



ANNOUNCEMENT

NOTICE OF MEETING AND SHARE PURCHASE PLAN

The Board of Directors of Legend Mining Limited announce that the shareholders meeting of the Company will be held on the 10th January 2005.

The formal notice of meeting and explanatory memorandum will be posted to shareholders today giving details as previously announced.

Shareholders are also advised that the Company is undertaking a Share Purchase Plan (SPP) on the same terms as the placement announced on the 7th December 2004. The SPP provides all shareholders registered on the 8th December 2004 with an address in Australia or New Zealand the opportunity to subscribe for between \$2,000 and \$5,000 worth of ordinary shares in Legend at an issue price of 6 cents each.

The capital raised together with the placement to be approved by shareholders on the 10th January 2005 will be used to focus on aggressive drilling, exploration and resource expansion programmes and working capital at the Gidgee Gold Project.

The invitation to participate in the SPP will be enclosed with the notice of meeting together with a copy of the invitation letter and the terms and conditions of the SPP offer.

Murray McDonald
Director

Friday 10th December 2004

LEGEND MINING LIMITED

ABN 22 060 966 145

NOTICE OF GENERAL MEETING, EXPLANATORY MEMORANDUM AND PROXY FORM

This Notice and Explanatory Memorandum is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your investment or other professional adviser.

**For a General Meeting to be held on 10 January 2005 at 11 am (WST) at
Legend Mining Limited, Level 5, 50 Colin Street, West Perth, Western Australia**

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IMPORTANT INFORMATION

Role of ASX and the ASIC

A copy of this Notice and Explanatory Memorandum has been lodged with ASX and the ASIC. Neither ASX, the ASIC nor any of their officers takes any responsibility for the contents of the Explanatory Memorandum.

Future Statements

Certain statements in this Explanatory Memorandum relate to the future. Those statements involve known and unknown risks, uncertainties, assumptions and other important factors, both specific to the Company and Gidgee Resources Limited and relating to the general business environment. Actual performance, results or events may be materially different to those expressed or implied in those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, investor sentiment towards the risk management and project management sector, competitive pressures and changes in those factors.

Statements in the Explanatory Memorandum are made as at 8 December 2004.

Defined terms

Terms and abbreviations used in this Notice, Explanatory Memorandum and proxy form are defined in the Glossary.

Enquiries

Shareholders are invited to contact Murray McDonald on (08) 9322 3700 if they have any queries in respect of the matters set out in this Notice and Explanatory Memorandum.

LETTER TO SHAREHOLDERS

Dear Shareholder

The Directors of Legend are pleased to have recently announced an agreement with Mr Mark Creasy to acquire Gidgee Resources, which Legend believes has the potential to propel its high-grade Gidgee Gold Mine project into a major Australian exploration and gold project.

This opportunity is an exciting step in the evolution of Legend and positions the Company to advance a wide range of exploration targets with the intention of becoming a major gold explorer and producer.

The acquisition extends Legend's exploration potential by adding approximately 2,000 square kilometres of tenements surrounding and overlapping Legend's existing 600 square kilometres and places the Company in control of almost all the Gidgee greenstone belt, a highly prospective geological unit which lies between Sandstone and Meekatharra with past gold production of approximately 1.5 million ounces.

Mr Creasy is well known for his exploration success in the nearby Yandal Belt and the discovery of the Jundee Gold Mine. The new team will prioritise targets over the existing Legend tenements and the newly acquired land area, focussing initially on aggressive drilling programs to expand known resources and reserves. These new drilling programs that have recently commenced will be the immediate priority with a significant reduction in the scale of underground mining and milling while major targets are drilled and open pits assessed.

Legend recently completed a capital raising of \$1,500,000 as part of the arrangement and intends to complete an additional capital raising, subject to Shareholder approval, by a placement of up to 70 million shares at six cents each to raising up to \$4,200,000. The placement has been arranged with sophisticated investors of Findlay & Co (Underwriters) Pty Ltd and the funds will be primarily used to fund exploration and working capital.

A Share Purchase Plan is enclosed allowing all Shareholders to apply for Legend shares up to a maximum of \$5000 at the same pricing as the Placement. The maximum number Shares that the Company may issue pursuant to the Share Purchase Plan is 51,189,998. The Directors may, in their absolute discretion, scale-back all applications on a pro-rata basis to 51,189,998 Shares. The funds will primarily be used to fund exploration and working capital.

Under the deal, Mr Creasy and his associated entities will receive 75,000,000 Legend shares and 75,000,000 options for the acquisition of Gidgee Resources. Mr Creasy will also have the ability to convert a \$5 million Convertible Note into up to 125,000,000 Legend shares and 125,000,000 options. An Independent Expert's Report has been prepared and is included in the attached Explanatory Memorandum. The independent expert has concluded that the transaction is not fair but reasonable to the non-associated Shareholders. The Directors believe the transaction is in the best interests of the non-associated Shareholders given the level of cash being invested into the Company, which positions Legend to maximise its potential to become a major gold explorer and producer. This transaction, along with the further raising, will secure the financial strength of the Company allowing it to focus immediately on aggressive exploration drilling programmes and resource expansion programs.

Full details of the acquisition are set out in the attached Explanatory Memorandum and our recent quarterly report.

Thank you for your continued support.

Yours sincerely

Michael Atkins
Chairman

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A general meeting of the Shareholders of Legend Mining Limited will be held at:

Legend Mining Limited
Level 5, 50 Ord Street
WEST PERTH WA 6005

How to Vote

The business of the meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 11 am (WST).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Explanatory Memorandum as soon as possible and either:

- (a) send the proxy form by post to Legend Mining Limited, PO Box 626, West Perth, 6872 or by facsimile to the Company on facsimile number (08) 9322 3800; or
- (b) deliver the proxy form to the Company's registered office at Level 5, 50 Colin Street, West Perth,

so that it is received not later than 11 am (WST) on 8 January 2005. Proxy forms received later than this time will be invalid.

Your proxy form is enclosed after the Explanatory Memorandum.

LEGEND MINING LIMITED

ABN 22 060 966 145

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Legend Mining Limited (**Legend** or **Company**) will be held at Legend Mining Limited, Level 5, 50 Colin Street, West Perth, Western Australia at 11 am (WST) on 10 January 2005.

AGENDA

RESOLUTION 1 – APPROVAL TO ISSUE SECURITIES AND GIVE FINANCIAL BENEFITS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of all other Resolutions, Shareholders approve:

- (a) *for the purposes of Listing Rule 7.1 of the ASX Listing Rules the issue of:*
 - (i) *75,000,000 Shares and 75,000,000 Vendor Options to the Vendors as consideration for the acquisition of 100% of the fully paid ordinary shares in the capital of Gidgee Resources Limited; and*
 - (ii) *the Convertible Note to Yandal Investments Pty Ltd (which Convertible Note is convertible into approximately 125,000,000 Shares and 125,000,000 Vendor Options);*
- (b) *for the purposes of Section 611 Item 7 of the Corporations Act, the acquisition of relevant interests in voting shares of the Company by Yandal Investments Pty Ltd, Australian Gold Resources Pty Ltd, Mr Dermot Ryan and Mr Mark Creasy by virtue of:*
 - (i) *the issue of 75,000,000 Shares pursuant to paragraph (a)(i) above;*
 - (ii) *the issue of up to 75,000,000 Shares on conversion of the Vendor Options referred to in paragraph (a)(i) above;*
 - (iii) *the issue of up to approximately 125,000,000 Shares upon the conversion of the Convertible Note to be issued pursuant to paragraph (a)(ii) above; and*
 - (iv) *the issue of up to approximately 125,000,000 Shares on conversion of the Vendor Options that will be issued on conversion of the Convertible Note; and*
- (c) *for the purposes of Section 208 of the Corporations Act, the provision of a financial benefit to related parties of the Company under the Converting Loan Agreement, the Mortgage, the Fixed and Floating Charge, the Convertible Note and the Share Sale Agreement,*

on the terms and conditions in the Explanatory Memorandum."

Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Hall Chadwick for the purposes of the Shareholder approval required under

Section 611 Item 7 of the Corporations Act which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this resolution by Yandal Investments Pty Ltd, Australian Gold Resources Pty Ltd, Mr Dermot Ryan and Mr Mark Creasy or a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons.

RESOLUTION 2 – APPROVAL TO ISSUE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, approval is given for the Company to allot and issue up to approximately 70,000,000 Shares at an issue price of \$0.06 each to raise up to \$4,200,000 on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed, and any associates of those persons.

RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, Shareholders ratify the allotment and issue by the Company of 22,000,000 Shares at an issue price of 7 cents each on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any persons who participated in the issue, or any associate of those persons.

DATED 8 DECEMBER 2004

BY ORDER OF THE BOARD

**MURRAY MCDONALD
MANAGING DIRECTOR**

NOTES:

1. A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as

proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. For the purposes of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the General Meeting. The snapshot date is 5.00pm (WST) on 8 January 2005.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum and the Independent Expert's Report are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. OVERVIEW OF THE TRANSACTION

On 10 November 2004, the Company entered into a Share Sale Agreement (**Shares Sale Agreement**) with the Vendors pursuant to which the Company agreed to acquire all the issued shares in Gidgee Resources in consideration for issuing 75,000,000 Shares and 75,000,000 Vendor Options to the Vendors (**Transaction**).

The conditions precedent to settlement of the Transaction are as follows:

- (a) all Resolutions pursuant to this Notice being approved;
- (b) the Company completing the Placement pursuant to Resolution 2;
- (c) the Company and Yandal Investments executing the Converting Loan Agreement and that agreement becoming unconditional; and
- (d) Gidgee Resources providing the Company with satisfactory evidence that, at settlement of the Transaction, it will:
 - (i) be the holder of all of the applications for prospecting licenses, exploration licenses and mining leases detailed in the Share Sale Agreement that have been applied for in the name of Gidgee Resources;
 - (ii) be the legal and beneficial owner of all of the tenements detailed in the Share Sale Agreement; and
 - (iii) have the right to acquire any tenement that is subject to an application for a prospecting licence, exploration licence or a mining lease by AGR; and
- (e) the trading price of the Shares over the 5 trading days prior to the settlement date of the Share Sale Agreement being not less than 4 cents per Share and the Company being solvent and having complied with all material provisions of the Converting Loan Agreement, the Convertible Note and the Fixed and Floating Charge and Mortgage entered into by the Company to secure the obligations of the Company under the Converting Loan Agreement and the Convertible Note.

Yandal Investments has loaned \$5,000,000 to the Company under the Converting Loan Agreement. The Converting Loan Agreement is secured by a second ranking fixed and floating charge over all of the present and future property of the Company including all the mining tenements (listed in Schedule 1) and a second ranking mortgage over the Company's mining tenements (listed in Schedule 1). If Shareholder approval is obtained for all Resolutions contained in the Notice and the Placement pursuant to Resolution 2 is completed, the Converting Loan Agreement will convert into the Convertible Note pursuant to the Convertible Note Agreement.

Schedule 3 provides an updated pro-forma consolidated statement of financial position for the Company since June 2004.

2. GIDGEE RESOURCES LIMITED

The Gidgee Gold Project is located approximately 650 kilometers north north east of Perth. The nearest townships are Sandstone, some 90 kilometers to the south, Wiluna some 110 kilometers to the northeast and Meekatharra, some 120 kilometers to the northwest.

Details of the past exploration activities of Gidgee are set out in the independent geologists report that accompanies this Notice.

Legend currently holds approximately 600 square kilometers including an operating 600,000 tonnes per annum mill and associated infrastructure including accommodation and its own airstrip.

The strategic opportunity to acquire Gidgee Resources and acquire an additional 2,000 square kilometers has given Legend the opportunity to be a regional player with control of most of the Gidgee Greenstone belt (Gidgee Belt map attached on the last page of this Explanatory Memorandum).

A list of the tenements owned by Gidgee is set out in Schedule 2.

The Company's landholdings, after the acquisition, will comprise some 2,600 square kilometers of highly prospective land surrounding the 600,000 tonne per annum gold treatment plant owned and operated by Legend.

This proposal will see the Creasy Group inject \$5 million by way of a convertible note into Legend, to pay trade creditors and to increase working capital.

It is Legend's intention to use a significant part of the funds raised to carry out an aggressive and continuing program of drilling over the next six to nine months in order to meet its objective of adding to the existing mineral resources and to discover new gold mineralisation. The initial 6 deep hole/2,000 meter RC program nearing completion at Swan Bitter North will cost in the order of \$200,000 and is running concurrently with a detailed \$75,000 ground magnetics survey. Further programs totaling up to 20,000 meters of RC drilling in existing mine and new areas are being finalised, together with additional 10-15,000m of RAB on targets away from the mine and extending onto ground acquired from Gidgee Resources. Underground exploration drilling is also being carried out at a budgeted cost of \$100,000 per month.

The Gidgee Resources staff have extensive experience in the exploration, discovery and development of a number of major gold deposits in the Yilgarn of Western Australia. In particular, the Gum Creek greenstone belt has been identified as having similarities to the adjacent Wiluna and Yandal greenstone belts, which are host to several large high grade gold deposits and several nickel sulphide deposits.

Legend is in the process of prioritising targets and the commencement of the first drilling programs occurred in the later half of November 2004, along with the preparation of a comprehensive GIS list highlighting many new targets which have had little to no effective drill testing.

A new roster is being prepared that will see a significant reduction in the milling. Every effort will be made to focus on the new exploration programs, giving Legend the opportunity of increasing reserves and resources over an extended period.

3. BENEFITS OF THE TRANSACTION

The transaction will involve Mr Mark Creasy and his team becoming involved in the operations of Legend by providing the following:

- ⌘ The expertise of the Creasy Group with Board representation.
- ⌘ Significant increase in exploration potential adding approximately 2,000 square kilometers of tenements to Legend's existing 600 square kilometers.
- ⌘ Control of almost all of the Gum Creek Greenstone Belt between Sandstone and Meekatharra. The Belt has past production of approximately 1.5 million ounces.
- ⌘ Commencement of an aggressive drilling program to expand the known reserves and resources and test the already identified targets on the combined lease holdings.
- ⌘ An investment of \$5,000,000 into Legend and up to a further \$8,000,000 if the Vendor Options are converted to Shares.

4. PRO-FORMA CAPITAL STRUCTURE

The pro-forma capital structure of Legend is summarised below and assumes:

- (a) Resolutions 1 and 2 are passed;
- (b) the Placement is fully subscribed;
- (c) the Convertible Note is converted into Shares;
- (d) all Vendor Options are exercised (including the Vendor Options issued upon the conversion of Convertible Note).

Shares	Number
Shares currently on issue	170,633,328
Shares to be issued to Vendors at Settlement	75,000,000
Share to be issued pursuant to the Placement	70,000,000
Total	315,633,328*

*Upon conversion of the Convertible Note and the exercise of the Vendor Options (including those Vendor Options issued pursuant to conversion of the Convertible Note) a further 375,000,000 Shares will be issued.

Options	Number
Options currently on issue with expiry date of 30/05/06 and exercise price of 22 cents	2,350,000
Options currently on issue with expiry date of 30/04/05 and exercise price of 15 cents	36,189,207
Options currently on issue with expiry date of 30/07/07 and exercise price of 20 cents	250,000
Options currently on issue with expiry date of 30/07/07 and exercise price of 30 cents	1,500,000
Options to be granted to the Vendors at Settlement	75,000,000
Total	115,289,207*

*Upon conversion of the Convertible Note a further 125,000,000 Vendor Options will be issued to the Vendors.

* Up to a further 51,189,988 Shares may be issued pursuant to the Share Purchase Plan,

5. **RESOLUTION 1 – APPROVAL TO ISSUE SECURITIES AND GIVE FINANCIAL BENEFITS**

Resolution 1 seeks approval:

- (a) for the purposes of Listing Rule 7.1 to issue:
 - (i) 75,000,000 Shares and 75,000,000 Vendor Options as consideration for the acquisition of 100% of the fully paid ordinary shares in the capital of Gidgee Resources (**Share and Option Issue**); and
 - (ii) the Convertible Note to Yandal Investments (or its nominee) (**Convertible Note Issue**);
- (b) for the purposes of Section 611 Item 7 of the Corporations Act, the acquisition of relevant interests in voting shares of the Company by Yandal Investments, Australian Gold Resources Pty Ltd, Mr Dermot Ryan and Mr Mark Creasy by virtue of:
 - (i) the issue of the 75,000,000 Shares pursuant to paragraph (a)(i) above;
 - (ii) the issue of up to 75,000,000 Shares on conversion of the Vendor Options referred to in paragraph (a)(i) above;
 - (iii) the issue of up to approximately 125,000,000 Shares upon the conversion of the Convertible Note to be issued pursuant to paragraph (a)(ii) above; and
 - (iv) the issue of up to approximately 125,000,000 Shares on conversion of the Vendor Options that will be issued on conversion of the Convertible Note; and
- (c) for the purposes of Section 208 of the Corporations Act, the provision of a financial benefit to related parties of the Company under the Converting Loan Agreement, the Mortgage, the Fixed and Floating Charge, the Convertible Note and the Share Sale Agreement.

5.2 **ASX Listing Rule 7.1**

In general terms, ASX Listing Rule 7.1 prohibits the Company from issuing more than 15% of its ordinary issued shares in any 12 month period. Securities issued with Shareholder approval will not be included in the calculation of the Company's 15% placement capacity.

If Resolution 1 is passed it will allow the Directors to issue the 75,000,000 Shares and 75,000,000 Vendor Options and the Convertible Note within 3 months of the date of the General Meeting without diminishing the Company's 15% placement capacity. The issue of Shares upon the conversion of the Convertible Note does not need Shareholder approval pursuant to Listing Rule 7.1.

Share and Option Issue

For the purposes of ASX Listing Rule 7.3 the following information is provided in relation to the Share and Option Issue:

- (a) the maximum number of Shares to be issued is 75,000,000;
- (b) the maximum number of Vendor Options to be issued is 75,000,000;
- (c) the Shares and Vendor Options will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment of the Shares will occur on the same date;
- (d) the deemed issue price of the Shares is 5.9 cents each;
- (e) the Shares and Vendor Options will be issued to the following Vendors:

Vendor	Number of Shares and Vendor Options to be issued
Australian Gold Resources Pty Ltd	74,992,500
Mr Dermot Ryan	7,500

- (f) the Shares, when issued, will rank equally with the Company's then issued Shares;
- (g) the Vendor Options will be issued on the terms and conditions set out below; and
- (h) no funds will be raised by the Share and Option Issue as these securities are being issued in consideration for the acquisition of Gidgee Resources.

Convertible Note Issue

For the purposes of ASX Listing Rule 7.3 the following information is provided in relation to the Convertible Note Issue:

- (a) one Convertible Note will be issued;
- (b) the Convertible Note will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by ASX waiver or modification of the ASX Listing Rules);
- (c) the issue price of the Convertible Note is \$5,000,000;
- (d) the Convertible Note will be issued to Yandal Investments;
- (e) there will be no additional funds raised from the issue of the Convertible Note as the Convertible Note is being issued as consideration for the \$5,000,000 Loan. These loan monies will be primarily used to repay creditors, for working capital purposes and for;
 - (i) completion of the initial 6 deep hole/2,000 meter RC program nearing completion at Swan Bitter North (\$200,000);
 - (ii) a detailed ground magnetics survey (\$75,000);
 - (iii) underground exploration drilling (\$100,000 per month); and
 - (iv) further programs totaling up to 20,000 meters of RC drilling in the existing mine; and

- (f) upon conversion of the Convertible Note, up to 125,000,000 Shares and 125,000,000 Vendor Options may be issued to the holder (assuming accrued interest is not converted into Shares and Vendor Options). The Shares will rank equally with the Company's then issued Shares and the Vendor Options will be issued on the terms set out below.

Terms of Vendor Options

The material terms and conditions of the Vendor Options will be as follows:

- (a) each Vendor Option entitles the holder to one (1) fully paid ordinary share in the capital of the Company;
- (b) options are exercisable before 5.00pm (WST) on 31 May 2009 (**Expiry Date**);
- (c) the Vendor Option exercise price is 4 cents each;
- (d) the Vendor Options are not transferable;
- (e) the Vendor Options will not be listed for quotation on ASX;
- (f) all the Shares issued upon exercise of the Vendor Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Vendor Options;
- (g) there are no participating rights or entitlements inherent in the Vendor Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Vendor Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give optionholders the opportunity to exercise their Vendor Options prior to the date for determining entitlements to participate in any such issue.
- (h) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Vendor Options, the exercise price of the Vendor Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (i) in the event of a bonus issue to the holders of the Shares the number of securities over which a Vendor Option is exercisable may be increase by the number of securities which the holder of the Vendor Option would have received if the Vendor Option had been exercised before the record date for the bonus issue; and
- (j) if at any time the issued capital of the Company is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the ASX Listing Rules.

Terms of Convertible Note

The material terms of the Convertible Note are as follows:

- (a) the term of the Convertible Note will be 2 years from the completion of the Placement;
- (b) the Convertible Note is convertible at the option of Yandal Investments (in whole or in part) at any time at a price of 4 cents per Share. For each Share

issued on conversion of all or part of the Convertible Note, Yandal Investments will also be issued one (1) free Vendor Option;

- (c) if Yandal Investments does not elect to convert the Convertible Note within two years of its issue, then the Company may choose to redeem the Convertible Note by payment to Yandal Investments of \$5,000,000 and any unpaid interest (**Redemption**). If Redemption does not occur then the terms of the Convertible Note will be extended by mutual consent or Yandal Investments may require the Company to repay the Convertible Note within 6 months during which period interest shall continue to accrue;
- (d) during the term of the Convertible Note, the holder will be entitled to appoint two (2) directors to the board of directors of the Company;
- (e) interest is payable on the unpaid principal at a rate of 10% per annum on a daily basis and is payable every six months in arrears in cash. If interest is not paid on the due date the interest rate defaults to 13% per annum. Yandal may agree to capitalise unpaid interest, which may then be repayable when the loan is repaid or may be converted to Shares at an issue price of 4 cents each, each with one (1) free attaching Vendor Option;
- (f) subject to the receipt by the Company of a waiver from ASX Listing Rule 6.18, the Company will not undertake any future capital raising during the period of the Convertible Note unless Yandal Investments has the right to participate in any future capital raising conducted by the Company in proportion to its shareholding on a fully diluted basis. Yandal Investments will have a first right of refusal to underwrite or sub-underwrite any future capital raisings during the period of the Convertible Note in proportion to its shareholding in the Company at the time of the issue; and
- (g) the Company undertakes not to complete any further capital raising for the issue of securities at a price which is less than 80% of the average market price of the securities over the 5 trading days prior to the issue other than any contemplated in this Notice, within 12 months of the date of advance of the loan of \$5,000,000 to the Company without the prior consent of Yandal Investments, which consent will not be unreasonably withheld; and
- (h) the Convertible Note is not transferable.

5.3 Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

Voting Power and Relevant Interests

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person ("**second person**") will be an "associate" of the other person ("**first person**") if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Section 608(3) of the Corporations Act provides that a person has the relevant interests in any securities held by a body corporate in which the person's voting power is above 20%.

Deemed Relevant Interests, Voting Power and Associates

Mr Mark Creasy, Yandal Investments and AGR are "associates" of each other for the purposes of the Corporations Act because Mr Mark Creasy controls Yandal Investments and AGR. Further, Mr Dermot Ryan is an associate because it could be considered that he acts in concert with these other parties in relation to their affairs.

In the event all of the Shares the subject of Resolution 1 (including those to be issued on conversion of the Convertible Note and the Vendor Options) are issued, the voting power of Mr Mark Creasy, Yandal Investments, Mr Dermot Ryan and AGR will increase from a point below 20% to above 20%.

For the purposes of the remainder of this Explanatory Memorandum, Yandal Investments, AGR, Mr Dermot Ryan and Mr Mark Creasy will be referred to as the "**Associated Parties**".

Section 611 Item 7 of the Corporations Act – Exemption from Section 606

Section 611 provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1), including acquisitions

approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Section 611 Item 7).

For the exemption of Section 611 Item 7 to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company that was material to the decision on how to vote on the resolution. In Policy Statement 74, the ASIC has indicated what additional information should be provided to shareholders in these circumstances.

For the purposes of the Corporations Act, and Policy Statement 74 the following information is disclosed in relation to the acquisition of relevant interest in the Company by the Associated Parties. Shareholders are also referred to the Independent Expert's Report prepared by Hall Chadwick which forms part of this Explanatory Statement.

The figures in the following section assumes that:

- (a) all of the securities the subject of Resolutions 1 and, 2 have been issued (including the Shares on conversion of the Convertible Note and Vendor Options) and no additional Shares are issued;
- (b) the Shares issued pursuant to the Placement are issued at a price of 4 cents each;
- (c) the Convertible Note is converted into Shares at a price of 4 cents each together with Vendor Options on a one (1) for one (1) basis;
- (d) all of the 75,000,000 Vendor Options issued as part of the Transaction are converted into Shares;
- (e) all of the 125,000,000 Vendor Options that may be issued on conversion of the Convertible Note are converted into Shares;
- (f) no interest on the Convertible Note is converted into Shares or Vendor Options; and
- (g) the Associated Parties do not acquire any Shares other than those referred to in Resolution 1.

Prescribed Information

- (a) *The identity of each person proposing to make an acquisition of a relevant interest ("**Acquirer**") and their associates ("**Associates**") is:*

Acquirer	Associates
AGR	Yandal Investments Mark Creasy
Yandal Investments	Mark Creasy
Dermot Ryan	Mark Creasy Yandal Investments AGR

- (b) *As at the date of this Notice, the following Associated Parties had a relevant interest in shares of the Company:*

Party	Relevant Interest	Capacity
Yandal Investments	7,500,000	Direct Holder
Mark Creasy	7,500,000	By virtue of Section 608(3)

- (c) *The maximum extent of the increase in the Acquirer's voting power in the Company that would result from the acquisition is:*

The maximum increase in the Acquirer's voting power as a result of the acquisition will be 59.21%.

- (d) *The maximum voting power that the Acquirer would have as a result from the acquisition is:*

The maximum voting power that the Acquirer would have as a result of the acquisition will be 63.61%.

- (e) *The maximum extent of the increase in the voting power of each of the Associated Parties that would result from the acquisition is:*

The maximum increase in each of the Associated Parties' voting power as a result of the acquisition will be 59.21%

- (f) *The maximum voting power that each of the Associate Parties would have as a result of the acquisition is:*

The maximum voting power that each of the Associated Parties would have as a result of the acquisition will be 63.61%.

Intentions of the Associated Parties in relation to the Company

Other than as disclosed elsewhere in this Explanatory Memorandum, the Company understands that the Associated Parties:

- (a) have no intention of making any changes to the business of the Company;
- (b) do not propose to change the employment arrangements of the Company;
- (c) do not intend to redeploy any fixed assets of the Company;
- (d) do not have any present intention to inject further capital into the Company;
- (e) do not intend to transfer any property between the Company and the Vendors or any person associated with any of them; and
- (f) have no current intention to change the Company's existing policies in relation to financial matters or dividends.

Independent Expert's Report

The Independent Expert's Report prepared by Hall Chadwick sets out a detailed examination of the transaction contemplated by Resolution 1 to enable Shareholders to assess its merits. The Independent Expert's Report concludes that these transactions are **not fair but reasonable** to the non associated shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

5.4 Section 208 of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to Section 208 apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

The Associated Parties are arguably related parties of the Company due to the fact that Yandal Investments has an entitlement to appoint two directors to the Board of Directors of the Company and may also control the Company in the future. Further, Mr Dermot Ryan was a director of the Company between 21 September 2004 and 13 October 2004.

Under the terms of the Converting Loan Agreement, the Mortgage, the Fixed and Floating Charge, the Convertible Note Agreement and the Share Sale Agreement, one or more of the Associated Parties may receive a financial benefit either directly or indirectly.

Section 210 of the Corporations Act provides that an entity does not need to obtain shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity were dealing at arm's length (or terms less favourable than arm's length).

Pursuant to the Converting Loan Agreement, Yandal Investments has already advanced \$5,000,000 to the Company and the Company has also granted Yandal Investments the Mortgage and Fixed and Floating Charge. These agreements were entered into by the Board on the basis that the terms of these agreements and the financial benefits to being given to Yandal Investment under these agreements is on arm's length terms (or terms less favourable than arm's length) and is reasonable in the circumstances.

Hall Chadwick has given consideration to this issue in the Expert's Report and agrees with this conclusion. Please refer to the Expert's Report for further details.

Notwithstanding the opinion of the Board and Hall Chadwick, the Board is of the view that it is prudent to seek Shareholder approval under Section 208 of the Corporations Act to permit the giving of financial benefits to one or more of the Associated Parties under the terms of the Converting Loan Agreement, the Mortgage, the Fixed and Floating Charge, the Convertible Note Agreement and the Share Sale Agreement.

Sections 217 to 227 of the Corporations Act

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to on or more of the Associated Parties:

- (a) The related parties to whom a financial benefit may be given under each of the agreements are as follows:

Agreement	Related Party
Converting Loan Agreement	Yandal Investments (directly) Mark Creasy (indirectly)

Agreement	Related Party
Mortgage	Yandal Investments (directly) Mark Creasy (indirectly)
Fixed and Floating Charge	Yandal Investments (directly) Mark Creasy (indirectly)
Convertible Note Agreement	Yandal Investments (directly) Mark Creasy (indirectly)
Share Sale Agreement	AGR (directly) Dermot Ryan (directly) Mark Creasy (indirectly)

- (b) the nature of the financial benefits to be given under each of the agreements is set out elsewhere in this Explanatory Statement where the relevant agreements are summarised. The material financial benefits can be summarised as follows:

Agreement	Financial Benefits
Converting Loan Agreement	• Interest. • Right to be granted security.
Mortgage	Second ranking mortgage over the mining tenements owned by Legend and a first ranking mortgage over the tenements owned by its subsidiary Armada Mining Limited.
Fixed and Floating Charge	Second ranking charge over all of the assets and undertakings of Legend.
Convertible Note Agreement	• Interest. • Shares on conversion. • Vendor Options on conversion. • Right to underwrite future capital raisings. • Right to approve future capital raisings.
Share Sale Agreement	The consideration, being Shares and Vendor Options.

- (c) none of the Directors have an interest in the outcome of Resolution 1 and recommend that shareholders vote in favour of Resolution 1 as they are of the view that the entire transaction is in the best interests of the Company and its Shareholders for the reasons set out in Section 3 of this Explanatory Statement;
- (d) if the Shareholders approve Resolution 1 and Shares, Vendor Options and the Convertible Note are issued to the Associated Parties (in the amounts set out in Section 4.1 of this Explanatory Statement) and the Convertible Note and all of the Vendor Options (including those issued on conversion of

the Convertible Note) are converted/exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 56.95% on an undiluted basis and based on the number of Shares on issue at the date of the Notice plus those Shares to be issued in accordance with Resolution 1. The market price for Shares during the term of the Convertible Note and the Vendor Options would normally determine whether or not Yandal Investments converts the Convertible Note (and any Vendor Options issued on conversion of the Convertible Note) and whether AGR or Mr Dermot Ryan exercise their Vendor Options. If, at any time any of the Convertible Note or Vendor Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Convertible Note or the Vendor Options, there may be a perceived cost to the Company. In the 12 months before the date of this Notice the highest, lowest and last trading price of Shares on ASX are as set out below:

	Date	Price
Highest	22 / 23 March 2004	\$0.25
Lowest	3 November 2004	\$0.046
Last	8 December 2004	\$0.063

- (e) the ASIC in reviewing documents lodged under Section 218 of the Corporations Act relating to the giving of financial benefits to related parties to related parties of public companies requires explanatory information regarding the value of convertible securities proposed to be issued. The value of the Vendor Options has been calculated by the Company using the Black & Scholes pricing model and is set out below.

Valuation of the Vendor Options

The Vendor Options have been valued at 16 November 2004 using the Black & Scholes pricing model and based upon the following assumptions:

- (a) the Vendor Options expire on 31 May 2009;
- (b) the exercise price of the Vendor Options is \$0.04 each;
- (c) a price per Share of \$0.08;
- (d) a common volatility factor of 90% (based on the historical volatility of the Company's share over the 30 days prior to the calculation);
- (e) a risk free rate of 5.385%;
- (f) the valuations ascribed to the various Vendor Options may not necessarily represent the market price of the Vendor Options at the date of the valuation;
- (g) a discount of 30% to take into account the fact that the Vendor Options are not transferable and are not listed on a recognised stock exchange; and
- (h) the valuation date for the Vendor Options is 16 November 2004.

Based on the above, the Vendor Options have been valued at 4.487 cents each.

6. RESOLUTION 2 – APPROVAL TO ISSUE SHARES

Resolution 2 seeks Shareholder approval for the Directors to allot and issue up to 70,000,000 Shares at an issue price \$0.06 each to raise up to \$4,200,000 (**Placement**).

If Resolution 2 is passed it will allow the Directors to issue up to 70,000,000 Shares within 3 months of the date of the General Meeting without diminishing the Company's 15% placement capacity.

For the purposes of ASX Listing Rule 7.3 the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is approximately 70,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment of the Shares will occur on the same date;
- (c) the issue price of the Shares \$0.06 each;
- (d) the Shares will be issued to sophisticated investors and/ or clients of Findley & Co Stockbrokers Ltd who will not be related parties or associates of the Company;
- (e) the Shares will rank equally with the Company's then issued Shares; and
- (f) the funds raised by the issue of the Shares pursuant to the Placement will be used for working capital purposes and for:
 - (i) completion of the initial 6 deep hole/2,000 meter RC program nearing completion at Swan Bitter North (\$200,000);
 - (ii) a detailed ground magnetics survey (\$75,000);
 - (iii) underground exploration drilling (\$100,000 per month); and
 - (iv) further programs totaling up to 20,000 meters of RC drilling in the existing mine.

7. RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES

On 15 September 2004, the Company announced the completion of a placement of 22,000,000 Shares at 7 cents each to raise \$1,540,000. None of the subscribers pursuant to this issue were related parties or associates of the Company.

Resolution 3 seeks Shareholder approval to ratify the issue of these Shares in accordance with ASX Listing Rule 7.4. By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided:

- (a) 22,000,000 Shares were allotted and issued to the parties set out below:

Alloftee	No. of Shares
Mr Victor Levy	750,000

Alloftee	No. of Shares
John Kirou ATF The John Kirou Family Trust	1,620,000
Mr Rohan Charles Edmondson	107,500
Husif Nominees Pty Ltd	257,500
Mr Paul Richard Stephen & Ms Julie Ann Stephen	257,500
Ocean View WA Pty Ltd	157,500
Flue Holdings Pty Ltd	150,000
Electricity Pty Ltd	100,000
Mr Kay Hooi Lim	100,000
Mr Francois Leclezio	100,000
Bannaby Investments Pty Ltd	1,500,000
Ravina Ltd	700,000
Ravina Ltd	640,000
L.J.K. Nominees Pty Limited	2,000,000
Van Zyl Tripp Pty Ltd	720,000
JK Nominees Pty Ltd <The JK Fund A/C>	1,500,000
Chaus Capital Pty Ltd	720,000
Mrs Deborah June Down	500,000
Quevy Holdings Pty Ltd	500,000
Rappaport Pty Ltd	500,000
Bayonet Investments Pty Ltd	1,000,000
TM Consulting Pty Ltd	460,000
Petjoh Pty Ltd	750,000
Pritdown Pty Ltd	750,000
Chifley Investor Group Pty Ltd	1,500,000
Mr Jackie Au Yeung	1,000,000
Mr & Mrs John Caterwood & Corinne Girard	1,000,000
Dakota Corporation Limited	1,500,000
Pewthol (VCC) Pty Ltd	300,000
Yarandi Investments Pty Limited	860,000
TOTAL	22,000,000

- (b) the Shares were allotted and issued on 23 September 2004;
- (c) the issue price of each of the Shares was 7 cents each;
- (d) the Shares issued rank equally with the Company's other issued Shares; and
- (e) the funds raised were used to repay debts, carry out exploration of tenements held by the Company and for working capital purposes.

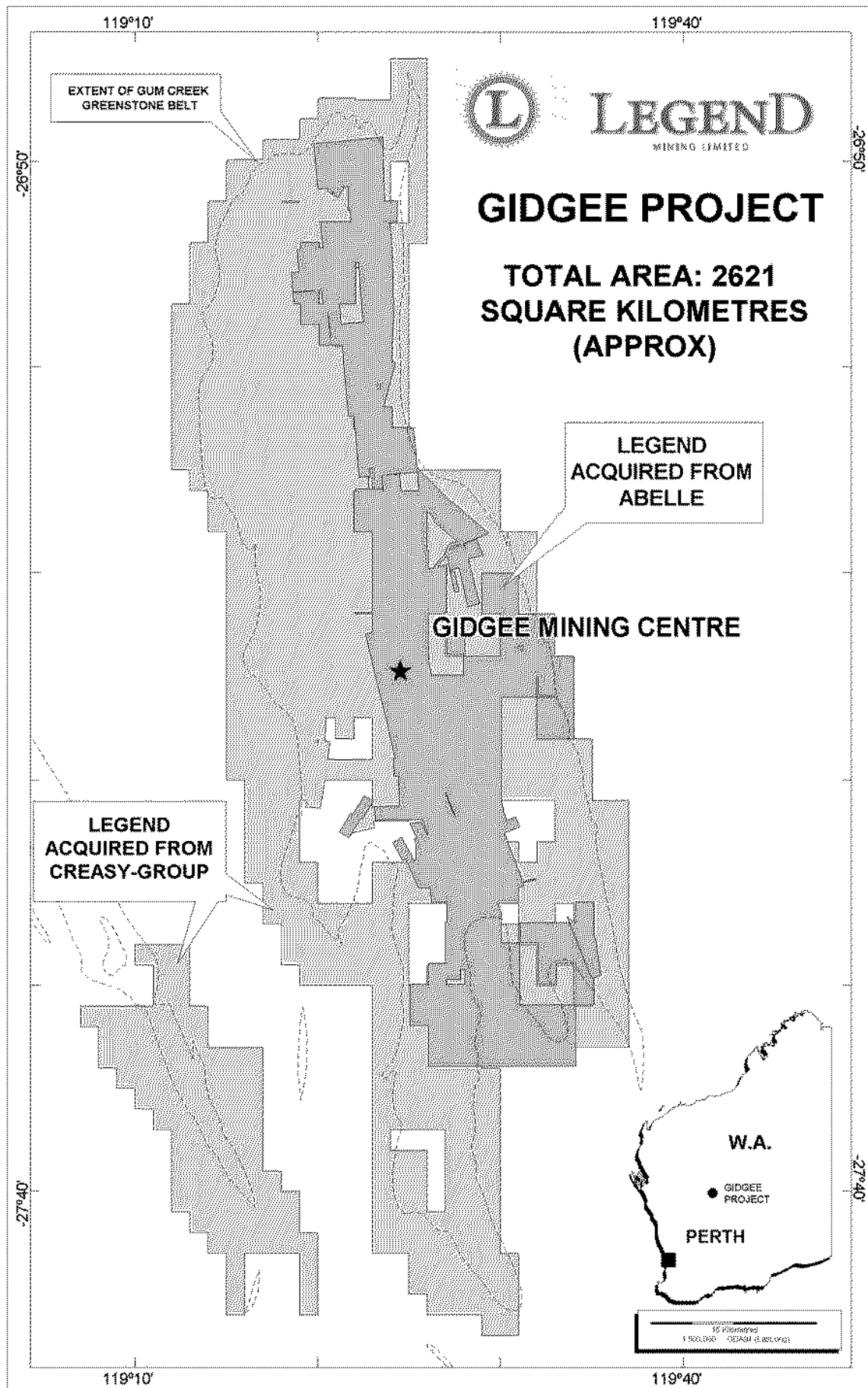
8. DIRECTORS' RECOMMENDATION

The Directors do not have any personal interests in the outcome of any of the Resolutions set out in the Notice.

The Directors are of the opinion that the Transaction contemplated by Resolution 1 is in the best interests of the Company for the reasons which follow:

- (a) The Transaction is fundamental to the future success of Legend.
- (b) The proximity of Gidgee compared to Legend (see attached map) means that the acquisition of Gidgee is the only viable expansion opportunity for the Company. The close proximity of the tenements owned by both companies will mean reduced operating costs.
- (c) The \$5,000,000 provided by the Convertible Note is necessary to satisfy impending debts and to provide much needed working capital. Without this further injection of funds the financial position of Legend will be significantly weakened. Furthermore, the additional \$8,000,000 that may be received by the Company upon the exercise of the Vendor Options will provide further funds to enable Legend to undertake essential exploration activities.
- (d) Through the acquisition of Gidgee, the Transaction enables the Company to achieve its principle aim; to become the predominant gold exploration company within the Gum Creek Greenstone belt. This is only achievable through the acquisition of Gidgee.
- (e) Should the Transaction not proceed the lack of financial certainty of the Company may adversely affect the current share price.

The Directors consider the passing of all other Resolutions to be in the best interests of the Company and accordingly recommend that Shareholders vote in favour of these Resolutions.



GLOSSARY

AGR means Australian Gold Resources Pty Ltd (ABN 68 006 712 956).

ASIC means Australian Securities and Investments Commission.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

ASX means Australian Stock Exchange Limited.

Company and **Legend** means Legend Mining Limited (ABN 22 060 966 145).

Convertible Note means the convertible note that is proposed to be issued to Yandal Investments the terms of which are set out in section 4.1 of the Explanatory Memorandum pursuant to the Convertible Note Agreement.

Convertible Note Agreement means the convertible note agreement entered into between Yandal Investments and the Company on 10 November 2004.

Converting Loan Agreement means a converting loan agreement entered into between Yandal Investments and the Company on 10 November 2004.

Corporations Act or **Act** means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Memorandum means the explanatory memorandum to the Notice.

Fixed and Floating Charge means the fixed and floating charge between the Company and Yandal Investments contemporaneously with the Converting Loan Agreement.

General Meeting means the meeting convened by the Notice.

Gidgee Resources means Gidgee Resources Limited (ABN 22 084 247 754).

Hall Chadwick means Hall Chadwick Corporate Finance (WA) Pty Ltd (ACN 008 783 113).

Independent Expert's Report or **Expert's Report** means the Independent Expert's Report prepared by Hall Chadwick which forms part of this Explanatory Memorandum.

Mortgage means the mortgages entered into between Yandal Investments and the Company and its subsidiary, Armarda Mining Limited, contemporaneously with the Converting Loan Agreement pursuant to which the Company and Armarda Mining Limited granted Yandal Investments a mortgage over all of their mining tenements.

Notice means the notice of meeting which forms part of this Explanatory Memorandum.

Placement means the placement of Shares contemplated by Resolution 2.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Settlement means settlement of the Transaction.

Share means a fully paid ordinary share in the capital of the Company.

Share Purchase Plan means the share purchase plan enclosed with this Notice.

Share Sale Agreement has the meaning given in section 1 of the Explanatory Memorandum.

Shareholder means a shareholder of the Company.

Transaction has the meaning given in section 1 of the Explanatory Memorandum.

Vendors means AGR and Mr Dermot Ryan.

Vendor Options means the options the terms of which are given in section 5.2 of the Explanatory Memorandum.

WST means Western Standard Time, Perth, Western Australia.

Yandal Investments means Yandal Investments Pty Ltd (ABN 89 070 684 810).

SCHEDULE 1 – LEGEND MINING TENEMENTS

Type of Tenement	Number	Type of Tenement	Number
Exploration Licence	53/1020	Mining Lease	53/313
Exploration Licence	53/1021	Mining Lease	53/314
Exploration Licence	53/345	Mining Lease	53/315
Exploration Licence	53/422	Mining Lease	53/450
Exploration Licence	53/774	Mining Lease	53/496
Exploration Licence	53/891	Mining Lease	53/497
Exploration Licence	53/957	Mining Lease	53/500
Exploration Licence	57/167	Mining Lease	53/597
Exploration Licence	57/190	Mining Lease	53/716
Exploration Licence	57/191	Mining Lease	53/894
Exploration Licence	57/483	Mining Lease	53/904
Exploration Licence	57/484	Mining Lease	53/941
Exploration Licence	57/495	Mining Lease	53/942
Exploration Licence	57/517	Mining Lease	53/945
Exploration Licence	57/520	Mining Lease	53/988
Exploration Licence	57/522	Mining Lease	53/992
Exploration Licence	57/523	Mining Lease	53/993
Miscellaneous	53/46	Mining Lease	53/994
Miscellaneous	53/47	Mining Lease	53/1000
Miscellaneous	53/95	Mining Lease	53/1010
Miscellaneous	53/96	Mining Lease	53/1011
Miscellaneous	53/116	Mining Lease	57/19
Miscellaneous	57/11	Mining Lease	57/26
Miscellaneous	57/12	Mining Lease	57/33
Miscellaneous	57/20	Mining Lease	57/44
Mining Lease	51/104	Mining Lease	57/45
Mining Lease	51/105	Mining Lease	57/69
Mining Lease	51/157	Mining Lease	57/70
Mining Lease	51/185	Mining Lease	57/71
Mining Lease	51/186	Mining Lease	57/72
Mining Lease	51/201	Mining Lease	57/73
Mining Lease	51/290	Mining Lease	57/74
Mining Lease	51/410	Mining Lease	57/143
Mining Lease	51/458	Mining Lease	57/144
Mining Lease	51/474	Mining Lease	57/145
Mining Lease	53/10	Mining Lease	57/146
Mining Lease	53/11	Mining Lease	57/210
Mining Lease	53/58	Mining Lease	57/211
Mining Lease	53/101	Mining Lease	57/212
Mining Lease	53/102	Mining Lease	57/230
Mining Lease	53/103	Mining Lease	57/231
Mining Lease	53/105	Mining Lease	57/232
Mining Lease	53/153	Mining Lease	57/236
Mining Lease	53/251	Mining Lease	57/241
Mining Lease	53/252	Mining Lease	57/242

Type of Tenement	Number		Type of Tenement	Number
Mining Lease	57/250		Prospecting Licence	57/662
Mining Lease	57/251		Prospecting Licence	57/665
Mining Lease	57/252		Prospecting Licence	57/666
Mining Lease	57/278		Prospecting Licence	57/697
Mining Lease	57/286		Prospecting Licence	57/760
Mining Lease	57/287		Prospecting Licence	57/761
Mining Lease	57/288		Prospecting Licence	57/762
Mining Lease	57/291		Prospecting Licence	57/871
Mining Lease	57/292		Prospecting Licence	57/897
Mining Lease	57/293		Prospecting Licence	57/971
Mining Lease	57/294		Exploration Licence	47/562
Mining Lease	57/308		Exploration Licence	47/587
Mining Lease	57/314		Exploration Licence	47/931
Mining Lease	57/349		Exploration Licence	47/932
Mining Lease	57/361		Exploration Licence	47/947
Mining Lease	57/362		Exploration Licence	47/957
Mining Lease	57/372		Exploration Licence	47/963
Mining Lease	57/375		Exploration Licence	47/964
Mining Lease	57/377		Exploration Licence	47/966
Mining Lease	57/378		Exploration Licence	47/967
Mining Lease	57/410		Exploration Licence	47/1048
Mining Lease	57/435		Exploration Licence	47/1049
Mining Lease	57/465		Exploration Licence	47/1150
Prospecting Licence	53/1074		Exploration Licence	47/1152
Prospecting Licence	53/1112		Exploration Licence	47/1178
Prospecting Licence	53/1114		Exploration Licence	47/1179
Prospecting Licence	53/1152		Exploration Licence	47/1180
Prospecting Licence	53/1153		Exploration Licence	47/1181
Prospecting Licence	53/1155		Exploration Licence	70/2507
Prospecting Licence	53/1161		Mining Lease	47/340
Prospecting Licence	53/1162		Mining Lease	47/341
Prospecting Licence	53/1163		Mining Lease	47/342
Prospecting Licence	53/1199		Mining Lease	47/343
Prospecting Licence	53/635		Mining Lease	47/346
Prospecting Licence	53/636		Mining Lease	47/349
Prospecting Licence	53/637		Mining Lease	47/350
Prospecting Licence	53/693		Mining Lease	47/409
Prospecting Licence	53/698		Mining Lease	47/414
Prospecting Licence	53/699		Mining Lease	47/415
Prospecting Licence	53/700		Mining Lease	47/417
Prospecting Licence	53/707		Mining Lease	47/457
Prospecting Licence	57/1015		Mining Lease	47/462
Prospecting Licence	57/1019		Mining Lease	47/463
Prospecting Licence	57/1024		Mining Lease	47/466
Prospecting Licence	57/1025		Mining Lease	47/490
Prospecting Licence	57/1026		Mining Lease	47/491
Prospecting Licence	57/1027		Mining Lease	47/493
Prospecting Licence	57/1028		Mining Lease	47/494

Type of Tenement	Number
Mining Lease	47/518
Prospecting Licence	47/944
Prospecting Licence	47/945
Prospecting Licence	47/1112
Prospecting Licence	47/1113
Prospecting Licence	47/1124
Prospecting Licence	47/1126
Prospecting Licence	47/1127
Prospecting Licence	47/1128
Prospecting Licence	47/1129
Prospecting Licence	47/1130
Prospecting Licence	47/1131
Prospecting Licence	47/1132
Prospecting Licence	47/1133
Prospecting Licence	47/1134
Prospecting Licence	47/1135
Prospecting Licence	47/1136
Prospecting Licence	47/1137
Prospecting Licence	47/1158
Prospecting Licence	47/1159

SCHEDULE 2 – GIDGEE MINING TENEMENTS

TENID	TYPE	TENSTATUS	Area_SqKm	HOLDER
E 5101046	Exploration Licence	Pending	214.329	GIDGEE RESOURCES PTY LTD
E 5101054	Exploration Licence	Pending	36.7898	GIDGEE RESOURCES PTY LTD
E 5301091	Exploration Licence	Pending	97.9761	GIDGEE RESOURCES PTY LTD
E 5301092	Exploration Licence	Pending	6.12033	GIDGEE RESOURCES PTY LTD
E 5301093	Exploration Licence	Pending	214.053	GIDGEE RESOURCES PTY LTD
E 5301108	Exploration Licence	Pending	36.6875	GIDGEE RESOURCES PTY LTD
E 5700564	Exploration Licence	Pending	121.673	GIDGEE RESOURCES PTY LTD
E 5700565	Exploration Licence	Pending	213.089	GIDGEE RESOURCES PTY LTD
E 5700566	Exploration Licence	Pending	213.337	GIDGEE RESOURCES PTY LTD
E 5700567	Exploration Licence	Pending	186.052	GIDGEE RESOURCES PTY LTD
E 5700568	Exploration Licence	Pending	213.785	GIDGEE RESOURCES PTY LTD
E 5700569	Exploration Licence	Pending	213.776	GIDGEE RESOURCES PTY LTD
E 5700570	Exploration Licence	Pending	3.04767	GIDGEE RESOURCES PTY LTD
E 5700571	Exploration Licence	Pending	63.9605	GIDGEE RESOURCES PTY LTD
E 5700572	Exploration Licence	Pending	33.5898	GIDGEE RESOURCES PTY LTD
E 5700574	Exploration Licence	Pending	27.4479	GIDGEE RESOURCES PTY LTD
E 5700575	Exploration Licence	Pending	39.7001	GIDGEE RESOURCES PTY LTD
E 5700588	Exploration Licence	Pending	212.985	GIDGEE RESOURCES PTY LTD
		Total	2148	

TENID	TYPE	TENSTATUS	Area_SqKm	HOLDER
E 5100854	Exploration Licence	Live	6.12875	AUSTRALIAN GOLD RESOURCES PTY LTD
E 5100855	Exploration Licence	Live	12.2453	AUSTRALIAN GOLD RESOURCES PTY LTD
E 5100899	Exploration Licence	Pending	18.3584	AUSTRALIAN GOLD RESOURCES PTY LTD
E 5100934	Exploration Licence	Pending	205.06	AUSTRALIAN GOLD RESOURCES PTY LTD
E 5300826	Exploration Licence	Live	0.871303	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100837	Mining Lease	Pending	9.18795	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100838	Mining Lease	Pending	9.1861	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100839	Mining Lease	Pending	6.12282	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100840	Mining Lease	Pending	8.57802	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100841	Mining Lease	Pending	4.4411	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100850	Mining Lease	Pending	1.006272	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100851	Mining Lease	Pending	6.340704	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100852	Mining Lease	Pending	6.115701	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5100853	Mining Lease	Pending	6.831285	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5301006	Mining Lease	Pending	5.46052	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5301007	Mining Lease	Pending	4.46934	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5700523	Mining Lease	Pending	5.71666	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5700524	Mining Lease	Pending	7.42719	AUSTRALIAN GOLD RESOURCES PTY LTD
M 5700525	Mining Lease	Pending	2.3164	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5102499	Prospecting Licence	Pending	1.78254	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5102520	Prospecting Licence	Pending	0.070886	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301010	Prospecting Licence	Live	1.36572	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301011	Prospecting Licence	Live	1.64908	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301012	Prospecting Licence	Live	1.62948	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301013	Prospecting Licence	Live	0.441625	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301014	Prospecting Licence	Live	1.65284	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301015	Prospecting Licence	Live	1.71431	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301016	Prospecting Licence	Live	1.10218	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5301218	Prospecting Licence	Live	1.215691	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700913	Prospecting Licence	Live	1.06872	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700914	Prospecting Licence	Live	1.24768	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700917	Prospecting Licence	Live	1.91349	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700918	Prospecting Licence	Live	1.84917	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700919	Prospecting Licence	Live	1.95401	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700920	Prospecting Licence	Live	1.83042	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700921	Prospecting Licence	Live	1.82813	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700922	Prospecting Licence	Live	1.95163	AUSTRALIAN GOLD RESOURCES PTY LTD
P 5700923	Prospecting Licence	Live	1.81702	AUSTRALIAN GOLD RESOURCES PTY LTD
		Total	353.9	

SCHEDULE 3 – Pro-forma Statement of Financial Position of Legend

Set out below is a pro-forma Statement of Financial Position of Legend that incorporates the passing and consummation of Resolution 1 and 2. This includes the acquisition of Gidgee as contemplated by Resolution 1 and incorporates the consolidation of Gidgee as a wholly owned subsidiary within the Legend Group. The Gidgee statement of financial position used is at 31 August 2004 and is not audited. This statement includes an independent valuation of the Gidgee mineral tenement assets of \$3.2 million and a copy of the valuation report is included in the Notice.

Further, included in the pro-forma Statement of Financial Position of Legend is the issue of 75 million shares to the Associated Parties to acquire Gidgee at a deemed issue price of 7.4 cents each less a 20% discount (as they are required to be held in escrow for twelve months).

Other assumptions included in the pro-forma Consolidated Statement of Financial Position of Legend are as follows:

- As the acquisition of Gidgee is conditional upon the raising of \$4.2 million by way of a placement of 70 million shares at 6 cents each, pursuant to Resolution 2, it is assumed this condition has been met. Further, the estimated cost of consummating Resolution 2 to raise \$4.2 million is deemed to be \$250,000 and has been charged to equity as a cost of raising capital;
- The Loan of \$5 million from the Associated Parties to Legend is converted to a convertible note pursuant to Resolution 1 and \$4.76 million of this loan amount has been applied to the payment of creditors and \$235,906 has been applied to pay the existing loans owed to the Associated Parties;
- The estimated cost of consummating Resolution 1 is \$200,000 and has been capitalised as a mining asset of the Company;
- The \$3 million which may be raised pursuant to the Share Purchase Plan has not been included; and
- Legend has lodged its ASX Appendix 5B Mining Exploration Entity Quarterly Report for the quarter ended 30 September 2004. We note that the cash resources of the Company have been reduced by approximately \$3.2 million and the cash on hand at the end of the quarter is \$1.25 million. We have been advised by the Directors of Legend that these cash flows are as follows:
 - Net loss for the quarter charged to the Statement of Financial Performance - \$3.7 million;
 - Capitalised mining costs - \$1 million; and
 - Capital raising receipts - \$1.5 million.

The pro-forma Statement of Financial Position below has been based on the Legend audit reviewed financial statements at 30 June 2004 and updated for cash flow movements for the quarter ended 30 September 2004 and then updated for the assumptions above.

Pro-forma Statement of Financial Position of Legend			
	Audit Reviewed 30 June 2004	Adjusted 30 June 2004	Pro-forma 30 June 2004
	\$'000	\$'000	\$'000
Current Assets			
Cash assets	4,489	1,289	5,081
Receivables	2,895	2,895	2,895
Inventories	140	140	140
Other	753	753	761
	<u>8,277</u>	<u>5,077</u>	<u>8,877</u>
Non Current Assets			
Mining Tenements	7,829	8,829	13,665
Property, Plant & Equipment	2,282	2,282	2,282
Other	38	38	40
	<u>10,149</u>	<u>11,149</u>	<u>15,987</u>
Total Assets	<u>18,426</u>	<u>16,226</u>	<u>24,864</u>
Current Liabilities			
Payables	5,322	5,322	558
Interest Bearing Liabilities	1,237	1,237	1,237
Provisions	107	107	107
	<u>6,666</u>	<u>6,666</u>	<u>1,902</u>
Non-Current Liabilities			
Interest Bearing Liabilities	-	-	5,000
Provisions	2,082	2,082	2,082
Total Liabilities	<u>8,748</u>	<u>8,748</u>	<u>8,984</u>
Net Assets	<u>9,678</u>	<u>7,478</u>	<u>15,880</u>
Equity			
Contributed equity	16,511	18,011	26,413
Reserves	362	362	362
Accumulated losses	(7,195)	(10,895)	(10,895)
Net Equity	<u>9,678</u>	<u>7,478</u>	<u>15,880</u>

A reconciliation of the movement of the main items in the above financial statement is as follows:

Cash at Bank

Details	Amount \$'000
Opening Balance – 30/6/2004	\$4,489
Cash Outflow – Appendix 5B (30/9/04)	(\$3,200)
Cash held by Gidgee now consolidated	\$42
Cash paid for acquiring Gidgee	(\$200)
Cash Received from Associated Parties for Convertible Note	\$5,000
Cash Paid to creditors and loans	(\$5,000)
Cash received for capital raising (Res 2)	\$4,200
Cash paid for costs of capital raising (Res 2)	(\$250)
Closing Balance – pro-forma	\$5,081

Mining Tenements

Details	Amount \$'000
Opening Balance – 30/6/2004	\$7,829
Cash Outflow – Appendix 5B (30/9/04) Mining Activities	\$1,000
Consolidate Gidgee's Mining Assets	\$3,200
Goodwill on Consolidation (mining asset)	\$1,436
Cost of acquisition of Gidgee capitalised	\$200
Closing Balance – pro-forma	\$13,665

Payables

Details	Amount \$'000
Opening Balance – 30/6/2004	\$5,322
Cash paid from proceeds from Convertible Note	(\$4,764)
Closing Balance – pro-forma	\$558

Interest Bearing Liabilities (non-current liability)

Details	Amount \$'000
Opening Balance – 30/6/2004	Nil
Convertible Note issued to Associated Parties	\$5,000
Closing Balance – pro-forma	\$5,000

Contributed Equity

Details	Amount \$'000
Opening Balance – 30/6/2004	\$16,511
Capital Raising – Appendix 5B (30/9/04)	\$1,500
Shares issued to acquire Gidgee	\$4,452
Shares issued as per Resolution 2	\$4,200
Cost of share issue – Resolution 2	(\$250)
Closing Balance – pro-forma	\$26,413

Accumulated Losses

Details	Amount \$'000
Opening Balance – 30/6/2004	\$7,195
Cash Outflow – Appendix 5B (30/9/04) Trading Activities	\$3,700
Closing Balance – pro-forma	\$10,895

International Financial Reporting Standards

The Financial Reporting Council has announced that Australia will adopt International Financial Reporting Standards ("IFRS") as the reporting and accounting framework from 1 January 2005.

The first year that IFRS will apply to Legend is for the year ended 30 June 2006.

All financial information prepared in this report has been prepared in accordance with generally accepted accounting principals in Australia (Australian GAAP).

The difference between Australian GAAP and IFRS identified by management to date as potentially having an impact on the financial position of Legend is summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

- *Share based payments:* the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the Statement of Financial Performance;
- *Income taxes:* the Company will be required to use a balance sheet approach, rather than an income statement approach. This method focuses on the tax effects of transactions or other events that affect amounts recognised in the Statement of Financial Position;
- *Exploration and Valuation 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; and
- *Plant and Equipment:* The recoverable amount of plant and equipment in terms of AASB 136: Impairment of Assets will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the Australian GAAP requirement.

INDEPENDENT EXPERT'S REPORT

Refer to separate document.

PROXY FORM

APPOINTMENT OF PROXY

LEGEND MINING LIMITED
ABN 22 060 966 145

GENERAL MEETING

I/We

being a Member of Legend Mining Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Legend Mining Limited, Level 5, 50 Colin Street, West Perth on 10 January 2005 at 11 am (WST) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the Extraordinary General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval to issue Securities and give Financial Benefits	☐	☐	☐
Resolution 2	Approval to Issue Shares	☐	☐	☐
Resolution 3	Ratification of Issue of Shares	☐	☐	☐

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

Signed this day of 2004

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

LEGEND MINING LIMITED
ABN 22 060 966 145

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form as soon as possible and either:
 - (a) send the proxy form by post to PO Box 626, West Perth, 6872 or by facsimile to the Company on facsimile number (08) 9322 3800; or
 - (b) deliver the proxy form to the Company's registered office at Level 5, 50 Colin Street, West Perth,

so that it is received not later than 11 am (WST) on 8 January 2004. Proxy forms received later than this time will be invalid.

Our Ref: 5sam01

3 December 2004

The Directors
Legend Mining Ltd
Level 5
50 Colin Street
WEST PERTH WA 6005

Attention: Mr Murray McDonald

Dear Sirs,

**LEGEND MINING LIMITED ("LEGEND" OR "COMPANY") (ABN 22 060 966 145)
MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (Item 7) OF THE
CORPORATIONS ACT ("TCA") ON THE PROPOSAL TO ISSUE SHARES AND
OPTIONS AND A CONVERTIBLE NOTE**

1. INTRODUCTION

1.1 We have been requested by the Directors of Legend to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals pursuant to Resolution 1 detailed in the Notice of General Meeting to Legend Shareholders (the "Notice").

1.2 Resolution 1 proposes that Legend will issue:

- 75,000,000 ordinary shares in the Company and 75,000,000 free attaching options to the vendors to acquire 100% of the issued and fully paid ordinary shares in Gidgee Resources Ltd ("Gidgee"). These options are exercisable at 4 cents each on or before 31 May 2009; and
- a convertible note to Yandal Investments Pty Ltd ("Yandal") or its nominees for a loan of \$5 million and upon conversion the Company will issue up to approximately 125,000,000 ordinary shares and up to approximately 125,000,000 free unlisted options exercisable at 4 cents each on or before 31 May 2009.

1.3 On 10 November 2004, the Company entered into a Share Sale Agreement ("Agreement") with the vendors of Gidgee pursuant to which the Company agreed to acquire the entire issued shares in Gidgee in consideration for issuing 75,000,000 shares and 75,000,000 options in the Company. If this resolution is passed and consummated, then these shares and options will be issued to the vendors of Gidgee, being Australian Gold Resources Pty Ltd ("AGR"), a company associated with Mr Mark Creasy, and Mr Dermot Ryan.

The conditions precedent to settlement of the above acquisition are as follows:

- all Resolutions pursuant to the Notice have been approved;
- the Company completes the Placement pursuant to Resolution 2;
- the Company and Yandal executing the Convertible Note Agreement and that agreement becoming unconditional; and
- Gidgee providing the Company with satisfactory evidence that, at settlement of the above transaction, it will:
 - be the holder of all of the applications for prospecting licenses, exploration licenses and mining leases detailed in the Share Sale Agreement that have been applied for in the name of Gidgee;

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BankWest Tower
108 St George's Terrace
Perth 6000
Western Australia

GPO Box W2106
PERTH WA 6846

Telephone: (08) 9320 2888
Facsimile: (08) 9320 2999
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Associated with:

National Association
Hall Chadwick

**Hall Chadwick Corporate
Finance (WA) Pty Ltd**

A.C.N. 008 783 113

- be the legal and beneficial owner of all of the tenements detailed in the Share Sale Agreement; and
- have the right to acquire any tenement that is subject to an application for a prospecting licence, exploration licence or a mining lease by AGR.

Mr Mark Creasy, Yandal and AGR are associates of each other for the purposes of the Corporations Act because Mr Mark Creasy controls Yandal and AGR. Further, Mr Dermot Ryan acts in concert with these other parties in relation to their affairs. For the purposes of this report, Yandal, AGR, Mr Mark Creasy and Mr Dermot Ryan will be referred to as the “Associated Parties”.

- 1.4 In November 2004, the Company and Yandal entered into a Loan Agreement whereby Yandal has lent the Company \$5 million for working capital and exploration of its mining tenements. The material terms of the Loan Agreement are as follows:

- Interest is calculated on a daily basis at 10% per annum and payable on the date being six months from the commencement date and every six months thereafter or on the repayment date of the loan. If interest is not paid on the due date the interest rate charged will increase to 13% per annum;
- The loan is secured by a second ranking registered fixed and floating charge over all assets of the Company and a second ranking registered mortgage over the Company’s mining tenements or applications for mining tenements; and
- In the event the Company shareholders pass all resolutions then the Company will issue a Convertible Note and the loan will be payable in accordance with the terms of the Convertible Note (refer paragraph 1.5).

We are of the view that the terms of the Loan Agreement appear to be reasonable commercial terms that have been determined pursuant to a commercial arms length negotiation.

- 1.5 In November 2004, the Company and Yandal entered into a Convertible Note Agreement which provides that the loan of \$5 million from Yandal will not have to be repaid by the Company under the terms of the Loan Agreement but shall convert to a convertible note under the Convertible Note Agreement, subject to the following:

- the passing of all of the Resolutions; and
- a minimum of \$3.5 million being raised by the Company by way of a share placement of shares at not less than 4 cents per share (the subject of Resolution 2).

Should the above conditions be met then the Company will issue one convertible note to Yandal and effectively convert the loan of \$5 million to a Convertible Note of \$5 million. The terms of the Convertible Note are as follows:

- The conversion period and/or repayment date is twenty-four months from the completion of the capital raising pursuant to Resolution 2;
- Interest is payable on the unpaid principal at a rate of 10% per annum on a daily basis and is payable every six months in arrears in cash. If interest is not paid on the due date the interest rate defaults to 13% per annum. Yandal may agree to capitalise unpaid interest, which may then be repayable when the loan is repaid or may be converted to shares;
- The Convertible Note is convertible at the option of Yandal, at whole or in part and includes unpaid interest, at any time at a price of 4 cents per share, with one free attaching option for each share exercisable at 4 cents each on or before 31 May 2009;

- If Yandal does not elect to convert the Convertible Note within two years of its issue, then the Company may choose to redeem the Convertible Note by payment to Yandal of \$5,000,000 and any unpaid interest. If this does not occur then the terms of the Convertible Note will be extended by mutual consent or Yandal may require the Company to repay the Convertible Note within 6 months during which period interest shall continue to accrue at a rate of 10% per annum on a non-compounding basis;
 - During the term of the Convertible Note, Yandal has the right to appoint two directors to the Board of Legend and at any time if that appointee resigns to replace that appointee with another appointee;
 - During the term of the Convertible Note, Legend cannot surrender any tenement or withdraw any application for any tenement without the prior written consent of Yandal, which cannot be unreasonably withheld;
 - During the term of the Convertible Note, the Company cannot undertake any future capital raising unless Yandal has the right to participate in any future capital raising conducted by the Company in proportion to its shareholding on a fully diluted basis. Yandal will have a first right of refusal to underwrite or sub-underwrite any future capital raisings during the period of the Convertible Note in proportion to its shareholding in the Company at the time of the issue;
 - The Company undertakes not to complete any further capital raising for the issue of securities at a price which is less than 80% of the average market price of the securities over the 5 trading days prior to the issue, other than any contemplated in the Notice, within 12 months of the date of advance of the loan of \$5,000,000 to the Company without the prior consent of Yandal, which will not be unreasonably withheld; and
 - The terms of the security of the loan from the Convertible Note holder remains unchanged from the loan under the Loan Agreement (refer paragraph 1.4 above).
- 1.6 In the event all of the shares being the subject of Resolution 1 (excluding those to be issued on conversion of the Convertible Note) are issued, the voting power of the Associated Parties will increase from a point below 20% to above 20%.
- 1.7 If the shareholders of the Company approve Resolution 1 and Resolution 2 and the allotment of up to approximately 70 million shares is successful, and assuming the Associated Parties convert the Convertible Note, then the Associated Parties will receive approximately 200,000,000 fully paid ordinary shares in the Company. As Yandal Investments Pty Ltd already hold 7.5 million shares in Legend (or 4.4% of the issued capital), the total number of shares held by the Associate Parties will be 207,500,000 or 47.09% of the expanded issued capital of the Company.
- If the Associated Parties also exercised all its options it may receive pursuant to Resolution 1, then it would receive an additional 200,000,000 shares and will hold 63.61% of the expanded issued capital in the Company.
- 1.8 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone elses voting power in the company increases:
- a) from 20% or below to more than 20%; or
 - b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a section 611 (Item 7) meeting.

1.9 There are two other resolutions being put to the shareholders of Legend. We are not reporting on the merits or otherwise of these other resolutions. We note that a condition precedent for the conversion of the \$5 million loan from Yandal to a convertible note (refer paragraph 1.5 of this report) is the passing and consummation of all Resolutions contained in the Notice and the successful share placement of up to approximately 70 million shares to raise \$3.5 million, pursuant to Resolution 2.

1.10 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of Gidgee
- Future direction of Legend
- Basis of valuation of Legend and Gidgee shares
- Pro-forma financials
- Premium for control
- Fairness and reasonableness of the offer
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A

2. Summary of Opinion

2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolution 1, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Policy Statements 75 and 74. Policy Statement 75 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

Policy Statement 74 states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to section 611 (Item 7) of TCA, a report by an Independent Expert may be presented stating whether or not the proposal is fair and reasonable, having regard to the interest of shareholders other than the proposed allottees (in this case, the Associated Parties) and whether a premium for potential control is being paid by the allottees will be required.

Accordingly, our report relating to Resolution 1, is concerned firstly with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of Legend, and secondly whether the price payable for an interest by the Associated Parties includes a premium for control.

2.2 In our opinion:

The proposal as outlined in Resolution 1 that provides for the issue of shares and options to acquire Gidgee is considered on balance **not fair but reasonable** to the non-associated shareholders of Legend.

The proposal as outlined in Resolution 1 that provides for the issue of shares and options pursuant to the Convertible Note is considered on balance **not fair but reasonable** to the non-associated shareholders of Legend.

The opinions expressed above are to be read in conjunction with the more detailed analysis and comments made in this report.

Further, despite our opinion that the proposal as outlined is not fair to non-associated shareholders of Legend, which is determined with reference to technical-based valuations theory, we are of the opinion that the proposal is reasonable for the following reasons:

- The Associated Parties are injecting a significant sum of cash into the Company, being \$5 million under the Convertible Note and up to a further \$8 million if all the options are exercised. Hence, the Associated Parties may inject up to \$13 million into the Company, which currently has limited cash resources;
- The Company is acquiring an asset (i.e. Gidgee) that has been independently valued at \$3 million, for a nil cash outlay. Further, the acquisition may significantly enhance its gold mining operations;
- The Company may enhance its prospects in relation to raising \$4.2 million as contemplated by Resolution 2; and
- Should the transaction not proceed pursuant to Resolution 1, there may be a level of uncertainty in relation to the future financial strength of the Company, particularly in relation to the proposed capital raising of \$4.2 million as contemplated by Resolution 2.

3. Implications of the Proposals

- 3.1 As at 30 November 2004, there were 170,633,328 ordinary fully paid shares on issue in Legend. The five significant shareholders at that date held 13.55% of the issued capital and are as follows:

	No. of fully paid shares	% of issued fully paid shares
Yandal Investments Pty Ltd	7,500,000	4.40
Murray McDonald	5,525,001	3.24
John Kahlbezer	5,300,000	3.11
LJK Nominess Pty Ltd	2,500,000	1.46
Europa Investment Services Pty Ltd	2,280,000	1.34
Other investors	147,558,327	86.45
Total Shares on Issue	170,663,328	100

- 3.2 Assuming the proposal pursuant to Resolution 1 to acquire Gidgee is passed and consummated and 75,000,000 shares are issued to the Associated Parties as vendors, the new shareholding position of the Company would be:

	No. of fully paid shares	% of issued fully paid shares
Yandal Investments Pty Ltd	7,500,000	3.05
D Ryan	7,500	0.01
AGR Pty Ltd	74,992,500	30.53
Associated Parties	82,500,000	33.59
Murray McDonald	5,525,001	2.25
John Kahlbezer	5,300,000	2.16
LJK Nominess Pty Ltd	2,500,000	1.02
Europa Investment Services Pty Ltd	2,280,000	0.93
Other investors	147,528,327	60.06
Total Shares on Issue	245,633,328	100

The Associated Parties will increase their voting power from 4.4% to 33.59% of the expanded issued capital. The 75,000,000 shares to be issued to the Associated

Parties will be subject to the escrow provisions of the ASX, if any, and if no escrow is imposed a voluntary escrow of 12 months will apply.

- 3.3 Assuming the proposal pursuant to Resolution 1 to acquire Gidgee and Resolution 2 to allot and issue up to approximately 70 million shares are passed and consummated and assuming the Associated Parties have not subscribed for any new shares pursuant to this allocation, the new shareholding position of the Company would be:

	No. of fully paid shares	% of issued fully paid shares
Yandal Investments Pty Ltd	7,500,000	2.38
D Ryan	7,500	0.00
AGR Pty Ltd	74,992,500	23.76
Associated Parties	82,500,000	26.14
Murray McDonald	5,525,001	1.75
John Kahlbezer	5,300,000	1.68
LJK Nominess Pty Ltd	2,500,000	0.79
Europa Investment Services Pty Ltd	2,280,000	0.72
Other investors	217,528,327	68.92
Total Shares on Issue	315,633,328	100

The Associated Parties will increase their voting power from an initial 4.4% to 26.14% of the expanded issued capital of the Company.

- 3.4 If the Associated Parties converted the Convertible Note that has been issued pursuant to Resolution 1 they would be issued up to 125,000,000 ordinary shares in the Company (with one free attaching option for each share issued). The Company will not receive cash for the issue of these shares but will settle in full the loan owed to the Associated Parties of \$5 million. Assuming Resolutions 1 and 2 are passed and consummated and the shareholding has changed as depicted in part 3.3 of this report above, the Associated Parties will increase their voting power from an initial holding of 4.4% to 47.09% of the expanded issued capital of the Company.

This is depicted as follows:

	No. of fully paid shares	% of issued fully paid shares
Yandal Investments Pty Ltd	132,500,000	30.07
D Ryan	7,500	0.00
AGR Pty Ltd	74,992,500	17.02
Associated Parties	207,500,000	47.09
Murray McDonald	5,525,001	1.25
John Kahlbezer	5,300,000	1.20
LJK Nominess Pty Ltd	2,500,000	0.57
Europa Investment Services Pty Ltd	2,280,000	0.52
Other investors	217,528,327	49.37
Total Shares on Issue	440,633,328	100

- 3.5 As Resolution 1 provides the Associated Parties shall receive 75 million free unlisted options in addition to the 75 million shares for the acquisition of Gidgee, then the Associated Parties may exercise these options and increase their voting power in the Company. Assuming that Resolution 1 and 2 are passed and consummated and no additional shares have been issued and the Associated Parties exercise their 75 million options at 4 cents each they will be required to pay \$3 million to the Company and their voting power will increase from an initial 4.4% to 54.79% of the expanded issued capital of the Company.

- 3.6 If the Associated Parties convert the Convertible Note they will receive up to 125 million free unlisted options, exercisable at 4 cents each at any time up to and including 31 May 2009.

If the Associated Parties convert the Convertible Note and exercise its options then they will increase their voting power in the Company. Assuming all events have occurred as detailed in paragraph 3.5 above and the Associated Parties exercise their 125 million options at 4 cents each they will be required to pay \$5 million to the Company and their voting power will increase from an initial 4.4% to 63.61% of the issued expanded capital of the Company.

The expanded issued capital of the Company would then be represented as follows:

	No. of fully paid shares	% of issued fully paid shares
Yandal Investments Pty Ltd	257,500,000	39.13
D Ryan	15,000	0.00
AGR Pty Ltd	149,985,000	22.79
Associated Parties	407,500,000	63.61
Murray McDonald	5,525,001	0.86
John Kahlbezer	5,300,000	0.83
LJK Nominess Pty Ltd	2,500,000	0.39
Europa Investment Services Pty Ltd	2,280,000	0.36
Other investors	217,528,327	33.96
Total Shares on Issue	640,633,328	100

- 3.7 The consummation of Resolution 1 in relation to the acquisition of Gidgee does not require a cash outlay as it is proposed that the Company issue 75 million ordinary shares and 75 million options to the vendors. In exchange, the Company will acquire Gidgee, an incorporated company, and all its assets and liabilities at that time. Refer paragraph 7.5 of this report.
- 3.8 The Share Sale Agreement provides that upon the acquisition of Gidgee the Company will settle in full the loans owed by Gidgee to the Associated Parties. The unaudited balance sheet of Gidgee at 31 August 2004 reveals that Gidgee owed to the Associated Parties a total amount of \$235,905 (comprising loans to AGR of \$185,905 and Yandal of \$50,000).
- 3.9 At the time of this report the following options were on issue ("Existing Options"):

Number	Expiry Date	Exercise Date	Exercise Price
2,350,000 (unlisted)	30/05/06	Any time prior to expiry	22 cents
36,189,207 (listed)	30/04/05	Any time prior to expiry	15 cents
250,000 (employee)	30/07/07	Any time prior to expiry	20 cents
1,500,000 (directors)	30/07/07	Any time prior to expiry	30 cents

Given the share price of a Legend share is currently and has been for some time, trading at a significant discount to the respective exercise prices of the Existing Options, it may be unlikely that the Existing Options will be converted into shares in the near future. As such, for the purposes of this report we have assumed that none of the Existing Options will be converted and therefore the shareholding held by the Associated Parties in the Company will not be diluted. However, should any of the Existing Options be converted to shares then the shareholding held by the Associated Parties in the Company will be diluted.

- 3.10 During the term of the Convertible Note the Associated Parties have the right to appoint two directors to the Board of Legend along with three other existing directors. Further, if at any time an appointee resigns then the Associated Parties have the right to replace that appointee with another appointee.

As such, assuming Resolutions 1 and 2 are passed and consummated the Associated Parties would then hold up to 47.09% of the expanded issued capital of the Company (as detailed in paragraph 3.4 of this report) and have Board representation and voting power of 40%. Further, if the Associated Parties exercise all its options, issued pursuant to Resolution 1, it will pay the Company \$8 million for an additional 200,000,000 shares and hold 63.61% of the expanded issued capital of the Company as well as having Board representation and voting power of 40%.

- 3.11 Resolution 1 is subject to various conditions precedent, as described in paragraph 1.3 of this report and the Notice. In the event these conditions are not met, the Company will not acquire Gidgee and the loan payable to the Associated Parties of \$5 million will not be converted to a convertible note and remains payable under the terms of the Loan Agreement as follows:

- repayment of the loan within thirty days of the date of the Shareholders Meeting if the Resolution to approve the Convertible Note is not passed by the shareholders; or
- repayment of the loan within one hundred and twenty days after the date of the Shareholders Meeting if the additional fund raising of \$3.5 million (pursuant to Resolution 2) is not completed within ninety days of the date of the Shareholders Meeting.

- 3.12 Should all Resolutions contained in the Notice be approved by shareholders and the share placement pursuant to Resolution 2 be completed, then the loan of \$5 million from the Associated Parties will be converted to a convertible note. The terms of the Convertible Note are detailed in paragraph 1.5 as of this report.

4. Corporate History and Nature of Business of Gidgee Resources Ltd

- 4.1 Gidgee was incorporated in April 2003 and has operated as a mining exploration company to date. It currently holds a number of exploration and prospecting licences and applications for exploration licences and mining leases surrounding the existing Gidgee Gold Project ("Project") owned by Legend. We are advised by the Directors of the Company that the above licences and applications amount to an additional 2,000 square kilometres of tenements surrounding and overlapping with Legend's existing 600 square kilometres. Further details of Gidgee's tenement holdings are contained in the Notice.
- 4.2 A review of the current shareholding of Gidgee reveals that AGR, owned by the Associated Parties, currently holds almost the entire issued capital of Gidgee. As such, as vendor of Gidgee and pursuant to Resolution 1 it will receive 74,992,500 shares and 74,992,500 free attaching options. The only other shareholder of Gidgee is Mr Dermot Ryan and as a vendor of Gidgee he will receive 7,500 shares and 7,500 free attaching options in the Company if it acquires Gidgee.

A review of the unaudited balance sheet of Gidgee as at 31 August 2004, reveals that Gidgee has been principally funded by loans from the Associated Parties.

Financial details of Gidgee are noted elsewhere in this report.

5. Future Directions of Legend

- 5.1 We have been advised by the Directors and management of Legend that:

- Other than the acquisition of Gidgee, there are no proposals currently contemplated whereby Legend will acquire any property or assets from the Associated Parties or any other party associated with them (however Legend will issue 75 million shares and 75 million options and convert the loan of \$5 million to one convertible note for the same amount of \$5 million). Further,

there are no proposals to transfer any of the Company's property or assets to the Associated Parties or any other party associated with them;

- The composition of the Board will change as detailed in paragraph 3.10 of this report;
- The Company understands the conversion of the loan of \$5 million to a Convertible Note is intended to occur immediately after shareholder approval has been obtained or within 90 days of shareholder approval;
- The Company will raise \$4.2 million by way of issue of 70,000,000 shares at 6 cents each, as contemplated by Resolution 2;
- There is no intention to change the dividend or financial policy or employment arrangements or business direction of the Company; and
- The Associated Parties do not have any present intention to inject further funds into the Company other than the potential payment of up to \$8 million upon the exercise of the options to be issued to the Associated Parties pursuant to Resolution 1.

The Directors of the Company advise that, assuming Gidgee is acquired, that in order to secure the long term future of the Company it will scale back mining and production in the short term and focus on major exploration and resource extension drilling programmes, with the objective of adding significantly to the Project's mineral resource and ore reserve base. Further, a new general manager, Mr Andrew Law, has been appointed to the Company to oversee and manage that process.

We note that the Mr Mark Creasy, being the Associated Parties, will be in a position to provide indirect input into the Company via his two board member nominees. The Associated parties have the right to appoint these two nominees during the two-year term of the Convertible Note.

Pursuant to the terms of the Convertible Note, the Company cannot undertake any future capital raisings unless the Associated Parties (i.e. as the Convertible Note holder) has the right to participate in any future capital raisings by the Company in proportion to its shareholding on a fully diluted basis. The Convertible Note holder will have a first right of refusal to underwrite or sub-underwrite any future capital raisings during the period of the Convertible Note in proportion to its shareholding in the Company at the time of the issue.

Further, included in the terms of the Convertible Note Agreement is a requirement that during the term of the Convertible Note, Legend cannot surrender any tenement or withdraw any application for any tenement without the prior written consent of Yandal, which cannot be unreasonably withheld.

6. Basis of Valuation of Legend Shares

6.1 Shares

6.1.1 In considering the proposal outlined in Resolution 1, we have sought to determine if the value of the 75,000,000 ordinary shares and 75,000,000 options in the Company to be issued to the Associated Parties as vendors of Gidgee, is fair and reasonable to the existing non-associated shareholders of Legend.

6.1.2 The share and option offer pursuant to Resolution 1 would be fair to the existing non-associated shareholders if the value of the shares and options issued by the Company was less than the value of the Gidgee shares being acquired. Accordingly, we have sought to determine a theoretical value that

could reasonably be placed on Legend shares and options for the purposes of this report.

6.1.3 The valuation methodologies we have considered in determining a theoretical value of a Legend share are:

- Capitalisation of maintainable earnings and discounted cash flow
- Takeover bid - the price at which an alternative acquirer might be willing to offer to acquire Legend
- Adjusted net asset backing and windup value
- The weighted average market price of Legend shares

6.2 Capitalisation of maintainable earnings and discounted cash flows

6.2.1 Due to Legend's reported strategy to scale back mining operations and expand its exploration and development programme, there is a level of uncertainty in relation to future maintainable earnings and cash flows. Therefore, we have considered these methods of valuation not to be relevant for the purpose of this report.

6.3 Takeover Bid

6.3.1 It is possible that a potential bidder for Legend could purchase all or part of the existing shares, however, no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place.

6.4 Net Asset Backing and Wind Up Value

As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report.

6.4.1 Net Asset Backing

We set out below an audit reviewed Statement of Financial Position of Legend as at 30 June 2004.

	Legend Audit Review 30 June 2004 \$'000
Current Assets	
Cash assets	4,489
Receivables	2,895
Inventories	140
Other	753
	8,277
Non Current Assets	
Mining Tenements	7,829
Property, Plant & Equipment	2,282
Other	38
	10,149
Total Assets	18,426
Current Liabilities	
Payables	5,322
Loans	1,237
Provisions	107
	6,666

Non-Current Liabilities

Provisions	2,082
	<u>2,082</u>

Total Liabilities 8,748

Net Assets 9,678

Equity

Contributed equity	16,511
Reserves	362
Accumulated losses	<u>(7,195)</u>
Net Equity	<u>9,678</u>

6.4.2 Based on the above book values and total number of shares on issue of 148,633,328 at 30 June 2004, the value of a share may be considered 6.5 cents per share (ignoring the value, if any, of non-booked tax benefits).

6.4.3 Legend has lodged its ASX Appendix 5B Mining Exploration Entity Quarterly Report for the quarter ended 30 September 2004. We note that the cash resources of the Company have been reduced by approximately \$3.2 million and the cash on hand at the end of the quarter is \$1.25 million. We have been advised by the Directors of Legend that these cash flows comprise the following:

- Net loss for the quarter charged to the Statement of Financial Performance - \$3.7 million;
- Capitalised mining costs - \$1 million; and
- Capital raising receipts - \$1.5 million.

Based on the adjusted book values as above for the quarter ended 30 September 2004 and the total number of shares on issue of 170,633,328, the value of a share may be considered 4.4 cents per share (ignoring the value, if any, of non-booked tax benefits).

6.4.4 Legend currently holds a number of exploration and prospecting and mining licences, which are listed in the Company's annual report for the year ended 31 December 2003. The Company has capitalised its mining expenditure in relation to its exploration, evaluation and development costs and this is recoded in the above Statement of Financial Position as \$7.829 million. These costs represent the largest asset of the Company and it has not been subject to an independent valuation. As such, the actual value of this asset may be higher or lower than the reported cost amount above.

6.5 Weighted Average Market Price of Legend fully paid shares

We note that the 52 week high Company share price is 25 cents and the 52 week low share price is 4.6 cents and has never traded below the adjusted book value of 4.4 cents. As such, we consider for the purposes of this report that given the Company's mining tenements are not recorded at valuation but reported at cost, the value of a company share may be more accurately reflected by its trading price than its book value.

6.5.1 We set out below a summary of the fully paid share prices of Legend since 1 October 2003 to 31 October 2004.

2004	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
October 2004	9.00	7.60	7.70	12,819
September 2004	10.5	8.10	8.50	27,115
August 2004	13.0	9.90	9.90	12,589

2004	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
July 2004	15.5	13.0	13.9	16,447
June 2004	14.5	12.5	13.0	17,008
May 2004	15.0	12.0	14.0	15,854
April 2004	19.5	14.0	15.0	48,786
March 2004	25.0	12.5	21.5	206,368
February 2004	14.5	12.5	13.0	28,158
January 2004	16.5	12.5	12.5	35,743
2003				
December 2003	18.0	8.21	13.5	49,819
November 2003	9.70	6.20	9.00	4,453
October 2003	7.00	4.20	6.00	3,795

- 6.5.2 The above share price indicates a downward trend from a high of 25 cents in March 2004, to a low of 7.6 cents in October 2004. We are advised by management that the Company made several announcements that may have caused the share price to rise to a high of 25 cents in March 2004 from a close price of 13 cents in February 2004. Further, we are advised that the share price rise in late 2003 is likely to have resulted from the acquisition of the Gidgee Gold Project. Management also advises that it is not aware of any specific reasons for the general downward trend from April 2004 to date and therefore may be considered attributable to the vagaries of the share market.

We note that prior to the announcement of the acquisition of Gidgee on 13 September 2004, the average share price for the previous five days was approximately 8.5 cents and after the announcement the share price increased to around 10 cents and then settled to around 7 to 8 cents per share. Further, we note that when the Company announced to the market the revised terms of the acquisition of Gidgee on 29 October 2004, the share price readjusted to around 4.6 cents on 3 November 2004. This adjustment would appear to reflect the market reacting to the new terms of the acquisition, particularly the issue of shares to the Associated Parties at the new lower price of 4 cents per share (reduced from a issue price of 7 cents per share) and the proposed capital raising of \$4.2 million at a price of 6 cents per share.

During November 2004 the share price of a Company share has been generally trading around in the range of 5 cents to 6 cents, but closed at 7.7 cents on 17 November 2004.

- 6.5.3 The future value of a Legend share will depend upon, inter alia:

- the future prospects of its current and future projects
- the future commodity price of gold
- the state of Australian and overseas stock markets
- who controls the Board
- general economic conditions
- exchange rates
- liquidity of shares in Legend

After taking into account the above factors, in our opinion the value of Legend share for the purposes of this report is considered to be its current average trading price over the last 5 days (12 November 2004 to 18 November 2004) of 7.4 cents per share.

7. Basis of Valuation of Gidgee Shares

7.1 Shares

7.1.1 In considering the proposals outlined in Resolution 1, we have sought to determine the value of Gidgee as it is proposed that the Company will acquire the entire issued capital of Gidgee for the issue of 75,000,000 ordinary shares and 75,000,000 free attaching options in the Company to the Associated Parties.

7.1.2 The valuation methodologies we have considered in determining a theoretical value of a Gidgee share are:

- Capitalisation of maintainable earnings and discounted cash flow
- Takeover bid - the price at which an alternative acquirer might be willing to offer to acquire Gidgee
- Adjusted net asset backing and windup value
- The weighted average market price of Gidgee shares.

7.2 Capitalisation of maintainable earnings and discounted cash flows

7.2.1 Due to Gidgee's exploration operations and a lack of profit history arising from business undertakings we have considered these methods of valuation not to be relevant for the purpose of this report.

7.3 Takeover Bid

7.3.1 It is possible that a potential bidder for Gidgee could purchase all or part of the existing shares, however, no certainty can be attached to this occurrence. To our knowledge, there are alternative bids in the market place. As noted in Resolution 1, Legend intends to acquire the entire issued capital of Gidgee.

7.4 Net Asset Backing and Wind Up Value

7.4.1 As there is no intention to wind up the company, we have not considered wind up values for the purposes of this report.

7.5 Adjusted Net Asset Backing

7.5.1 We set out below an unaudited Statement of Financial Position of Gidgee as at 31 August 2004 and a pro-forma Statement of Financial Position. The pro-forma Statement of Financial Position includes an independent technical valuation of the mining interests of Gidgee.

	Unaudited 31 August 2004 \$	Pro-forma 31 August 2004 \$
Current Assets		
Cash assets	42,337	42,337
Other	7,864	7,864

	50,201	50,201
Non Current Assets		
Mining Tenements	144,527	3,200,000
Other	2,125	2,125
	<u>146,652</u>	<u>3,202,326</u>
Total Assets	<u>196,853</u>	<u>3,252,326</u>
Current Liabilities		
Loan-Yandal Invest Pty Ltd	50,000	50,000
Loan-AGR	185,906	185,906
	<u>235,906</u>	<u>235,906</u>
Total Liabilities	<u>235,906</u>	<u>235,906</u>
Net Assets	<u>(39,053)</u>	<u>3,016,420</u>
Equity		
Contributed equity	1,700	1,700
Asset Revaluation Reserve	-	3,055,473
Accumulated losses	(40,753)	(40,753)
Net Equity	<u>(39,053)</u>	<u>3,016,420</u>

7.5.2 Based on the above unaudited book values, the value of a share may be considered nil as there is a deficiency of assets over liabilities, albeit the loans are in fact owed to the Associated Parties (ignoring the value, if any, of non-booked tax benefits).

7.5.3 Gidgee currently holds a number of exploration and prospecting licences and applications for exploration licences and mining leases. The value of these assets in the Statement of Financial Position above is recorded as \$144,527, which represents the cost incurred by Gidgee whilst exploring these mining tenements. This amount does not necessarily reflect the value of these tenements and we have relied on an expert independent mining valuer to provide a valuation of Gidgee's tenements.

This independent valuation of the Gidgee mineral assets has been prepared by Mr Allen J. Maynard, Principal of Al Maynard & Associates ("AM&A") who is a qualified geologist, a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and a Member of the Australian Institute of Geoscientists ("AIG"). He has had 25 years experience in mineral exploration and evaluation and more than 20 years experience in mineral asset valuation. It has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the Valmin Code), which is binding upon Members of AusIMM.

Mr Maynard completed a valuation of the Gidgee mining tenements on 8 November 2004 and his conclusion is as follows:

"The current cash value of 100% of the Gidgee tenement holding of Gidgee Resources Ltd is considered to be AUD\$3.2 million from within a range of AUD\$2.9 million to AUD\$3.5 million".

For the purposes of this report we have relied upon this valuation and have used this valuation to prepare the pro-forma Statement of Financial Position of Gidgee and accepted the valuation of \$3.2 million for the mineral assets of Gidgee.

As we have relied entirely upon this valuation to value Gidgee and to conclude on the fairness of Resolution 1, we disclaim any responsibility should this valuation be incorrect.

7.5.4 After taking into account the above factors, the technical value of the issued capital of Gidgee that is being acquired by the Company is deemed to be in the range of \$2.7 million to \$3.3 million. For the purposes of this report, we have valued the issued capital of Gidgee at approximately \$3 million, which is reflected in the pro-forma unaudited Statement of Financial Position in paragraph 7.5.1 of this report.

7.6 Weighted Average Market Price of Gidgee fully paid shares

7.6.1 Gidgee is not listed on the official quotation of the ASX Ltd and the management of Gidgee advises us that there has been no private trading of Gidgee shares.

7.7 After taking into account the above factors, in our opinion the value of the Gidgee shares being acquired by the Company and for the purposes of this report, is considered to be its adjusted technical valuation of \$3 million.

8. Pro-forma Statement of Financial Position of Legend

We set out below the adjusted audit reviewed Statement of Financial Position of Legend as at 30 June 2004 and a pro-forma Statement of Financial Position. The pro-forma Consolidated Statement of Financial Position includes the acquisition of Gidgee as contemplated by Resolution 1 (and consolidates the unaudited adjusted pro-forma Statement of Financial Position of Gidgee as detailed in paragraph 7.5.1 of this report). Further, included in this pro-forma is the issue of 75 million shares at a deemed issue price of 7.4 cents each less a 20% discount (as they are required to be held in escrow for twelve months).

Other assumptions included in the pro-forma Consolidated Statement of Financial Position are as follows:

- As the acquisition of Gidgee is conditional upon the raising of \$4.2 million by way of a placement of 70 million shares at 6 cents each, pursuant to Resolution 2, we have assumed this condition has been met.
- The Loan of \$5 million from the Associated Parties to Legend is converted to a convertible note pursuant to Resolution 1 and \$4.76 million of this loan amount is used for working capital and \$235,906 is used to pay the existing loans owed to the Associated Parties;
- The estimated cost of consummating Resolution 1 is \$200,000 and has been capitalised as a mining asset of the Company;
- The estimated cost of consummating Resolution 2 to raise \$4.2 million is \$250,000 and has been charged to equity as a cost of raising capital;
- The \$3 million which may be raised pursuant to the Share Purchase Plan has not been included; and
- Legend has lodged its ASX Appendix 5B Mining Exploration Entity Quarterly Report for the quarter ended 30 September 2004. We note that the cash resources of the Company have been reduced by approximately \$3.2 million and the cash on hand at the end of the quarter is \$1.25 million. We have been advised by the Directors of Legend that these cash flows are as follows:
 - Net loss for the quarter charged to the Statement of Financial Performance - \$3.7 million;
 - Capitalised mining costs - \$1 million; and
 - Capital raising receipts - \$1.5 million.

The above adjustments have been incorporated into the "Adjusted" Consolidated Statement of Financial Position below as follows:

- The Net Loss of \$3.7 million has been posted to Accumulated Losses;
- Capitalised Mining Costs \$1 million has been posted to Mining Tenements; and
- Capital raising receipts of \$1.5 million has been posted to Contributed Equity.

	Audit Reviewed	Adjusted	Pro-forma
	30 June 2004	30 June 2004	30 June 2004
	\$'000	\$'000	\$'000
Current Assets			
Cash assets	4,489	1,289	5,081
Receivables	2,895	2,895	2,895
Inventories	140	140	140
Other	753	753	761
	<u>8,277</u>	<u>5,077</u>	<u>8,877</u>
Non Current Assets			
Mining Tenements	7,829	8,829	13,665
Property, Plant & Equipment	2,282	2,282	2,282
Other	38	38	40
	<u>10,149</u>	<u>11,149</u>	<u>15,987</u>
Total Assets	<u>18,426</u>	<u>16,226</u>	<u>24,864</u>
Current Liabilities			
Payables	5,322	5,322	558
Interest Bearing Liabilities	1,237	1,237	1,237
Provisions	107	107	107
	<u>6,666</u>	<u>6,666</u>	<u>1,902</u>
Non-Current Liabilities			
Interest Bearing Liabilities	-	-	5,000
Provisions	2,082	2,082	2,082
Total Liabilities	<u>8,748</u>	<u>8,748</u>	<u>8,984</u>
Net Assets	<u>9,678</u>	<u>7,478</u>	<u>15,880</u>
Equity			
Contributed equity	16,511	18,011	26,413
Reserves	362	362	362
Accumulated losses	(7,195)	(10,895)	(10,895)
Net Equity	<u>9,678</u>	<u>7,478</u>	<u>15,880</u>

8.1 Based on the above book values of the Statement of Financial Position of Legend at 30 June 2004 adjusted for cash flows for the quarter ended 30 September 2004, and the total number of shares on issue of 170,633,328, the value of a share may be considered 4.4 cents per share (ignoring the value, if any, of non-booked tax benefits).

8.2 Based on the above book values of the pro-forma Consolidated Statement of Financial Position of Legend that incorporates the assumptions above and the total number of shares on issue of 315,633,328, the value of a share may be considered 5.03 cents per share (ignoring the value, if any, of non-booked tax benefits).

8.3 International Financial Reporting Standards

The Financial Reporting Council has announced that Australia will adopt International Financial Reporting Standards ("IFRS") as the reporting and accounting framework from 1 January 2005.

The first year that IFRS will apply to Legend is for the year ended 30 June 2006.

All financial information prepared in this report has been prepared in accordance with generally accepted accounting principals in Australia (Australian GAAP).

The difference between Australian GAAP and IFRS identified by management to date as potentially having an impact on the financial position of Legend is summarised below.

The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

- *Share based payments:* the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the Statement of Financial Performance;
- *Income taxes:* the Company will be required to use a balance sheet approach, rather than an income statement approach. This method focuses on the tax effects of transactions or other events that affect amounts recognised in the Statement of Financial Position;
- *Exploration Expenditure:* currently an accounting standard has yet to be issued which deals with the treatment of exploration and evaluation expenditure under IFRS; and
- *Plant and Equipment:* The recoverable amount of plant and equipment in terms of AASB 136: Impairment of Assets will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the Australian GAAP requirement.

9 Premium for Control

9.1 Premium for control for the purposes of this report has been defined as the difference between the price per share which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share which does not carry with it control, or the ability to improve control of the Company.

9.2 Currently, the Associated Parties hold 4.40% of the shares in the Company.

9.3 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, the Associated Parties will own approximately 26.14% of the expanded fully paid issued capital of Legend if the 75,000,000 Legend shares were issued as allowed for pursuant to Resolution 1 and Resolution 2 is passed and consummated (refer paragraph 3.2 of this report). Accordingly, we have addressed whether a premium for control will be paid.

9.4 The market value of the Legend shares proposed to be issued to the Associated Parties pursuant to Resolution 1 and discounted for the twelve months they are held in escrow, is deemed to be theoretically worth approximately 5.93 cents. Thus, it is argued that the Associated Parties are not paying a premium for control, as they are receiving 75,000,000 shares in Legend with a theoretical value of \$4.45 million (based on 5.93 cents per share), for a deemed consideration of \$3 million (i.e. value of Gidgee).

9.5 Board control has changed (refer paragraph 3.5) and the Associated Parties have two representatives of the five member positions of the Board. This indicates the Associated Parties do not have control of the Board.

10 Fairness of the Offer

Acquisition of Gidgee

10.1 The proposal for the issue of 75,000,000 ordinary shares and 75,000,000 free attaching options in the Company to the Associated Parties pursuant to Resolution 1 is believed to be fair to Legend non-associated shareholders if the value of the consideration paid by Legend (being the 75,000,000 shares and 75,000,000 options in Legend) is equal to or less than the value of the issued capital in Gidgee that is being acquired.

10.2 We have assessed the technical value of the issued capital of Gidgee that will be acquired by the Company pursuant to Resolution 1 as \$3.016 million. Details of this valuation are contained in paragraph 7.5.1 of this report. As the Associated Parties are deemed for the purposes of this report to be the vendor of Gidgee they will receive 75,000,000 ordinary shares and 75,000,000 options in the Company.

10.3 Based on our assessment of the market price of a Legend share of 7.42 cents (refer paragraph 6.6.4 of this report) we consider the value of the 75,000,000 ordinary shares to be issued to the Associated Parties to acquire Gidgee to be worth approximately \$5.56 million. To determine the adjusted market price of a Legend share we have considered that the Share Sale Agreement requires the Associated Parties to hold the 75,000,000 ordinary shares in escrow for a period of twelve months from the date of settlement of the sale of Gidgee. In our opinion, as these shares cannot be sold for twelve months they do not have the same value as the market value we have ascribed to these shares in this report. As such, to reflect the twelve month period of escrow we ascribed a reduction to the value of the 75,000,000 shares issued to the Associated Parties and in our opinion the value of these shares is approximately \$4.45 million.

10.4 The Associated Parties will receive in addition to the 75,000,000 shares in the Company for the acquisition of Gidgee, up to 75,000,000 free unlisted options, exercisable at 4 cents each on or before 31 May 2009. We have valued these options at 15 November 2004, utilising the Black Scholes pricing method and included the following assumptions:

- Expiry date is 31 May 2009;
- Exercise price is 4 cents each;
- Price per share is 7.8 cents each;
- Volatility factor is 90.4 based on the Company share price over 100 days (as per Bloomberg);
- Risk free rate of 5.39%;
- Discount of 30% to recognise the options are non-transferable and are not listed on a recognised stock exchange; and
- Valuation period is from the date on Notice.

Based on the above, the 75,000,000 options to be issued to the Associated Parties are valued at approximately \$3.27 million. Albeit, if the Associated Parties did exercise these 75,000,000 options it would be required to pay the Company 4 cents for each share issued and the total amount payable would be \$3 million. Further, the above calculation is a technical calculation and does not consider the likelihood or otherwise of such a large volume of shares being traded on the market by the Associated Parties to realise any gains from exercising these options.

10.5 Based on the above calculations, the technical valuation of the 75,000,000 shares and 75,000,000 options to be issued to the Associated Parties to acquire Gidgee, is approximately \$7.72 million and the technical valuation of Gidgee is approximately \$3 million.

10.6 Based on the above facts, we are of the opinion that the potential issue of 75,000,000 shares and 75,000,000 options to the Associated Parties to acquire Gidgee (pursuant to Resolution 1) by Legend is, technically, considered not fair.

Convertible Note

10.7 Resolution 1 contemplates the issue of a Convertible Note to the Associated Parties and the conversion terms include the issue of up to 125,000,000 Legend shares at a deemed price of 4 cents per share to fully satisfy the loan made by the Associated Parties of \$5 million. Further, if the Convertible Note is converted the Company will be required to issue up to 125,000,000 free unlisted options, exercisable at 4 cents each on or before 31 May 2009.

The conversion terms of the Convertible Note issued pursuant to Resolution 1, are believed to be fair to non-associated shareholders of Legend if the value of the consideration paid by the Convertible Note holder (being the loan amount of \$5 million as above) is equal to or more than the value of the 125,000,000 shares and 125,000,000 options that may be issued by the Company upon conversion.

10.8 The Convertible Note will mature within two years from date of issue. If the Convertible Note is not converted to shares within this period, Legend will be required to pay the Associated Parties \$5 million and any unpaid capitalised interest. If the Associated Parties convert the Convertible Note they will receive up to 125,000,000 shares and

125,000,000 options in the Company. Given that the conversion may occur from the date of issue of the Convertible Note to within two years we cannot determine the market value of a Legend share in the future. As such, we have considered the range of the share price of a Legend share traded on the ASX and note the 52 week low is 4.6 cents (3 November 2004) and 52 week high is 25 cents (22 March 2004) and the closing share price on 15 November 2004 is 7.8 cents. Based on the fact the share price of a Company share has not traded below the conversion price of the Convertible Note or the exercise price of the options of 4 cents per share in the last 52 weeks, it may be considered the issue of the 125,000,000 shares and 125,000,000 options may technically provide the Associated Parties with terms that are considered not fair to non-associated shareholders. It is recognised that the Associated Parties would be required to pay \$5 million to the Company for the issue of 125,000,000 shares pursuant to the exercise of 125,000,000 options and arguably the volume of trade in Legend shares may mean the gain to the Associated Parties on selling these shares cannot be realised immediately.

Further, we note the terms of the conversion of the Convertible Note are based on a conversion price of 4 cents per share and not the current market price at the time of conversion. As such, it may be reasonable to assume that the Associated Parties may only convert the Convertible Note to shares if the share price of a Legend share is favourable and a gain can be realised, instead of the market price. Therefore, should the Associated Parties convert the Convertible Note it is reasonable to assume the Company will be required to issue shares to the Associated Parties below the market price and if the conversion does not occur then the Company will be required to pay interest during the term of the loan on \$5 million and repay the loan at the end of the two year term. As the conversion price is not based on the market price then this may be considered not fair to the non-associated shareholders. This ignores the possibility that the share price of a Legend share may fall below the conversion price of 4 cents (which has not done so in the last 52 weeks).

By way of example, if the Associated Parties converted the Convertible Note and exercised all options at the market price of 7.8 cents for a Legend share (as at 15 November 2004) the Associated Parties would be required to pay the Company \$5 million cash for the issue of 125,000,000 shares from exercising its options and would receive 125,000,000 shares to fully satisfy the loan of \$5 million. In essence, the cost of acquiring the 250,000,000 shares to the Associated Parties is \$10 million. In return, the Associated Parties would receive 250,000,000 shares in the Company at a current market price of 7.8 cents worth a total market value of \$19.5 million (again ignoring the likelihood of the Associated Parties selling this large volume of shares on the market).

Based on the above facts, we are of the opinion that the terms of the Convertible Note to be issued to the Associated Parties that may potentially issue up to 125,000,000 shares and 125,000,000 options to the Associated Parties (pursuant to Resolution 1) by Legend is, technically, considered not fair to the non-associated shareholders of Legend.

11. Reasonableness of the Offer

11.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposals pursuant to Resolution 1.

Advantages

11.2 The Company will acquire an additional 2,000 square kilometres of mining tenements that will compliment its existing tenement holdings in the region. This includes the Company gaining control of most of the gold belt known as the Gum Creek Greenstone Belt, which we are advised by the Directors of the Company has previously produced gold of approximately 1.5 million ounces. The acquisition of these mining tenements is deemed to provide the Company with greater opportunity to develop into a major gold mining company. Further, this acquisition is deemed to compliment the existing mining operations of the Company and may provide certain synergies and cost savings as it operates within the same region and same mining activities.

11.3 Should Resolution 1 be passed and consummated the Company will acquire Gidgee and its mining interests, valued by an independent expert at \$3 million, for the issue of

75,000,000 Legend shares and 75,000,000 options, which does not require a cash outlay. The Company lodged its Appendix 5B Mining Exploration Entity Quarterly Report (quarter ended 30 September 2004), which reveals the Company has decreased its cash resources in the quarter by \$3.2 million and has \$1.258 million cash available at 30 September 2004. As such, if the Company was required to pay cash for the acquisition of Gidgee at its valuation of \$3 million, it would be required to raise debt and/or equity finance. Therefore, the Company has acquired an asset and has not had to undertake a placement of shares and incur significant capital raising costs or commit to loan finance that would include interest costs and regular principal repayments. Further, should the Company have been required to undertake a share placement to acquire Gidgee there is no certainty it would raise the funds required.

11.4 As noted in this report, if shareholder approval is obtained for all Resolutions and the share placement pursuant to Resolution 2 is completed, the loan of \$5 million from the Associated Parties will convert into a convertible note. However, in the event these conditions are not met, the Company will not acquire Gidgee and the loan payable to the Associated Parties of \$5 million will not be converted to a convertible note and remains payable under the terms of the Loan Agreement as follows:

- repayment of the loan thirty days after the date of the Shareholders Meeting and the Resolution to approve the Convertible Note is not passed by the shareholders; or
- repayment of the loan one hundred and twenty days after the date of the Shareholders Meeting if the additional fund raising of \$3.5 million (pursuant to Resolution 2) is not completed within ninety days of the date of the Shareholders Meeting.

As such, the Company has the opportunity to raise \$5 million to fund its working capital commitments and retire debt. If the Company was required to raise this amount through a share placement it may incur significant capital raising costs and there is no certainty that this amount could be raised.

11.5 It may be reasonable to conclude the prospects of a successful share placement pursuant to Resolution 2 to raise \$4.2 million may be enhanced if Gidgee is acquired and the \$5 million loan from the Associated Parties is injected into the Company. Should the share placement be successful and \$4.2 million is raised (gross before costs), the Company will increase its cash resources available to fund its mining and exploration activities, which may significantly increase its ability to generate future profits and increase the share price of a Legend share.

11.6 In accordance with the terms of the Convertible Note Agreement, the Associated Parties can elect two representatives to be appointed Directors of the Company and represent Mr Mark Creasy. The Directors of the Company expect that Mr Mark Creasy and his appointed directors will provide valuable expertise to assist in the operations of the Company, which may have a positive influence on the ability of the Company to generate future profits and increase the future share price of a Legend share.

11.7 The net asset backing of the Company is marginally improved from 4.4 cents to 5 cents per share if Resolution 1 and 2 are passed and consummated.

11.8 To extinguish the Convertible Note of \$5 million at the end of the two year term would require the Company to pay a significant cash payment. The Management of Legend have advised that it is unlikely the Company will have \$5 million surplus cash resources to repay this loan as the Company intends to focus on an aggressive exploration program in the short term. As such, the Company may be required to raise further debt or equity funding should it be required to repay this loan. The conversion as allowed for by Resolution 1 may be considered less expensive (brokers fees alone may be up to 5% of funds raised) and a less time consuming option than traditional fund raising. Further, should a large capital raising be required, it may have to be at a discount to the market rate and there is no guarantee that the Company can raise the required amount. Also, given the inherent exploration activities of the Company any large cash payments would likely impact the Company's working capital and may necessitate additional fund raising to ensure the Company can continue its normal business activities.

- 11.9 Should Resolutions 1 and 2 not be passed and consummated we believe there may be a level of uncertainty in relation to the future financial position of the Company. The issue of the Convertible Note of \$5 million and the potential to raise \$8 million from the Associated Parties if they exercise all of their options will enhance the financial position of the Company and arguably remove some uncertainty.

Disadvantages

- 11.10 The Associated Parties would increase its voting power in the Company from 4.4% to 26.14% of the expanded issued capital of the Company if the Company acquires Gidgee for 75,000,000 shares (and 75,000,000 options) and the share placement of up to 87.5 million shares is successful, pursuant to Resolution 1 and 2. Further, the terms of the Convertible Note provides for the Associated Parties to appoint two representatives to the five-member board of Legend and effectively the Associated Parties will have 40% of the voting capacity of the Board.

Also, should the Associated Parties convert the Convertible Note and no other shares are issued to other shareholders then the Associated Parties will increase its voting power from 26.14% to 47.09% of the expanded issued capital of the Company and have 40% of the voting capacity of the Board through its Board representatives. However, if the Convertible Note is converted the Company will have effectively repaid its loan of \$5 million to the Associated parties, without any cash outlay.

The above terms will arguably transfer effective control of the Company to the Associated Parties, whom would have the ability to influence future decisions that may be for its own purposes. However, we note that the Associated Parties will not obtain absolute control of the Company and presumably all shareholders will benefit from decisions that are intended to increase share prices or generate future profits.

12. Conclusion as to Reasonableness

After taking into account the matters referred above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 1 may, on balance, be considered reasonable to the non-associated shareholders of Legend.

13. Sources of Information

- 13.1 In making our assessment as to whether the proposal is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of Legend about the present and future operations of Legend. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Legend.

- 13.2 Information we have received includes, but is not limited to:

- Draft Notice of General Meeting of Shareholders of Legend and draft Explanatory Statement prepared to 19 November 2004;
- Discussions with management and directors of Legend;
- Details of historical market trading of Legend ordinary fully paid shares recorded by the ASX to 19 November 2004;
- Management accounts of Gidgee as at 31 August 2004;
- Annual report for Legend as at 31 December 2003;
- Half-year financial report for Legend as at 30 June 2004;
- Announcements made by Legend to the ASX to 19 November 2004;
- Legend prospectus dated 27 November 2003;
- Legend internet website; and
- Convertible Note Agreement, Share Sale Agreement, Loan Agreement, Mining Act Mortgage and Fixed and Floating Charge documents.

13.3 Our report includes Appendix A attached to this report.

Yours faithfully

HALL CHADWICK CORPORATE FINANCE (WA) PTY LTD



MAURICE L ANGHE
DIRECTOR

APPENDIX A**AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Hall Chadwick Corporate Finance (WA) Pty Ltd dated 3 November 2004, relating to Resolution 1 outlined in the Notice of Meeting of Shareholders of Legend.

At the date of this report, Hall Chadwick Corporate Finance (WA) Pty Ltd does not have any interest in the outcome of the proposal. There are no relationships with Legend other than acting as an independent expert for the purposes of this report. There are no existing relationships between Hall Chadwick Corporate Finance (WA) Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$12,000. The fee is payable regardless of the outcome. With the exception of the fee, neither, Hall Chadwick Corporate Finance (WA) Pty Ltd or Maurice Anghie have received, nor will or may they receive, any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Hall Chadwick Corporate Finance (WA) Pty Ltd does not hold any securities in Legend or Gidgee. There are no pecuniary or other interests of Hall Chadwick Corporate Finance (WA) Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Hall Chadwick Corporate Finance (WA) Pty Ltd and Mr M Anghie have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Hall Chadwick Corporate Finance (WA) Pty Ltd is the holder of an Investment Advisers Licence under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions. A number of the partners of Hall Chadwick are the Directors' of Hall Chadwick Corporate Finance (WA) Pty Ltd. Hall Chadwick and Hall Chadwick Corporate Finance (WA) Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr Maurice Anghie, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluations leading to the formulation of opinions contained in this report have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Legend in order to assist the shareholders of Legend to assess the merits of the proposals (Resolution 1 only) to which this report relates. This report has been prepared for the benefit of Legend and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act and does not provide a general expression of Hall Chadwick Corporate Finance (WA) Pty Ltd's opinion as to the longer term value of Legend. Hall Chadwick Corporate Finance (WA) Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Legend. Neither the whole or any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Hall Chadwick Corporate Finance (WA) Pty Ltd to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Hall Chadwick Corporate Finance (WA) Pty Ltd with care and diligence. However, except for those responsibilities that by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Hall Chadwick Corporate Finance (WA) Pty Ltd, Hall Chadwick, its partners, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Hall Chadwick Corporate Finance (WA) Pty Ltd may rely on information provided by Legend and its officers (save whether it would not be reasonable to rely on the information having regard to Hall Chadwick Corporate Finance (WA) Pty Ltd experience and qualifications), Legend has agreed:

- a) To make no claim by it or its officers against Hall Chadwick Corporate Finance (WA) Pty Ltd to recover any loss or damage which Legend may suffer as a result of reasonable reliance by Hall Chadwick Corporate Finance (WA) Pty Ltd on the information provided by Legend; and
- (b) To indemnify Hall Chadwick Corporate Finance (WA) Pty Ltd against any claim arising (wholly or in part) from Legend or any of its officers providing Hall Chadwick Corporate Finance (WA) Pty Ltd any false or misleading information or in the failure of Legend or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Hall Chadwick Corporate Finance (WA) Pty Ltd.

A draft of this report was presented to Legend directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

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Australian & International Exploration & Evaluation of Mineral Properties

The Directors
Legend Mining Ltd
Level 4, 50 Colin Street
WEST PERTH WA 6005

8th November, 2004

Dear Sirs,

RE: INDEPENDENT GEOLOGIST'S APPRAISAL AND VALUATION OF
THE GIDGEE GOLD PROJECT – MURCHISON, WA

1.0 PREAMBLE

Legend Mining Ltd ("Legend") has entered into an agreement with Gidgee Gold Pty Ltd ("Gidgee Gold") to explore, progress and develop the mineral tenements abutting and surrounding the Gidgee Gold Mine operated by Legend. Refer to Figure 1.

The directors of Legend have engaged Hall Chadwick Corporate Pty Ltd ("HCC") to prepare an Independent Expert's Report ("the Report") in relation to the sale of certain of the company's mining tenements, as described more fully in HCC's report.

Al Maynard & Associates ("AMA") has been requested to provide this independent geologist's report and valuation to assist with the determination by HCC of whether or not the proposed transaction is "Fair and Reasonable".

This report and valuation estimate has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the Valmin Code) which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM"). It has been prepared by Allen J. Maynard, Principal of AMA who is a qualified geologist, a Corporate Member of the AusIMM and a Member of the Australian Institute of Geoscientists ("AIG"). He has had 25 years experience in mineral exploration and evaluation and more than 20 years experience in mineral asset valuation.

Neither the writer nor any of his associates or employees have any material interest either direct, indirect or contingent in Legend nor in any of the mineral assets included in this report nor in any other Legend asset nor has any such interest existed previously. No commercial relationship has existed between AMA and Legend prior to their appointment to prepare this Report and accompanying Valuation estimate other than to provide an independent review of various other mineral tenements from time to time – not including this “Gidgee ground”.

AMA has had no input into the formulation of the mineral tenements under review. Both the geological and valuation reports have been prepared by AMA strictly in the role of an independent consulting geologist.

Legend has warranted to AM that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by Legend has been specified as being confidential and not to be disclosed in our reports.

Fees for the preparation of these reports are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions of these documents.

A site visit was made to the project area in company with the senior geologists from Legend and Gidgee Gold for the purpose of this report. Information used in the preparation of this report has been derived from technical information provided by Legend, discussions with senior geotechnical personnel, Directors of Legend and Gidgee Gold and other publicly available data.

2.0 Project Description

2.1 Location and Access

The Gidgee gold project is located 650 kilometres north east of Perth in Western Australia and occupies parts of the Sandstone SG 50-16 and Glengarry SG 50-12 1:250,000 map sheets. The mine site is approximately 800 kilometres by road from Perth, and is accessed via the sealed Great Northern Highway to Paynes Find, thence via unsealed roads through Sandstone to the site. The nearest towns are Sandstone, Meekatharra and Wiluna which lie via unsealed roads 90 kilometres to the south, 120 kilometres to the northwest and 130 kilometres to the northeast respectively (Figure 1).

2.2 Exploration and Production History

Gold was discovered at the Swan Bitter and North End prospects in 1926 in what became known as the Jonesville Mining Centre. Production from the Swan Bitter mine in the period 1931 to 1938 was 9,665 ounces gold from the treatment of 31,027 tonnes of ore for an average recovered grade of 9.7 g/t. North End produced +11,490 ounces gold from +40,500 tonnes of ore at an average recovered grade of 8.8 g/t between 1932 and 1953. The two deposits

were worked by open pit and underground methods, however, underground mining progressed only to relatively shallow depths due to unstable ground conditions below the water table.

From 1953, International Nickel, Western Mining Corporation Limited, Amax Exploration Australia, Inc. and Amoco Minerals Australia Company ("Amoco") conducted exploration for base metals in the Gidgee area, but without success. Most of this work was concentrated in the lower parts of the Archaean volcano-sedimentary sequence, close to its margins with the enclosing granites.

In 1973, Australian Anglo American Ltd conducted exploration for gold in the Jonesville area, completing grab and channel sampling of the old workings and drilling two fences of inclined percussion drillholes adjacent to the extremities of the old North End workings to a maximum down-hole depth of 25 metres. The drillholes indicated a broad gold anomalous zone with a highest sample assay of 3.2 g/t over 2 metres; the best channel sample result was 9.14 metres at 21.7 g/t. These results were however not considered sufficiently encouraging and the project was abandoned.

Modern gold exploration commenced in January 1984 under a joint venture between Amoco, East Murchison Mining Pty Limited and Hudspeth Mining Pty Ltd, the privately owned predecessor of Arimco NL. Old workings and mullock dumps were sampled and an aeromagnetic survey flown over the 200 square kilometre exploration tenement then held. A program of reverse circulation ("RC") percussion drilling was commenced in April 1984 which outlined total ore reserves of 1.23 million tonnes at a grade of 3.22 g/t (127,000 ounces gold) which formed the basis for a feasibility study for the development of the project.

Open pit mining of oxide ore at the North End and Swan Bitter deposits began in January 1987 and ore treatment began in April of the same year at the rate of 380,000 tonnes per annum.

Arimco Mining Pty Ltd, a wholly owned subsidiary of Arimco NL, acquired the outstanding interests in Gidgee in 1990; Arimco NL was acquired by Green Equity Investors ("GEI"), in July 1992. GEI's wholly owned subsidiary Australian Resources Ltd ("ARL") was listed on the Australian Stock Exchange in 1993. GEI sold its remaining 45 per cent interest in ARL in January 1996.

A Receiver and Manager was appointed to ARL and its subsidiaries, including Arimco, in April 1999. ARL and its subsidiaries were placed into Liquidation on 7 May 1999 and the assets offered for sale. On 13 October 1999, Gidgee Gold Project was purchased from the Receiver of Arimco by a private company, Abelle Pty Ltd. During late 1999 and January 2000, Abelle completed a program of process plant refurbishment prior to recommencing mining and processing operations early in February 2000.

From the commencement of operations in 1987 to the time of ARL's failure, 37 open pits and three underground mines had been developed, of which, two open pits and one underground mine were in operation at the time of closure. The treatment plant had been progressively expanded to a capacity of 720,000

tonnes per annum, and to 15 March 1999, a total of 7,746,348 tonnes of predominantly oxide and supergene ore had been treated at an average grade of 3.60 g/t to produce 851,682 ounces gold over a 12 year period.

The largest deposit, Kingfisher, yielded 2,067,000 tonnes at an average grade of 4.37 g/t from both open pit and underground mining operations. Production from the remaining 36 deposits ranges from about 31,000 tonnes at 3.16 g/t at Alma May, up to 472,000 tonnes at a grade of 2.60 g/t from North End. The mined deposits extended over a north-south distance of about 55 kilometres.

To the end of December 2001, Abelle had mined a further 417,407 tonnes of open pit ore at an average grade of 3.31 g/t and 384,900 tonnes at 6.72 g/t from underground. Including 328,300 tonnes at 1.04 g/t recovered from low grade stockpiles, Abelle has treated a total of 1,083,345 tonnes at an average grade of 3.77 g/t for the recovery of 123,896 ounces gold. Open pit mining has been completed at Wilsons 1 and 3, Manakado and Kingston Town, is currently in progress at South Heron, Think Big and South Reliance.

Underground mining is continuing at Swan Bitter, with a new decline access currently being developed from the Butcherbird pit to access the shallower lodes. A number of deposits in the northern area of the tenements are being evaluated for their open pit mining potential, including Wahoo and Cobia, and the deepening of the South Snook pit is being assessed. Abelle has added approximately 180,000 ounces to the Ore Reserve from exploration, including depletion by production.

Gidgee Gold has compiled a very extensive database of all relevant known data on exploration and mineralisation within the entire tenement area and this provides a solid 'platform' on which to base future exploration decisions regarding the most appropriate techniques for the various prospect areas.

From within the Gidgee Gold tenement portfolio there is a history of small scale gold production of +23,000 ounces. There are more than 30 sites of gold occurrences within this ground.

2.3 Regional Geology (modified from RE Cary)

The project tenements are located over the Gum Creek greenstone belt (Figure 2) which lies within the northern third of the Southern Cross Province of the Archaean Yilgarn Craton of Western Australia. The Yilgarn Craton is characterised by a series of elongate, narrow, steeply dipping, generally north northwest trending greenstone belts which are mainly separated by large granitoid batholiths. The greenstone belts consist of complex sequences of mafic and ultramafic lavas and intrusives with and volcano-sedimentary rocks. They show evidence of major dislocation by generally north-south trending faults (crustal sutures) which have had a major effect on both the geometry and distribution of the greenstone sequences. Many of these faults are traceable for hundreds of kilometres and effectively subdivide the greenstone belts into a

series of domains or Terranes. The faults are understood to have provided conduits ('plumbing') for the gold-bearing fluids which formed the majority of the Archaean gold deposits. East-west trending Proterozoic dolerite dykes occur as late intrusives throughout the region.

The Gum Creek greenstone belt is similar in structure, lithology and stratigraphy to the other greenstone belts in the Southern Cross Province. It is 110 kilometres long and up to 25 kilometres wide and comprises a southerly plunging synform in which volcanic and sedimentary rocks are bounded to the east and west by granitoids. At the base of the Archaean sequence are mafic and ultramafic extrusive and intrusive rocks with intercalated major banded iron formation ("BIF") units. The mafic/ultramafic sequence is overlain by felsic and mafic volcanic rocks and sediments, mainly black shales. Granitoid stocks, concordant dolerite bodies and east-west striking Proterozoic dykes intrude the Archaean sequence. .

Schistosity throughout the belt generally parallels the axis of the regional synclinorium, and strike parallel or axial plane faults are common. Three of these, the Gidgee, Wilson and Victory Well Shears, host significant gold mineralisation. Prominent northeast striking, and less obvious northwest striking disruptions form a conjugate set of oblique faults, whilst a series of east northeast trending faults are interpreted to be cross faults perpendicular to the major fold axis. Numerous small granitoid intrusives are present within the greenstone sequence to the west of the Gidgee Shear. Metamorphic grades range from lower greenschist in the middle of the belt, to lower amphibolite facies on its margins and around the granite intrusives.

The deep weathering profile consists of a ferricrete cap underlain by a saprolitic zone characterised by the development of mottled clays. Subsequent erosion of the regolith has left remnants of the complete profile capped by duricrust mesas, and extensive areas of transported cover up to 60 metres thick. Beneath this, the upper portion of the laterite profile has often been stripped away. Outcrop throughout the project area is sparse and the underlying bedrock may be weathered to depths in excess of 75 metres.

2.4 Geology and Mineralisation of the Gold Deposits

Primary gold mineralisation within the Gidgee project area is controlled principally by structure, and in general occurs as quartz veined, weakly sulphidic, shear hosted deposits developed within pillowed basalts. The black shales are generally not well mineralised. Extensive zones of supergene mineralisation have developed in the weathered zone above primary mineralisation. Supergene mineralisation has contributed the vast majority of gold produced at Gidgee to date.

The principal structure in the district is the Gidgee Shear which is over 50 kilometres long in the southern half of the project area. It has not yet been identified to the north of the Gidgee mine area as there is little magnetic variation.

The Wilson and Victory Well Shears form broad shear zones on the eastern side of the belt and coalesce near the northern end of the project area and possibly coalesce with the Gidgee Shear in the same general area.

Mineralisation associated with the Gidgee Shear occurs in two main areas, the Gidgee Mining Area ("GMA"), and the Wyooda -Thangoo area which includes the Heron, South Heron, Manakado, Think Big, Kingston Town and South Reliance deposits. Mineralisation is developed near the southern end of the Wilson Shear in the Mt Townsend area, and at Toedter, Kearys and Omega near the northern end of the structure. To the north, mineralisation is developed in BIFs and is associated with pyrrhotite in the primary zone; high grades are a feature of both primary and secondary mineralisation in this area.

Throughout the district, primary gold mineralisation has been localised at the intersections of axial plane parallel ductile shearing, oblique 025° to 050° striking cross structures and strong, variably south plunging brittle-ductile thrust zones. Other favourable sites are flexures or jogs within the axial plane parallel ductile shears where these are intersected by northwest ductile shears.

Near surface depletion of gold is not widespread, with ore grade mineralisation generally present beneath 0.5 to 5 metres of transported overburden. The exception is the Heron area where surface depletion effects are evident to depths of 50 to 60 metres. Significant grade enhancement is not in evidence in the supergene zone, but rather, this zone is characterised by lateral migration of gold into a well-defined supergene plume. A Tertiary paleochannel up to 80 metres deep is incised into the Archaean sequence along a north west – south east trend to the south of the Kingfisher deposit.

The geology, mineralisation and other salient features of the principal prospects and mineral resources are discussed briefly below.

2.4.1 Gidgee Mining Area

The GMA extends over an area 7 kilometres north-south by 1.5 kilometres east-west, extending from the North Wedge deposit in the north to the Kingfisher deposit in the south. It accounts for the majority of gold won from the district. The area immediately to the east of the Gidgee Mill and extending from North Wedge to the Robin deposit is generally referred to as the "Mine Area".

The mafic sequence has been weathered to depths of about 80 metres. At Swan Bitter, the principal host for mineralisation in the primary zone is quartz-carbonate-pyrite±galena veined and brecciated dolerite, interlayered with pillow basalt. The mineralised vein sets occupy dilational sites in dolerite, and at dolerite-basalt contacts, and occur in two principal structural orientations, that is, steep easterly dipping veins associated with shearing, and shallow westerly dipping quartz vein systems within zones of brecciation.

The north-south trending shear systems which host the Swan Bitter underground ore-bodies and the north westerly trending shear system hosting higher grade mineralisation at Kingfisher are now both thought to be part of the

same system, with the Swan Bitter ore shoots plunging flatly south and the Kingfisher shoots flatly north. Mining has been almost exclusively by open pits, within which, mostly supergene ore has been mined.

Mining has progressed into the primary zone at only three locations, namely Swan Bitter, where underground mining is in progress beneath one of the larger open pits in the Mine Area, at Kingfisher, where underground mining was conducted by Arimco, and at Butcherbird where mining progressed into the primary zone at the base of the pit. A decline is currently being developed from the base of the Butcherbird pit to provide additional access to the Swan Bitter/Butcherbird lode system. The Swan Bitter-Kingfisher system has only been tested to depths of less than 50 metres over most of its extent, with the deeper underground potential not tested beyond the immediate areas of the known deposits.

2.5 Conclusions

- The ground proposed to be acquired by Legend from Gidgee Gold has a history of gold production plus demonstrated prospectivity for further gold occurrences and as yet undiscovered deposits to be found.
- The operating plant at the (Legend) Gidgee gold mine provides desirable synergy between successful future exploration and development of any deposits outlined from that work.
- There are secondary but important base-metal targets within the project area.
- Legend has in place a strategic exploration strategy to further explore within the ground it already holds in its own right. It will be a comparatively straight forward exercise to expand this exploration program to encompass the ground to be acquired with consequent 'economies of scale'. For, example, savings on drill rig mobilisation and demobilisation charges in addition to the contractor being able to offer lower prices per metre drilled plus possible assay savings for a large amount of samples to be processed.
- It is noted that potential for further JV arrangements to consolidate the ground holding to an even greater degree exists with another adjacent company (Gateway Mining) at the project area.

VALUATION OF THE GIDGEE GOLD PROJECT

3.0 *Introduction*

This section of the report has been prepared at your request to provide an independent appraisal of the current cash value of the Gidgee Gold Project

3.1 *Scope and Limitations*

This independent valuation and its accompanying geological report have been prepared at the request of HCC to provide the writer's opinion of the current value of the property described in his accompanying geological report.

This valuation has been prepared in accordance with the requirements of the Valmin code (1999) as adopted by the Australasian Institute of Mining and Metallurgy.

This valuation is valid as of 8th November 2004, which was the date of the final review of the valuation report. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs.

The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The author has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case.

These assumptions are based on the author's technical training and experience in the mining industry. The opinions expressed represent the author's fair professional opinion at the time of writing. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The reader should therefore form his/her own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The author will invoice HCC and expects to be paid a fee for the preparation of both the Independent Geologist's Report and this Valuation. This fee comprises a daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees,

neither the author nor any Associates have any vested interest in either the properties reported upon or in Legend or any associated entities.

The directors of Legend have confirmed in writing that all technical data known to them and/or in their possession have been made available to the author. The directors have also confirmed, in writing that other professionals have made no valuations affecting the mineral properties, the subject of this report, within the last two years that they have not disclosed to the author.

The valuation presented in this document is restricted to a statement of the fair value of the tenements. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the following Valuation of the Mineral Property to be acquired by Legend. A field visit was made to the property. It is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of these areas to enable an understanding of the geology of the prospect areas. This, coupled with the exploration results provides sufficient information to form an opinion as to the current value of the mineral assets.

3.2 *Statement of Competence*

The author, Allen J. Maynard, is an independent consultant providing geological, geochemical and general exploration consultant to the mining industry. This report has been prepared by Allen Maynard BAppSc, MAusIMM, MAIG, Principal of AJ Maynard and Associates, a geologist with more than 25 years experience in mineral exploration and more than 20 years experience in mineral asset valuation.

The author holds the appropriate qualifications, experience and independence to qualify as an independent "Expert" under the definitions of the Valmin Code.

4.0 Valuation of the Mineral Assets – Methods and Guides

Without proven ore reserves it is not possible to place a singular dollar value on any mining tenement. However, with due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1999) – we have derived the estimates listed below for the current technical value of the mineral exploration properties as described above.

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: Practice Note 42 on Independence of Expert's Reports which is read in conjunction with Practice Note 43 (Valuation Report and Profit Forecasts), Policy Statement 74 (Acquisitions agreed to by shareholders) and Policy Statement 75 (Independent Expert Reports to Shareholders).

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms length purchaser will pay for a mining (or other) property in a transaction devoid of "forced sale" circumstances.

4.1 General Valuation Methods

The Valmin Code identified various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Capitalisation of earnings,
- Joint Venture and farm-in terms for arms length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Rule of thumb or yardstick approach.

4.2 Discounted Cash Flow/Net Present Value

This method utilizes an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. ***This method is not applicable here.***

4.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This presupposes some form of

subjectivity on the part of the incoming party when grass roots properties are involved.

The JV terms provide for a valuation of \$2.1million PLUS the attaching premium for the issue of a convertible note for 71 million shares. This premium would range from zero to 3 cents per share if converted at 10 cents. That is \$0 to \$2.1 million. A mid-range figure of \$1.05 million would thus equate to a total of \$3.15million. However, this is NOT the writer's preferred method because of the possible vagaries of the market price of the stock.

4.4 Similar Transactions

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

No recent transactions of a very similar nature are available at the time of writing.

4.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ("MEE") is used whereby a subjective factor (also called the prospectivity enhancement multiplier or PEM) typically ranging from 0.3 to 3.0 is applied to previous exploration expenditure to help derive a dollar value.

There has been considerable difficulty in accumulating all the available expenditures over the entire project due to complex tenement holdings and non-reporting of complete expenditures over the history available to the writer.

4.6 Ratings System of Prospectivity

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method which applies incremental, fractional or integer ratings to a base acquisition cost (BAC) with respect to various prospectivity factors to derive a value.

This method has been used by the writer in the past and found to be wanting in that the deemed valuation ranges become non-acceptable. For example of some eight years ago (not in WA) had a range from \$150,000 to \$2.5 million.

4.7 Empirical Methods

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This latter method is termed a

“Yardstick” or a “Real Estate” approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

An empirical method is used in this case as the preferred method – details below.

4.8 General Comments

The aims of the various methods are to provide an independent opinion of a “fair value” for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for the Gidgee Gold property have been concluded after taking into account:-

- The cost and accuracy of the existing technical data and its relevance to the prospect plus a proportion of prudently budgeted future exploration costs;
- Using the exploration potential as a measure of worth in the absence of either previous mining or drill hole data;
- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Current market values for properties in similar or analogous locations;
- Current commodity prices.

5.0 Tenement Valuation Details

The empirical method has been used here for the reasons described above whereby the various other methods available are not applicable.

A “Real Estate” approach has been decided upon as providing the most appropriate method of determining the current cash value of the ‘Gidgee Gold’ tenement package.

Although the tenements listed below are still in the application stage they are treated as though granted for valuation purposes. The writer is not aware of any reasons why the tenements will not be granted within a reasonable time-frame according to normal DoIR procedures.

Of course, if the tenements are NOT granted then their value will be zero even though the ground they secure will retain its prospectivity.

Table 1. List of Tenements to be acquired by Legend Mining.

Tenement	TYPE	STATUS	Area Km²
E 5101046	Exploration Licence	Pending	214.3
E 5101054	Exploration Licence	Pending	36.8
E 5301091	Exploration Licence	Pending	98.0
E 5301092	Exploration Licence	Pending	6.1
E 5301093	Exploration Licence	Pending	214.0
E 5301108	Exploration Licence	Pending	36.7
E 5700564	Exploration Licence	Pending	121.7
E 5700565	Exploration Licence	Pending	213.1
E 5700566	Exploration Licence	Pending	213.3
E 5700567	Exploration Licence	Pending	186.0
E 5700568	Exploration Licence	Pending	213.8
E 5700569	Exploration Licence	Pending	213.8
E 5700570	Exploration Licence	Pending	3.0
E 5700571	Exploration Licence	Pending	64.0
E 5700572	Exploration Licence	Pending	33.6
E 5700574	Exploration Licence	Pending	27.4
E 5700575	Exploration Licence	Pending	39.7
E 5700588	Exploration Licence	Pending	213.0
		Total	2148

The area has an historic record of gold production of more than 23,000 ounces of fine gold which equates to \$13.1million at the current gold price of A\$570. There is demonstrated prospectivity for future gold discovery which may or may not turn out to be economically viable.

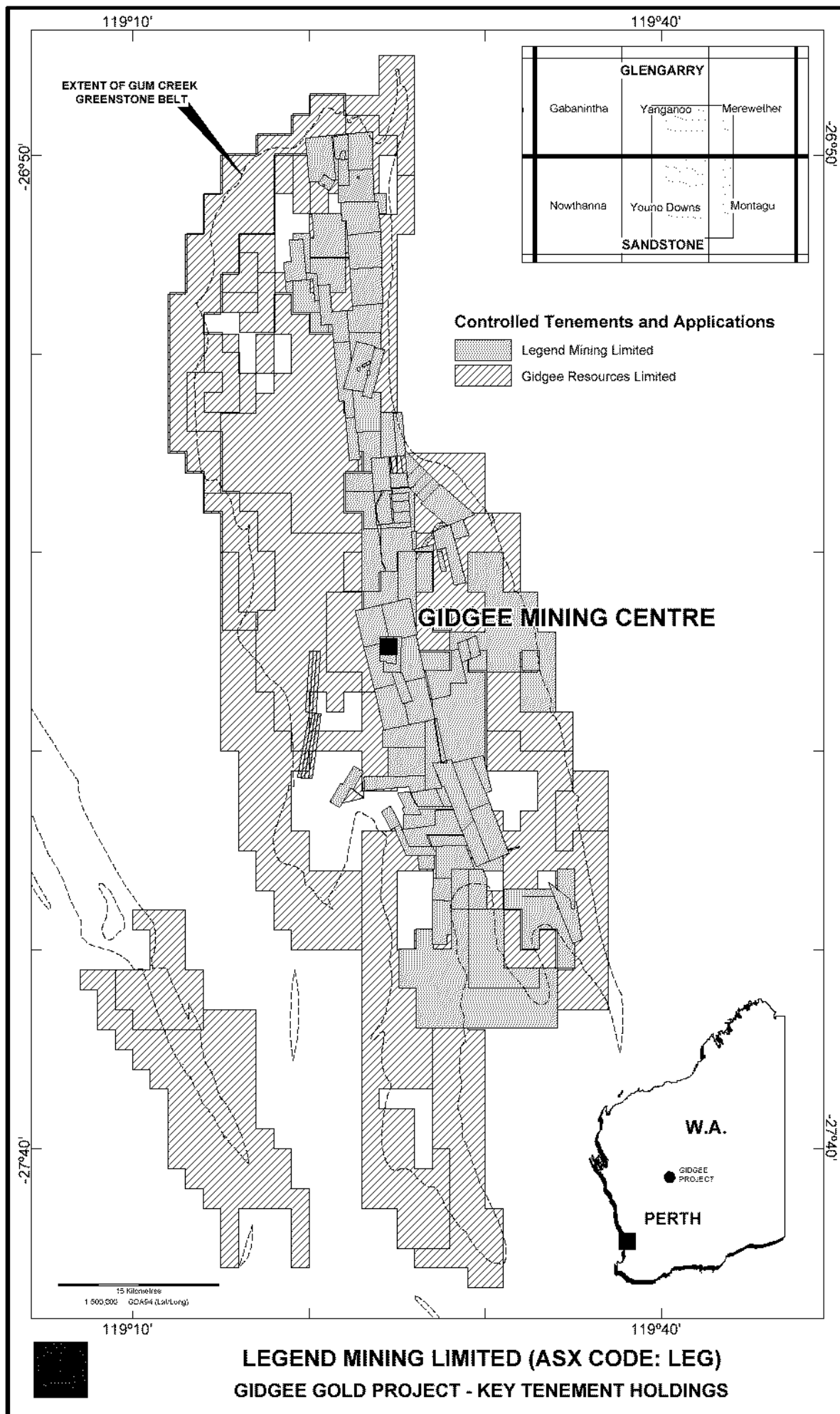
The writer considers that a current value range from \$1,350 to \$1,650 per square kilometre is appropriate for this tenement package. Note that comparable ranges have been as low as \$100 to as high as \$15,000. The individual tenements are valued on a pro-rata basis of the total.

Therefore the current cash value from within the range of A\$2.9million to \$3.5million is ascribed at the mid-range value of A\$3.2million.

Yours faithfully,



Allen J. Maynard BAppSc(Geol), MAIG, MAusIMM





9 December 2004

Dear Shareholder

Invitation to Participate in Shareholder Share Purchase Plan

The Board of Directors of Legend Mining Limited (**Legend** or **Company**) has approved the introduction of a Shareholder Share Purchase Plan (**Plan**). The Plan entitles Eligible Shareholders (defined below) in the Company, irrespective of the size of their shareholding, to purchase up to **\$5,000** worth of ordinary fully paid shares in the Company (**Shares**) at a price of 6 cents per Share, which is approximately 90% of the volume-weighted average trading price of the Company's shares on ASX during the 5 days on which trades occurred in the Shares immediately prior to announcement of the issue. The issue is being made free of brokerage and commission (**Offer**).

Share Purchase Plan

The Board is pleased to offer all Eligible Shareholders an opportunity to participate in the Plan. Details of the Offer are set out in this letter and the enclosed Terms and Conditions together with an Entitlement and Acceptance Form.

The average closing market price of Legend Shares traded on Australian Stock Exchange Limited (**ASX**) during the five (5) trading days immediately prior to the date of this Offer was 6.5 cents, while the last trade was at 6.3 cents.

Current Projects

Details of the Company's current activities are set out in the enclosed Notice of Meeting and Legends website www.legendmining.com.au.

Shareholders Eligible to Participate in the Plan

The right to participate in the Offer under the Plan is available exclusively to shareholders who are registered as holders of Shares in Legend at 5pm (WST) on the record date of 8 December 2004 and whose registered address is in Australia (**Eligible Shareholders**).

Use of Funds

The funds raised under the Plan will be used by the Company to pursue its multi-fold strategy, namely to: -

- (a) develop an extensive exploration program on the tenements controlled by Legend and those vended in by Gidgee Resources Limited; and
- (b) increase working capital.

Subscription and Application Procedure

If you would like to participate in the Offer, please return your completed Entitlement and Acceptance Form (enclosed), together with your cheque for the purchase price for the number of Shares you wish to acquire, on or before the **closing date of 5pm (WST) on 21 January 2005**. No late applications will be accepted.

Please note the maximum investment per shareholder is \$5,000 and the minimum investment is \$2,000. The maximum investment any shareholder may apply for will remain \$5,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account).

The number of Shares to which you are entitled will be calculated by dividing the subscription amount you have elected by 6 cents, being the purchase price per share. For example, should you wish to subscribe for the \$5,000 amount, the number of shares subscribed for at 6 cents per share will be 83,333 Shares (viz. 5,000 divided by 0.06 equals 83,333).

Additional Information and Important Dates

The Offer cannot be transferred and the Directors of the Company reserve the right to reject any application over \$5,000. Shares allotted under the Plan will be issued no later than 3 business days after the closing date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

The maximum number Shares that may be issued by the Company under the Exception 15 set out in ASX Listing Rule 7.2 is 51,189,998 Shares (being 30% of the Company's current issued share capital). In the event all shareholders were to subscribe for the full \$5,000 amount, this would require the issue of approximately 150,000,000 Shares. Accordingly, the Directors may, in their absolute discretion, scale-back all applications on a pro-rata basis to 51,189,998 Shares.

If the Company rejects or partially rejects an application or purported application, the Company will promptly return to the shareholder the relevant application monies, without interest.

On the trading day immediately prior to the date of the Offer, the last closing price of the Shares traded on ASX was 6.3 cents. The market price of the Shares in the Company may rise and fall between the date of the Offer and the date that any Shares are allotted to you as a result of your acceptance of this Offer. This means that the subscription price you pay for the Shares may exceed the

market price of the Shares at the date of allotment of Shares under this Offer. The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in the Company prior to accepting this Offer.

Shortfall Placement

In the event that less than the maximum number of 51,189,998 Shares are applied for pursuant to this Offer, the shortfall may be placed at the discretion of the directors.

Indicative Timetable

Announcement of Plan	9 December 2004
Record Date (5.00pm WST)	8 December 2004
Opening date of Offer	10 December 2004
Closing date of Offer	21 January 2005
Issue of Shares under the Plan	28 January 2005
Dispatch date for holding statements	31 January 2005
Quotation of Shares on ASX	1 February 2005

These dates are indicative only. The Company may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Entitlement and Acceptance Forms as early as possible.

If you wish to participate in the Share Purchase Plan please ensure that you return the completed "Entitlement and Acceptance Form" prior to the closing date of the Offer.

Should you wish to discuss any information contained in this letter further, do not hesitate to contact the Company Secretary, Andrew Chapman, on (08) 9322 3700.

Yours faithfully



Murray McDonald
Managing Director

Legend Mining Limited
ABN 22 060 966 145
Share Purchase Plan - Terms and Conditions

Purpose

The purpose of the Share Purchase Plan (**the Plan**) is to offer shareholders of Legend Mining Limited (**Company** or **Legend**) the opportunity to acquire additional fully paid ordinary shares in the Company (**Legend Shares**) without the need for Legend to issue a prospectus, upon such terms and conditions as the board of directors of Legend, in its absolute discretion, sees fit.

Shareholders eligible to participate

Eligible holders of Legend Shares that are registered with an Australian address at the relevant record date may participate in the Plan. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these terms and conditions. Offers made under the Plan are not renounceable (ie. eligible shareholders may not transfer their rights to any Legend Shares offered under the Plan).

An offer may, at the discretion of the directors of Legend, be made under the Plan once a year. The maximum amount, which any shareholder may subscribe for in any consecutive 12 month period, is A\$5,000. The directors of Legend may also determine in their discretion the minimum amount for participation, the multiple of Legend Shares to be offered under the Plan and the period the offer is available to eligible shareholders.

Price of Legend Shares

The price of Legend Shares to be issued under the Plan will be 6 cents, which is approximately 90% of the volume weighted average trading price of the Company's shares on ASX during the 5 days on which trades occurred in the Shares immediately prior to the announcement of the issue.

Applications and Notices

At the discretion of the directors of Legend, Legend will send eligible shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Legend Shares under the Plan, and accompanied by the terms and conditions of the Plan and an entitlement & acceptance form. Applications will not be accepted after the closing date of an offer. Over subscriptions to an offer may be refunded without interest.

Notices and statements made by Legend to participants may be given in any manner prescribed by its Constitution.

Underwriting

An offer may be underwritten and the underwriters and/or sub-underwriters may be issued with Shares pursuant to the Plan where one or more of the eligible shareholders fail to subscribe for the maximum number of Shares available to them under the offer. The Directors may pay a broker's fee to Underwriters.

Issue of Legend Shares

Legend Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of Legend in the relevant offer.

Legend Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in Legend from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all Legend Shares issued under the Plan. Legend will, promptly after the issue of Legend Shares under the Plan, make application for those Legend Shares to be listed for quotation on the official list of ASX.

Modification and Termination of the Plan

Legend may modify or terminate the Plan at any time.

Legend will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, Legend may issue to any person fewer Legend Shares than the person applied for under the Plan if the issue of the Legend Shares applied for would contravene any applicable law or the Listing Rules of ASX.

Dispute Resolution

Legend may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Legend Shares. The decision of Legend in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

Legend reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of Legend under these conditions may be exercised by the directors of Legend or any delegate of the directors of Legend.

Questions and Contact Details

If you have any questions regarding the Share Purchase Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Company Secretary, Andrew Chapman, on (08) 9322 3700.

Legend Mining Limited
ABN 22 060 966 145
Shareholder Share Purchase Plan Entitlement and Acceptance Form
Offer Closes 5.00pm (WST) 21 January 2005

---- DPID ----

<Address Line 1>
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<Address Line 6>

< BARCODE OF SRN / HIN >

Record Date: 5pm (WST) on 8 December 2004

Holder Identification Number (HIN): (**)

This is an offer to eligible shareholder to subscribe for additional ordinary fully paid shares (**Shares**) in Legend Mining Limited (**Legend**) under the Terms and Conditions of the Legend Shareholder Share Purchase Plan (**Plan**) accompanying this form and letter from the Managing Director.

- The **maximum subscription** you can make is \$5,000.
- The **minimum subscription** you can make is \$2,000.
- You can purchase any number of new Shares between the maximum and minimum. However, the number of Legend Shares offered under the Plan may be limited. The Directors reserve the right to scale-back all applications on a pro-rata basis to 51,189,998 Shares.

The price for each Share will be **6 cents per Share**, which is approximately 90% of the volume weighted average trading price of the Company's shares on the Australian Stock Exchange (**ASX**) during the 5 days on which trades occurred in the Shares immediately prior to announcement of the issue (**Purchase Price**).

The market price of Legend Shares may rise or fall between the date of this offer and the date that the Shares are allotted to you. This means that the subscription price you pay for the Shares may exceed the market price of the Shares at the date of allotment of the Shares under this offer. We recommend that you obtain your own financial advice in relation to this offer and consider price movements of Shares in Legend prior to accepting this offer.

The maximum subscription for each shareholder will apply **even if a shareholder received more than one offer** (whether in respect of a joint holding or because the shareholder has more than one holding under separate Share accounts). Legend reserves the right to reject any application where this rule has not been complied with.

By accepting the Offer you agree to be bound by the Terms and Conditions of the Legend Shareholder Share Purchase Plan and the Constitution of Legend.

APPLICATION FOR SHARES

I/we being the above mentioned, being registered as ordinary shareholder(s) in Legend Mining Limited as at the record date of 5pm (WST) on 8 December 2004, do hereby apply for the number of ordinary shares in Legend Mining Limited as indicated below at the Purchase Price per Share issued in accordance with the Terms and Conditions of the Legend Mining Limited Shareholder Share Purchase Plan. I/we confirm that the total cost of Shares purchased by us (including through joint holding(s), multiple Share accounts or any holding in which I/we have a beneficial interest/s) does not exceed \$5,000 in accordance with the Applicants Certification and Confirmation.

To participate in the Shareholder Share Purchase Plan shareholders must select **only one** of the following two options. Please mark the selected box.

MAXIMUM APPLICATION



\$5,000

OR

SELECTED AMOUNT – PLEASE COMPLETE



\$:.....(minimum of \$2,000)

Please complete the following cheque payment details:

Drawer	Bank	Branch or BSB	Amount

Cheques should be made payable to "**Legend Mining Limited**" and crossed "**Not Negotiable**" and sent to **Legend Mining Limited, PO Box 626, West Perth 6872**

Telephone number where we may contact you during business hours. (____) _____

Contact Name: _____

Offer Closes 5.00pm (WST) 21 January 2005

Applicant's Certification and Confirmation

1. By lodging this Entitlement and Acceptance Form you certify that the aggregate of the application price for the following does not exceed \$5,000:
 - (a) the Legend ordinary shares that are the subject of this application; and
 - (b) any other Legend ordinary shares applied for by you under the Plan (or any similar arrangement in the 12 months prior to the application), whether:
 - (i) in your own right, or
 - (ii) jointly with one or more persons, or
 - (iii) in your capacity as a beneficiary (as defined below),but not including in your capacity as a trustee or nominee where it is expressly noted on Legend's register of members that your shareholding is held on account of another person.

If 2 or more persons are recorded in the register of members as jointly holding the Legend shares to which this entitlement relates, they are taken to be a single registered holder and this certificate given by any of them is taken to be given by all of them.

If a trustee or nominee is expressly noted on Legend's register of members as holding the shares to which this entitlement relates on account of another person (the "beneficiary"), this certification and confirmation is taken to be given by the beneficiary in respect of him/her/itself (and not the trustee or nominee).
2. By lodging this form with your cheque you confirm that you have read, understood and agreed to the terms and conditions of the Plan.

Notes

- The terms and conditions of the Shareholder Share Purchase Plan accompanying the enclosed letter from the Managing Director should be read carefully.
- No priority will be afforded to applications on the basis of the date of receipt of such applications.
- Payments may only be made by cheque or bank draft in Australian dollars and drawn on an Australian branch of a financial institution.
- Cheques or bank drafts are to be made payable to: "**Legend Mining Limited**" and crossed with "Not Negotiable".
- Cheques will be deposited on their day of receipt. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Receipts for payment will not be issued.
- Cash payments will not be accepted via the mail.
- If you wish to accept this offer please return this Entitlement and Acceptance Form duly completed together with a cheque for the subscription amount, in the envelope provided, **by 5.00pm (WST) on 21 January 2005**.
- Legend Mining Limited may reject an acceptance of this offer, in its absolute discretion, if this form is not completed in accordance with this offer, is incomplete or if the exact amount payable is not tendered with this form.

Receipt by Legend Mining Limited of this form duly completed, together with the full subscription amount, will constitute acceptance in accordance with the terms and conditions of the Shareholder Share Purchase Plan and the constitution of Legend Mining Limited by the shareholder named on this form. A signature on this form is not required.

This offer is not renounceable and as such may only be transferred after the shares are allotted.

QUESTIONS AND CONTACT DETAILS

If you have any questions regarding the Share Purchase Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Legend's Company Secretary, Andrew Chapman, on (08) 9322 3700.

Return this form and cheque in the enclosed business reply paid envelope provided.

Offer Closes 5.00pm (WST) 21 January 2005.