we were engaged to undertake additional services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Legend Mining Limited and the entities it controlled during the 6 months ended 30 June 2004 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2004 and of its performance for the 6 months ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz

Partner

Perth

27 August 2004