



**LEGEND
MINING LIMITED**

A.C.N. 060 966 145

ANNUAL REPORT

2001



Diamond drilling on the Platinum Palladium Reef.

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C O M P A N Y D I R E C T O R Y

Directors

Albert Kevin Robert Watson (Chairman)
Murray Vincent McDonald (Managing Director)
Ian David Cowden

Secretary

Ross Gregory Ledger

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Share Registry

Advanced Share Registry Services
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200 Adelaide Terrace
PERTH WA 6000
Telephone: (08) 9221 7288
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Bankers

National Australia Bank
1238 Hay Street
WEST PERTH WA 6005

Auditors

Grant Thornton
Chartered Accountants
256 St Georges Terrace
PERTH WA 6000

Home Exchange

Australian Stock Exchange Ltd
2 The Esplanade
PERTH WA 6000

CHAIRMAN'S REPORT

Dear Shareholder,

INTRODUCTION

This is the seventh annual report and financial statements to be presented to shareholders of Legend Mining Limited (Legend). The review of activities and financial report contain comprehensive information which I recommend you read.

SILVER SALES

During the first quarter of 2001, silver sales realised \$1,707,891 for the Munni Munni joint venture from 225,833 ounces at an average of \$7.56 per ounce.

During the year, MKS Capital Limited, part of an international precious metals group, contracted to pay the sum of \$3.1million to the joint venture partners (30% LML, 70% ECM) for the silver tailings at Elizabeth Hill.

Formal agreement was signed on 18 October 2001 and Legend's share under the contract was \$930,000. Legend is currently arranging with joint venture partner East Coast Minerals to further drill the silver resource at Munni Munni so that additional pods may be located and mined.

NEW SILVER GROUND MAITLAND (LEGEND 100%)

In December 2001, Legend in its own right (100%) applied for an exploration licence over 60 square kilometres of ground, approximately one kilometre north from the joint venture silver tenement. Legend considers this ground to cover extensions of structures and geology which host silver mineralisation on the joint venture ground. We are currently evaluating this new licence and will report exploration results by way of announcements to all shareholders.

MUNNI MUNNI JOINT VENTURE TENEMENTS

During the calendar year 2001, we reported that we had received an offer from East Coast Minerals allowing Legend to increase its interest over the joint venture property. Unfortunately, East Coast Minerals took legal action in an attempt to avoid the contract. Notwithstanding, Legend had no choice but to defend its rights under the contract.

Fortunately the matter did not go to court and on 11 June 2001, sanity prevailed and an agreement with East Coast minerals to increase Legend's stake to 50% in the platinum/palladium and silver tenements over the Munni Munni intrusive was signed.

Under the new contract, Legend initially contributed \$500,000 to drilling the platinum and palladium reef known as the Ferguson Reef. During August and September 2001, 28 holes were drilled on the reef totaling 3166.8m with 1581m as RC pre-collar and 1585.8m as diamond tails. The result of the drilling has previously been reported and we are currently reviewing the data in light of significant activity in the area being carried out by Helix Resources Limited and joint venture partner Lonmin plc.

CARLOW CASTLE

I have previously reported to you that Carlow Castle had given the company some exciting results with an increased resource and many new first priority geophysical targets.

We have continued to increase our holding in the immediate area of Carlow Castle, as we are of the view it has potential to support a stand-alone mining operation. We have also secured adjoining ground for other gold and base metal targets.

WEBSITE

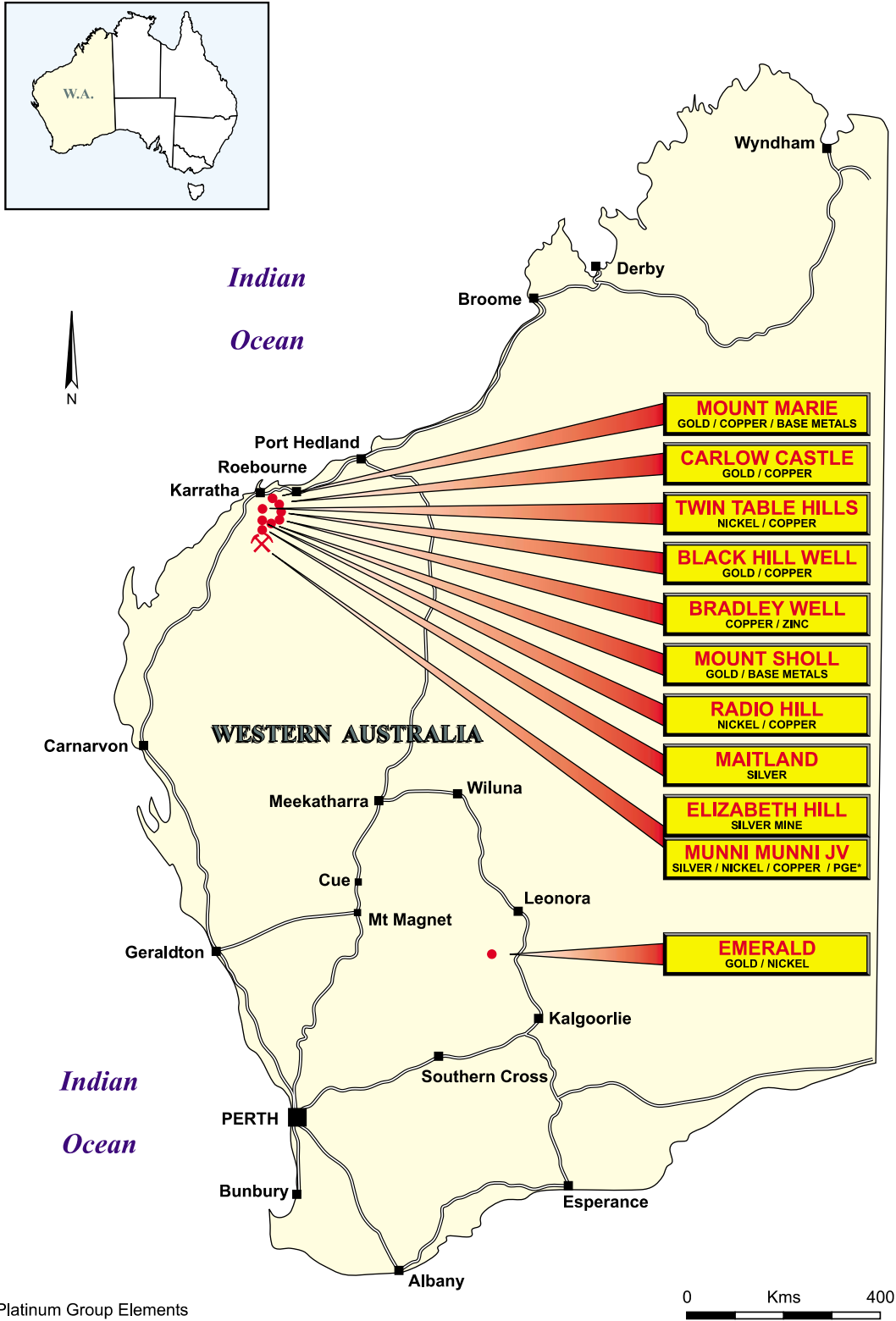
To keep shareholders further informed, we are in the process of preparing our web page www.legendmining.com.au I expect this to be up and running by the time you receive your annual report for the calendar year 2001.

GENERALLY

I, as always, received strong support during the year from my fellow directors, company secretary and the company's professional advisors. I take this opportunity to thank them, along with our very loyal shareholder support base. We all look forward to a strong 2002 calendar year for Legend Mining Limited.


A K Watson
CHAIRMAN

PROJECT LOCATIONS
FIGURE 1



REVIEW OF ACTIVITIES

ELIZABETH HILL SILVER MINE, MUNNI MUNNI PROJECT

Resolution of Dispute

Legend Mining Limited, on 11 June 2001, amicably resolved the litigation between Legend and joint venture partner East Coast Minerals (ECM). This agreement is designed to secure the maximum utilisation of both parties respective interests in the mining tenements comprising the Munni Munni joint venture. As a result of this agreement, Legend has paid ECM \$750,000 and contributed \$500,000 to the joint venture working account and that has raised Legend's interest to 33 1/3%.

In order to earn the additional 16 2/3% to take Legend to 50% with ECM, Legend needs to contribute a further \$500,000 to the joint venture working account and pay ECM a final payment of \$750,000.

Platinum and Palladium Drilling

Recent scoping studies by Helix Resources Limited (Helix) have identified that the Munni Munni platinoid reef, which extends into Legend's JV ground, has a significant economic potential.

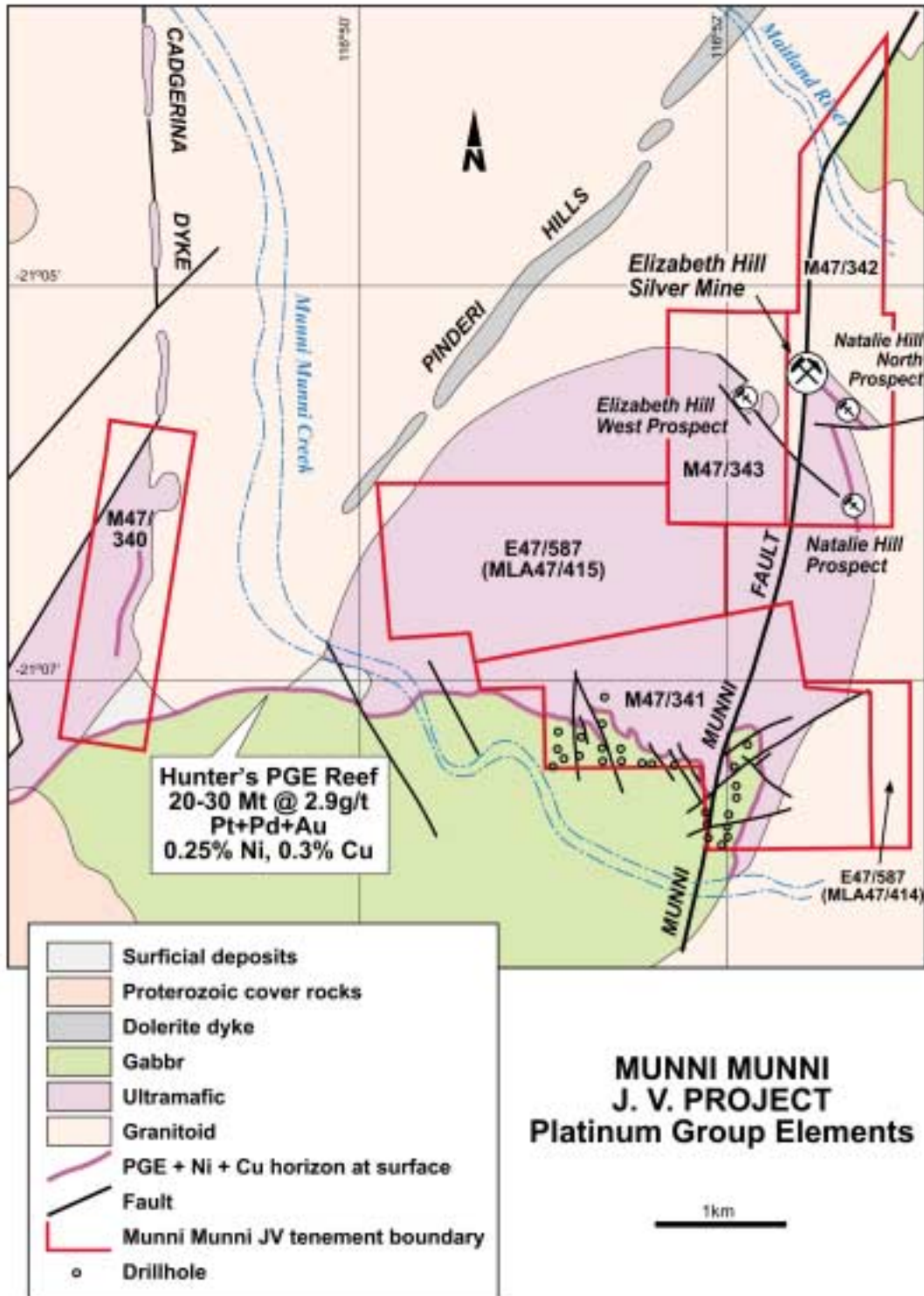
Legend in August and September 2001, drilled 28 holes on the platinum and palladium reef, totalling 3166.8 metres with 1581m as RC pre-collar and 1585.8m as diamond tails. The holes were drilled along lines 100 - 200 metres apart within granted joint venture mining lease M47/341 which covers the north-eastern corner of the Archean Munni Munni intrusive, 40km south of Karratha. Significant results from the 28 hole RC and diamond drilling programme are set out below:

Table 1

Drillhole	Downhole Depth, m		Au	Ir	Os	Pd	Pt	Rh	Ru	Au+PGE
	From	To	ppb NIS/MS	ppb NIS/MS	ppb NIS/MS	ppb NIS/MS	ppb NIS/MS	ppb NIS/MS	ppb NIS/MS	ppb NIS/MS
UYD 01	32.90	33.40	331	0	2	945	154	7	6	1445
UYD 01	33.40	33.90	863	22	0	1635	1481	106	57	4164
UYD 01	33.90	34.40	1019	41	6	2476	2600	197	99	6438
UYD 01	34.40	34.90	257	20	2	1875	895	107	58	3214
UYD 02	27.50	28.00	38	14	2	1012	328	81	43	1518
UYD 02	28.00	28.50	67	4	2	1193	131	42	22	1461
UYD 02	32.50	33.00	9	4	2	601	452	26	18	1112
UYD 05	39.40	39.90	23	6	2	717	447	32	22	1249
UYD 06	50.75	51.25	420	8	2	1467	459	53	28	2437
UYD 06	51.25	51.75	221	17	0	1433	762	96	56	2585
UYD 13	63.00	63.50	434	17	2	1659	927	102	51	3192
UYD 21	90.00	90.50	82	8	2	863	641	46	17	1659
UYD 21	90.50	91.00	53	15	2	1246	543	81	38	1978
UYD 21	91.00	91.50	25	5	0	392	157	28	18	625
UYD 21	91.50	92.00	47	6	2	618	391	34	21	1119
UYD 21	98.50	99.00	598	2	2	357	215	11	9	1194
UYD 25	143.00	143.50	171	9	0	1594	467	53	28	2322
UYD 25	144.00	144.50	96	7	2	1236	313	40	25	1719
UYD 25	144.00	144.50	96	7	2	1236	313	40	25	1719
UYD 26	168.50	169.00	173	2	0	776	108	18	10	1087

Significant PGE Intersections, Munni Munni JV
 Detailed analyses, 50cm Core Lengths
 NIS/MS = fire assay (nickel sulphide collection) / ICPMS analysis

GEOLOGY AND TENURE,
MUNNI MUNNI JOINT VENTURE
FIGURE 2



REVIEW OF ACTIVITIES

Table 2

Drillhole	Downhole		Depth, m	Intercept, m	Pt + Pd + Au	Ni	Cu
	From	To			g/t FA25/MS	% C/AAS	% C/AAS
UYD 01	32.9	34.9		2.0	3.57	0.17	0.57
UYD 02	28.0	29.0		1.0	1.03	0.05	0.18
UYD 02	32.0	33.0		1.0	0.97	0.01	0.01
UYD 03	31.0	33.0		2.0	2.27	0.09	0.40
UYD 03	35.0	37.0		2.0	1.20	0.03	0.02
UYD 05	38.9	39.9		1.0	1.12	0.05	0.12
UYD 06	50.8	51.8		1.0	2.38	0.17	0.48
UYD 07	11.0	13.0		2.0	2.07	0.10	0.36
UYD 08	79.5	80.5		1.0	1.47	0.14	0.44
UYD 09	66.5	67.5		1.0	3.90	0.10	0.30
UYD 13	62.0	64.0		2.0	1.31	0.09	0.27
UYD 17	15.0	18.0		3.0	1.98	0.03	0.21
UYD 21	89.5	91.5		2.0	1.18	0.02	0.05
UYD 21	91.5	100.5		9.0	0.61	0.13	0.39
UYD 24	134.0	135.0		1.0	0.96	0.03	0.13
UYD 25	143.0	145.0		2.0	1.29	0.10	0.37
UYD 26	139.0	140.0		1.0	0.92	0.02	0.05
UYD 27	105.0	106.0		1.0	1.43	0.05	0.09
UYD 27	130.0	137.0		7.0	0.56	0.03	0.08

***Significant PGE Intersections, Munni Munni JV
Composite Samples over 1 metre Intervals***

FA25/MS = 25g fire assay (lead collection)/ICPMS analysis

C/AAS = Perchloric/hydrochloric acid digest/AAS analysis

Significantly higher platinum, palladium and gold grades were recorded over the narrower intervals in a number of holes (Table 1). Comparison of the new results, averaged over one metre intervals, with the previous one metre composite analyses, shows a slight overall increase in value for these elements. Results for the minor PGE's (Ir, Os, Rh, Ru) were generally low.

In the Upper Yannery central zone, well defined PGE mineralised zones were intersected with grade and thickness similar to those obtained on the down-dip extension of the reef by other companies. The platinum and nickel-copper sulphide distribution shows some inhomogeneity and further work is required to quantify metal contents.

East of the Munni Munni fault, wide zones of highly anomalous platinum (400 - 1,500ppb) were delineated rather than the higher grade but narrower zones found in the central zone.

REVIEW OF ACTIVITIES

Table 3

Drillhole	Northing	Easting	Dip/Azimuth	RC	Diamond	Total
	GDA94	GDA94	Degrees	Precollar	Tail	Depth
UYD 01	7664295	485837	90/000	0.0m	70.1m	70.1m
UYD 02	7664311	485629	90/000	12.0m	37.0m	49.0m
UYD 03	7664306	485545	60/000	0.0m	56.9m	56.9m
UYD 04	7664337	485348	60/000	60.0m	45.5m	105.5m
UYD 05	7664441	485346	60/000	36.0m	39.8m	75.8m
UYD 06	7664670	485165	90/000	18.0m	61.0m	79.0m
UYD 07	7664444	485166	60/000	40.0m	0.0m	40.0m
UYD 08	7664334	485175	60/000	80.0m	40.9m	120.9m
UYD09	7664551	484977	60/000	30.0m	75.7m	105.7m
UYD 10	7664350	484954	60/000	102.0m	45.6m	147.6m
UYD 11	7664288	484715	60/000	15.0m	97.7m	222.7m
UYD 12	7664451	484756	60/000	107.0m	82.6m	189.6m
UYD 13	7664593	484769	60/000	36.0m	69.6m	105.6m
UYD 14	7664908	485193	90/000	0.0m	25.0m	25.0m
UYD 15	7664351	484828	60/000	110.0m	142.0m	252.0m
UYD 16	7664440	485346	90/000	0.0m	40.0m	40.0m
UYD 17	7664444	485167	90/000	0.0m	51.2m	51.2m
UYD 18	7663552	486246	90/000	160.0m	0.0m	160.0m
UYD 19	7663629	486303	60/090	50.0m	0.0m	50.0m
UYD 20	7663625	486139	60/090	77.0m	0.0m	77.0m
UYD 21	7663746	486125	60/090	90.0m	36.8m	126.8m
UYD 22	7663840	486115	60/090	120.0m	36.6m	156.6m
UYD 23	7663717	486285	60/090	78.0m	60.8m	138.8m
UYD 24	7663843	486315	60/090	50.0m	109.8m	159.8m
UYD 25	7663993	486386	60/090	72.0m	99.8m	171.8m
UYD 26	7664100	486389	60/090	56.0m	121.8m	177.8m
UYD 27	7664274	486373	60/090	72.0m	66.8m	138.8m
UYD 28	7664472	486496	60/090	0.0m	72.8m	72.8m
			Total	1581.0m	1585.8m	3166.8m

Drillhole Details, Munni Munni JV

Silver Exploration, Munni Munni Joint Venture (Legend earning 50%)

Within the joint venture tenements, strong carbonate alteration is developed on the regional Munni Munni fault where it hosts the high grade silver deposit. Over 2.5 million ounces have been mined from one high-grade pod at Elizabeth Hill.

Multiple zones of similar strong carbonate alteration related to the Munni Munni fault and associated shear zones were intersected during the PGE drilling programme, some 3.5 km to the south of the mine. Following evaluation of these zones in the drill core, a programme of structural and alteration mapping commenced in December 2001 to explore for additional silver deposits along the major structures. This is the first programme undertaken outside the immediate mine area, and a number of targets have been identified by this initial work. Detailed follow-up including drilling is being planned. The silver treatment plant is on site and under care and maintenance.

REVIEW OF ACTIVITIES

Silver Sales

During the first quarter of 2001, silver sales realised \$1,707,891 for the Munni Munni joint venture from 225,833 ounces at an average of \$7.56 per ounce.

Legend announced on 1 October 2001 that MKS part of an international precious metals trading and financial services group, had contracted to pay the sum of \$3.1 million to the joint venture parties (30% LML 70 ECM) for the silver tailings at Elizabeth Hill. Formal agreement was signed on 18 October 2001 and Legend's share under the contract was \$930,000 payable by the end of March 2002.

Silver Exploration - Maitland (Legend 100%)

Legend has applied for a new exploration licence covering 60 km² located about 1 km north of the Munni Munni joint venture ground and covering extensions of the Munni Munni fault and related structures. The licence is contiguous with Legend's Radio Hill West area. This 100% Legend application will be explored for repetitions of the Elizabeth Hill silver deposit as this new ground exhibits similar geological and structural settings. Legend is undertaking photogeological interpretation to select priority target zones for ground follow up and geochemical sampling. Legend has recently acquired airborne geophysical data over the area and is now programming silver exploration.

Carlow Castle (Legend 100%)

In recent years, Legend Mining Limited has greatly increased its tenement areas in the Carlow Castle region between Roebourne and Karratha in Western Australia. Legend has reported at Carlow South an indicated and inferred resource standing at 1,331,000 tonnes averaging 1.38g/t Au and 0.56% Cu to 100m depth.

As previously reported, contained metal equates to approximately 57,000 ounces of gold and 7,470 tonnes of copper. The resource is classified in accordance with the JORC Code as follows:

Carlow South Lode:	Indicated	30,000 tonnes at 10.0g/t Au, 1.40% Cu from surface to 30m depth
	<u>Inferred</u>	<u>61,000 tonnes at 10.0g/t Au, 1.40% Cu from 30m to 100m depth</u>
	Total	91,000 tonnes at 10.0g/t Au, 1.40% Cu from surface to 100m depth

Carlow South Halo:	Inferred	1,240,000 tonnes at 0.75g/t Au, 0.50% Cu from surface to 100m depth
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Detailed ground geophysics over an area of 1.5 square kilometres centred on the Carlow Main/Carlow South area has resulted in definition of twelve First Priority induced polarisation targets and a further mine resistivity targets similar in nature to the high grade Carlow South mineralisation.

Legend successfully negotiated heritage agreements with local aboriginal elders during the year in relation to a number of tenement applications in the Carlow Castle area. Legend now has over 400 square kilometres in this highly prospective but lightly explored part of the western Pilbara including the 1.33 million tonne gold-copper resource at Carlow South.

Recently Legend has been looking at various options to maximise this valuable gold/copper base metals area.

REVIEW OF ACTIVITIES

Emerald Joint Venture (Legend 91%)

A Farmin and Joint Venture agreement has been signed by Hamill Resources Limited over the Emerald Exploration Licence, between Mount Ida and Davyhurst in the Eastern Goldfields of WA. Hamill must spend \$50,000 on exploration prior to 20 December 2002 to earn 51% and further \$75,000 in the second year to reach 80%. The tenement is considered prospective for high grade gold mineralisation similar to the recent discovery at First Hit some 6.5 kms to the south, where Barra Resources is developing a new underground gold mine.

Capital Raising

A general meeting of shareholders was held on 8 October 2001. Shareholder unanimously approved the issue of 6,766,660 Ordinary fully paid shares at 15 cents per share to private investors who applied for Convertible Notes. This issue was fully subscribed.

Legend also on 18 September 2001 placed an additional 1 million ordinary fully paid shares at 16 cents per share. The funds raised were used to perform Legend's obligations under the new joint venture contract with East Coast Minerals including paying \$500,000 towards the platinum and palladium drilling program.

TENEMENT DIRECTORY

Tenement No. Application*		Registered Holder/Applicant	Shares Held	
Munni Munni	M47/340	Legend Mining Limited	33.33/100	
	M47/341	Legend Mining Limited	33.33/100	
	M47/342	Legend Mining Limited	33.33/100	
	M47/343	Legend Mining Limited	33.33/100	
	E47/587	Legend Mining Limited	33.33/100	
	M47/414*	Legend Mining Limited	33.33/100	
	M47/415*	Legend Mining Limited	33.33/100	
Carlow Castle	E47/562	Legend Mining Limited	100/100	
	M47/409*	Legend Mining Limited	100/100	
	E47/932	Legend Mining Limited	100/100	
	E47/957*	Legend Mining Limited	100/100	
	E47/967*	Legend Mining Limited	100/100	
	P47/944	Legend Mining Limited	100/100	
	P47/945	Legend Mining Limited	100/100	
	M47/409*	Legend Mining Limited	100/100	
	M47/417*	Legend Mining Limited	100/100	
	M47/490*	Legend Mining Limited	100/100	
	M47/491*	Legend Mining Limited	100/100	
	Bradley Well	E47/1049*	Legend Mining Limited	100/100
		Mount Marie	E47/1150*	Legend Mining Limited
P47/1112*	Legend Mining Limited		100/100	
P47/1113*	Legend Mining Limited		100/100	
Mount Sholl	E47/966*	Legend Mining Limited	100/100	
	Twin Table Hills	M47/462*	Legend Mining Limited	100/100
M47/463*		Legend Mining Limited	100/100	
M7/493*		Legend Mining Limited	100/100	
M47/494*		Legend Mining Limited	100/100	
Radio Hill	E47/567	Legend Mining Limited	100/100	
	E47/1048*	Legend Mining Limited	100/100	
	M47/457*	Legend Mining Limited	100/100	
	M47/466*	Legend Mining Limited	100/100	
Emerald	E30/118	Legend Mining Limited	91/100	

The information on exploration results and Mineral Resources contained in this report is based on information compiled by consulting geologists Mr Ian Cowden FAusIMM, CPGeo, MAIG and Mr Frans Voermans FAusIMM, CPGeo, MAIG. Each has appropriate relevant experience to be considered as a Competent Person as defined in the JORC Code 1999. Mr Cowden, and Mr Voermans consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 January 2001 to 31 December 2001. These practices are dealt with under the following headlines: Board of Directors, Business Risks, Ethical Standards and Directors Dealings in Company Shares.

1. BOARD OF DIRECTORS

The board is responsible for the overall Corporate Governance of Legend Mining Limited (“the Company”) including the strategic direction, establishing goals for management and monitoring the achievement of these goals. Due to the size of the board, issues of nomination and remuneration of directors and business risk management are considered by the full board. The board has established a framework for the management of the Company including an overall framework of internal control, a business risk management process and the establishment of appropriate ethical standards.

Composition of Board

The directors of the Company in office at the date of this statement are:

Name	Position	Expertise
A K R Watson	Chairman	Banking & Finance
M V McDonald	Managing Director	Management
I D Cowden	Executive Director	Exploration and Mining

The composition of the board is determined using the following principles:

- The board comprises 3 directors and may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.
- The board should comprise directors with a broad range of expertise.

The board reviews its composition on an annual basis to ensure that the board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the board would benefit from the services of a new director with particular skills, the board selects a panel of candidates with the appropriate expertise and experience. Potential candidates are identified by the board with advice from an external consultant, if necessary. The board then appoints the most suitable candidate who must stand for election at the general meeting of shareholders.

The terms and conditions of the appointment and retirement of directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all directors is reviewed by the chairman each year. Directors whose performance is unsatisfactory will be requested to retire.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the chairman is required, which will not be unreasonably withheld.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T

1. BOARD OF DIRECTORS cont'd...

Remuneration

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

Further details of directors' remuneration, superannuation and retirement payments are set out in the notes to the financial statements.

Audit

Being a small Company with three directors the board has not established a separate audit committee, however, the external auditor has full access to the board throughout the year.

The responsibilities of the board ordinarily include:

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission, Australian Stock Exchange and financial institutions;
- improving the quality of the accounting function;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management; and
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The board reviews the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the board.

2. BUSINESS RISKS

Significant areas of concern are discussed at board level. When appropriate, experts are invited to address board meetings on the major risks facing the consolidated entity and to develop strategies to mitigate those risks.

3. ETHICAL STANDARDS

The board subscribes to the statement of Ethical Standards as published by the Institute of Company Directors.

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

4. DIRECTORS DEALINGS IN COMPANY SHARES

Directors must notify the Australian Stock Exchange Limited of any acquisition or disposal of shares by lodgement of a notice of directors interests. Board policy is to prohibit directors from dealing in company shares whilst in possession of price sensitive information.

DIRECTORS' REPORT

The board of directors of Legend Mining Limited ("the Company") have pleasure in submitting their report together with the consolidated financial report for the year ended 31 December 2001, and auditors report thereon.

1. DIRECTORS

(a) The directors of the Company in office at any time during or since the financial year are:

Albert Kevin Robert Watson

Mr Watson has extensive experience in the commercial and banking and finance industries. He was employed at ANZ for 43 years and during that time held various senior executive positions including State Manager, WA and Assistant General Manager, SA and WA. Mr Watson is also closely affiliated with the Chamber of Commerce and Industry of WA of which he is a past President. In later years, he has been involved extensively in the resources industry and is currently a director of Pan Pacific Petroleum NL and New Zealand Oil and Gas Limited. Mr Watson was appointed in 1995.

Murray Vincent McDonald

Mr McDonald is a Certified Practising Accountant who has, over his last 22 years, participated in the management of a number of companies in the mining industry. Mr McDonald's expertise ranges from operational management of mining projects to resource project funding and implementation. He is a member of the Taxation Institute of Australia, an affiliate member of the Australasian Institute of Mining and Metallurgy and an affiliate member of the Securities Institute of Australia. He is the founder of Legend Mining Limited. Director since 1995.

Ian David Cowden

Appointed 18 July 2000, Mr Cowden (FAusIMM CPGeo MAIG) is a consulting geologist who has had over 29 years experience in the exploration and mining industry worldwide. He had held executive and senior positions in junior explorers and major international mining companies, with emphasis on feasibility studies and successful development and mining of a range of commodities including gold and silver.

(b) At the date of this report, the direct interests of the directors in the shares and other equity securities of the Company and related bodies corporate were:

Name	Shares	Listed Options
A K R Watson	-	-
M V McDonald	7,525,001	-
I D Cowden	-	-

(c) No director has an interest, whether directly or indirectly, in a contract or proposed contract with the Company, other than as disclosed in note 21.

D I R E C T O R S ' R E P O R T

2. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were mineral exploration and mining of silver.

There were no other significant changes in the nature of the consolidated entity's principal activities during the financial year.

3. OPERATING RESULTS

The consolidated loss of the consolidated entity after providing for income tax amounted to \$969,305 (2000: \$931,157).

4. DIVIDENDS PAID OR RECOMMENDED

No amounts have been paid or declared as dividends during the course of the financial year.

5. REVIEW OF OPERATIONS

The details of the consolidated entity's exploration and mining activities during the year are included within the Review of Activities as set out on pages 5 to 12.

6. STATE OF AFFAIRS

The state of affairs of the consolidated entity was not affected by any significant changes during the financial year other than:

- On 30 August 2001, it completed a capital raising of \$1,015,000 through a convertible note issue. The funds were applied to continued exploration activities in the Munki Munki joint venture with East Coast Minerals NL.

7. AFTER BALANCE DATE EVENTS

- (a) On 18 October 2001, the company along with East Coast Minerals NL entered into an agreement with MKS Capital Limited for the sale of the Elizabeth Hill Tailings Dam. The company's share of the proceeds was \$930,000. At balance date \$630,000 remained owing to the company. \$300,000 was received on 28 February 2002 with the balance of \$330,000 due by 30 March 2002. The financial effect of the post balance date receipts has not been brought to account at balance date.
- (b) On 12 March 2002, Directors of the company resolved to issue a prospectus to existing share and option holders whereby all shareholders will receive one new option for every two shares held in the company and one new option for every two options held in the company. The financial effect of this transaction has not been brought to account at balance date.

8. ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT

9. FUTURE DEVELOPMENTS

Likely developments in the operations of the consolidated entity, and expected results of those operations in subsequent financial years have been discussed, where appropriate, in the Chairman's Report on page 3 and Review of Activities set out on pages 5 to 12.

10. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 31 December 2001 and the numbers of meetings attended by each director.

	No of Meetings Attended	No of Meetings held whilst a Director
Number of meetings attended by:		
Albert Kevin Robert Watson	6	6
Murray McDonald	6	6
Ian David Cowden	6	6

The Company does not have a formally appointed audit committee as all directors are involved in all activities of the Company and the size and scope of operations does not warrant its formation.

11. DIRECTORS' BENEFITS

Directors' benefits are set out in notes 20 and 21 of the financial report.

12. SHARE OPTIONS

The details of the options on issue by the Company are disclosed in note 19 to the financial report.

13. INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

DIRECTORS' REPORT

14. DIRECTORS AND EXECUTIVES EMOLUMENTS

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the named officers (who total less than 5) receiving the highest emolument are:

Director	Base Emoluments	Superannuation	Total
	\$	\$	\$
Mr A K Watson	25,000	2,000	27,000
Mr M McDonald	138,000	11,040	149,040
Mr I D Cowden	20,000	-	20,000
Officer			
Mr R G Ledger	16,810	-	16,810

This report is made in accordance with a resolution of the directors.

Dated at Perth this 11th day of April 2002.



M V McDonald
MANAGING DIRECTOR

**Statement of Financial Performance
for the year ended 31 December 2001**

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
Revenue from ordinary activities	2	1,241,217	2,900,842	1,241,217	2,900,842
Raw materials and consumables used		(837,727)	(1,199,695)	(837,727)	(1,199,695)
Employee benefits expense		(95,968)	(255,998)	(95,968)	(255,998)
Depreciation and amortisation expense	3(a)	(31,951)	(1,790,963)	(31,951)	(1,790,963)
Administration expenses		(636,749)	(497,260)	(636,749)	(496,272)
Borrowing costs expense	3(a)	(5,897)	-	(5,897)	-
Other expenses from ordinary activities	3	(602,230)	(88,083)	(602,230)	(88,083)
Profit/(Loss) from ordinary activities before income tax expense		(969,305)	(931,157)	(969,305)	(930,169)
Income tax expense relating to ordinary activities		-	-	-	-
Net loss		(969,305)	(931,157)	(969,305)	(930,169)
Total changes in equity other than those resulting from transactions with owners as owners		(969,305)	(931,157)	(969,305)	(930,169)

The accompanying notes form part of these financial statements

**Statements of Financial Position
as at 31 December 2001**

		Consolidated		Company	
	Note	2001 \$	2000 \$	2001 \$	2000 \$
CURRENT ASSETS					
Cash	7	247,086	685,741	246,986	685,641
Receivables	8	635,140	409,107	635,140	409,107
Inventory	9	-	644,063	-	644,063
TOTAL CURRENT ASSETS		882,226	1,738,911	882,126	1,738,811
NON-CURRENT ASSETS					
Other financial assets	10	15,530	67,148	15,530	67,148
Plant and equipment	11	175,546	138,621	170,312	133,387
Exploration, evaluation & development expenditure	12	1,601,192	772,072	1,601,192	772,072
TOTAL NON-CURRENT ASSETS		1,792,268	977,841	1,787,034	972,607
TOTAL ASSETS		2,674,494	2,716,752	2,669,160	2,711,418
CURRENT LIABILITIES					
Payables	13	157,767	183,164	157,767	183,164
Interest bearing liabilities	14	5,865	290,370	5,865	290,370
Provisions	15	5,307	127,982	5,307	127,982
TOTAL CURRENT LIABILITIES		168,939	601,516	168,939	601,516
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	34,625	-	34,625	-
TOTAL LIABILITIES		203,564	601,516	203,564	601,516
NET ASSETS		2,470,930	2,115,236	2,465,596	2,109,902
EQUITY					
Contributed equity	16	6,736,415	5,411,416	6,736,415	5,411,416
Reserves	17	902,601	902,601	902,601	902,601
Accumulated losses	18	(5,168,086)	(4,198,781)	(5,173,420)	(4,204,115)
		2,470,930	2,115,236	2,465,596	2,109,902

The accompanying notes form part of these financial statements

**Statements of Cash Flows
for the year ended 31 December 2001**

Consolidated	Note	Company 2001 \$	2000 \$	2001 \$	2000 \$
Cash flows from operating activities					
Receipts from operations		544,943	2,478,036	544,943	2,478,036
Payments to suppliers and employees		(1,372,192)	(2,158,235)	(1,372,192)	(2,158,235)
Interest received		16,344	24,146	16,344	24,146
Interest paid & borrowing costs		(19,017)	(1,495)	(19,017)	(1,495)
Net cash provided by/(used in) operating activities	22 (ii)	(829,922)	342,452	(829,922)	342,452
Cash flows from investing activities					
Payments for exploration, evaluation & development activities		(79,120)	(324,532)	(79,120)	(324,532)
Payments for property, plant & equipment		(22,335)	(40,735)	(22,335)	(40,735)
Payment to joint venture partner		(750,000)	-	(750,000)	-
Proceeds from sale of investments		39,197	127,534	39,197	127,534
Proceeds from sale of headframe		33,000	-	33,000	-
Payment for investments		(4,475)	-	(4,475)	-
Net cash (used in) investing activities		(783,733)	(237,733)	(783,733)	(237,733)
Cash flows from financing activities					
Proceeds from issue of shares & options		1,175,000	461,687	1,175,000	461,687
Net cash provided by financing activities		1,175,000	461,687	1,175,000	461,687
Net increase/(decrease) in cash held		(438,655)	566,406	(438,655)	566,406
Cash at the beginning of the financial year		685,741	119,335	685,641	119,235
Cash at the end of the financial year	22 (i)	247,086	685,741	246,986	685,641

The accompanying notes form part of these financial statements

**Notes to the Financial Statements
for the year ended 31 December 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Legend Mining Limited and its controlled entity, and Legend Mining Limited as an individual parent entity. Legend Mining Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

(b) Going Concern

The consolidated entity has incurred a loss during the year of \$969,305, net cash used in operating activities was \$829,922 and had a working capital surplus, as at 31 December 2001, of \$713,287. The accounts have been prepared on the going concern basis which contemplates the establishment of profitable operations (principally from its Munni Munni tailings operations) and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons cash flow forecasts of the consolidated entity for the forthcoming year given the following factors:

- revenues expected from successful sale of the tailings dam at Munni Munni; and
- continued effort by the Directors and management on cost containment in an effort to reduce cash used in operating activities and improve profitability.

(c) Valuation of Non-Current Assets

The carrying amounts of all non-current assets, except for exploration evaluation and development expenditure (refer note 1(d)), are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current assets exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(d) Exploration, evaluation and development expenditure

The Company's policy with respect to exploration expenditure is to use the "area of interest" method. Under this method, expenditure is carried forward on the following basis:-

- (i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or to write off exploration and evaluation costs.
- (ii) Exploration and evaluation costs related to an area of interest are written off as incurred, except costs are carried forward provided the rights to tenure of the area are current and provided that one of the following conditions is met:
 - such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area are continuing.

**Notes to the Financial Statements
for the year ended 31 December 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd...

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

Amortisation is not charged on costs carried forward in respect of areas of interest in development phase until production reaches commercial levels. When commercial production commences carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

(e) Taxation

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences. However the directors consider it prudent not to recognise the future income tax benefits for tax losses and accordingly tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(f) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cashflows which will be received from the assets employment and the subsequent disposal. The expected net cashflows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for plant and equipment is between 10% and 40%.

(g) Investments

(i) *Investments in Shares* - Investments in listed shares are carried at cost. Gains and losses are included in the loss from ordinary activities before income tax. Dividends are brought to account as they are received.

(ii) *Controlled Entities* - Investment in the controlled entity is carried at cost. Dividends and distributions are brought to account in the statement of financial performance when they are declared by the controlled entity.

(iii) *Joint Venture* - The Consolidated Entity's interest in an unincorporated joint venture is brought to account by including its interest in the following amount in the appropriate categories in the statement of financial position and statement of financial performance:

- each of the individual assets employed by the Joint Venture;
- liabilities incurred by the consolidated entity in relation to the Joint Venture and liabilities for which it is jointly and/or severally liable; and
- expenses incurred in relation to the Joint Venture.

**Notes to the Financial Statements
for the year ended 31 December 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Share Issue Expenses

Share issue expenses incurred by the Company are offset against share capital.

(i) Earnings per share

(i) Basic Earnings per share

Basic earnings per share is determined by dividing the loss from ordinary activities after income tax by the weighted average number of ordinary shares outstanding during the financial period.

(ii) Diluted Earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

(j) Rehabilitation and restoration costs

Provisions are made for mine site rehabilitation and restoration on an incremental basis during the course of mine life (which includes the mine closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

(k) Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(l) Principles of consolidation

A controlled entity is any entity controlled by Legend Mining Limited. Control exists where Legend Mining Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Legend Mining Limited to achieve the objectives of Legend Mining Limited.

(m) Receivables

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(n) Revenue Recognition

Sales revenue comprises revenue earned from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the control of goods passes to the customer. Other income is recognised as it accrues.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

**Notes to the Financial Statements
for the year ended 31 December 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Inventory

Inventory is valued at the lower of cost and net realisable value. Cost is allocated on an average basis and includes fixed and variable overhead costs directly related to mining activities.

(p) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 60 days.

(q) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss statement in the financial year in which the exchange rates change.

(r) Comparative figures

Comparative figures are for the financial year ended 31 December 2000. The comparative figures for prior years are amended where appropriate to reflect any change in classification in the current year.

(s) Reclassification of Financial information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 January 2001 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing accumulated losses from the face of the statement of financial performance to Note 18.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position.

* Interest bearing liabilities, previously described as borrowings; and

* Other financial assets, previously described as investments.

(t) Change in Accounting Policy

The Company has applied AASB 1041 Revaluation of Non-Current Assets for the first time from 1 January 2001. The standards required each class of non-current assets to be measured on either the cost or fair value basis. The Company has applied AASB 1041 as follows:

Plant and Equipment

The Company has continued to use the cost basis of valuation.

Other Financial Assets

The Company has continued to use the cost basis of valuation.

**Notes to the Financial Statements
for the year ended 31 December 2001**

	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
2. REVENUE				
Operating activities:				
Sales of ore	222,676	2,749,162	222,676	2,749,162
Sale of tailings dam	930,000	-	930,000	-
Sale of head frame	33,000	-	33,000	-
Interest received	16,344	24,146	16,344	24,146
Non-operating activities:				
Proceeds on sale of investment	2,763	-	2,763	-
Proceeds from sale of shares	36,434	127,534	36,434	127,534
	1,241,217	2,900,842	1,241,217	2,900,842

3. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax expense has been determined after:

(a) Expense:

Interest expense	13,121	1,495	13,121	1,495
Amortisation of exploration expenditure	-	1,746,116	-	1,746,116
Depreciation - plant and equipment	31,951	44,847	31,951	44,847
Borrowing costs	5,897	-	5,897	-
	50,969	1,792,458	50,969	1,792,458

(b) Revenue and Net Gains

Net gain on disposal of tailings dam	405,135	-	405,135	-
Net gain on disposal of investments	288	40,946	288	40,946

4. EARNINGS PER SHARE

Basic loss per share (cents)	(2.76)	(2.83)	(2.76)	(2.82)
	2001	2000	2001	2000
	Number	Number	Number	Number

Weighted average number of shares on issue during the financial year used in the calculation of basic earnings/(loss) per share

35,108,824	32,954,032	35,108,824	32,954,032
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Diluted earnings/(loss) per share

Options on issue at 31 December 2001 are not considered dilutive as they are "out-of-the money". Consequently diluted EPS has not been calculated.

**Notes to the Financial Statements
for the year ended 31 December 2001**

	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$

5. INCOME TAX

(a) The prima facie income tax benefit on the loss from ordinary activities reconciles to the income tax expense in the accounts as follows:

Loss from ordinary activities	(969,305)	(931,157)	969,305	(930,169)
Income tax benefit calculated at 30% (2000: 34%) of the operating loss	(290,791)	(316,593)	(290,791)	(316,257)
Add/(less) tax effect of permanent difference:				
Non-deductible expenditure	90,389	8,156	90,389	8,156
Tax losses not brought to account as future income tax benefits	200,402	308,437	200,402	308,101
Income tax benefit attributed to operating loss	-	-	-	-

(b) Future income tax benefits not brought to account

The potential future income tax benefits arising from tax losses and timing differences have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt:

Tax losses carried forward @ 30%	597,844	397,442	532,548	332,146
Timing differences @ 30%	28,981	65,784	28,981	65,784
	626,825	463,226	561,529	397,930

The potential future income tax benefit will only be obtained if:

- (i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction to be realised;
- (ii) The consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) There are no changes in tax legislation adversely affecting the consolidated entity in realising the benefit from deductions.

**Notes to the Financial Statements
for the year ended 31 December 2001**

	Consolidated		Company	
Note	2001	2000	2001	2000
	\$	\$	\$	\$
6. SEGMENT INFORMATION				
The Company operates in one industry segment being mineral exploration and production, and in one geographical segment being Australia.				
7. CASH				
Cash on hand	200	200	100	100
Deposits - at call	246,886	685,541	246,886	685,541
	247,086	685,741	246,986	685,641
8. RECEIVABLES				
Current				
Trade Debtors	691,963	463,857	691,963	463,857
Less provision for doubtful debts	(60,351)	(54,750)	(60,351)	(54,750)
GST Receivable	3,528	-	3,528	-
	635,140	409,107	635,140	409,107
9. INVENTORY				
Current				
Concentrate stock - at net realisable value	-	119,198	-	119,198
Tailings stockpile - at net realisable value	-	524,865	-	524,865
	-	644,063	-	644,063
10. OTHER FINANCIAL ASSETS				
Non-current				
Shares in controlled entity	-	-	-	-
Shares in listed companies				
- at cost	7,000	67,148	7,000	67,148
- at recoverable amount	8,530	-	8,530	-
	15,530	67,148	15,530	67,148
No capital gains tax would be payable if the shares in listed companies were sold at balance date.				
11. PLANT AND EQUIPMENT				
Plant and equipment - at cost	314,078	245,202	289,675	220,799
Less accumulated depreciation	(138,532)	(106,581)	(119,363)	(87,412)
Total plant and equipment	175,546	138,621	170,312	133,387

**Notes to the Financial Statements
for the year ended 31 December 2001**

11. PLANT AND EQUIPMENT(cont'd)

(a) Movements in carrying value

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment \$	Total \$
Consolidated		
Balance at the beginning of year	138,621	138,621
Additions	68,876	68,876
Depreciation Expense	(31,951)	(31,951)
Carrying amount at end of year	175,546	175,546
Company		
Balance at the beginning of year	133,387	133,387
Additions	68,876	68,876
Depreciation Expense	(31,951)	(31,951)
Carrying amount at end of year	170,312	170,312

**12. EXPLORATION, EVALUATION &
DEVELOPMENT EXPENDITURE**

	Consolidated		Company	
	2001	2000	2001	2000
Note	\$	\$	\$	\$
Non-current				
Costs carried forward in respect of areas of interest				
Expenditure brought forward	772,072	2,243,493	772,072	2,243,493
Expenditure incurred during the year	829,120	307,026	829,120	307,026
Amortisation charged	-	(1,746,116)	-	(1,746,116)
Expenditure written off during the year	-	(32,331)	-	(32,331)
	1,601,192	772,072	1,601,192	772,072

The Munni Munni silver mine was on care and maintenance as at balance date. Balance carried forward represents projects in exploration & evaluation phase. The recoverability of exploration and evaluation expenditure carried forward is dependent upon the establishment of economic operations in the respective areas to which exploration and evaluation relates, or the future sale of the tenements for a consideration sufficient to cover their carrying value.

13. PAYABLES

Current - unsecured

Trade creditors	91,806	172,664	91,806	172,664
Other creditors	65,961	10,500	65,961	10,500
	157,767	183,164	157,767	183,164

**Notes to the Financial Statements
for the year ended 31 December 2001**

Note	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$
14. INTEREST BEARING LIABILITIES				
Current				
Overseas bills purchased (secured)	-	290,370	-	290,370
Hire purchase liability (secured)	5,865	-	5,865	-
	5,865	290,370	5,865	290,370
Non-current				
Hire purchase liability (secured)	34,625	-	34,625	-
15. PROVISIONS				
Current				
Employee entitlements	5,307	27,982	5,307	27,982
Rehabilitation	-	100,000	-	100,000
	5,307	127,982	5,307	127,982
16. CONTRIBUTED EQUITY				
41,734,665 fully paid ordinary shares (2000: 32,968,005)	6,736,415	5,411,416	6,736,415	5,411,416
Balance at the beginning of the reporting period	5,411,416	5,377,416	5,411,416	5,377,416
Shares issued				
- 1,000,000 (2000: Nil) shares issued for cash and professional services on 13 September 2001	150,000	-	150,000	-
- Nil shares (2000: 170,000 shares) issued from the exercise of options	-	34,000	-	34,000
- 1,000,000 (2000: Nil) shares issued on 18 September 2001	160,000	-	160,000	-
-6,766,660 (2000: Nil) shares issued on 8 October 2001	1,014,999	-	1,014,999	-
	6,736,415	5,411,416	6,736,415	5,411,416
17. RESERVES				
Option premium reserve	902,601	902,601	902,601	902,601
The option premium reserve records funds received on the issue of options.				
18. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(4,198,781)	(3,267,624)	(4,204,115)	(3,273,946)
Net loss attributable to members of the company	(969,305)	(931,157)	(969,305)	(930,169)
Accumulated losses at the end of the financial year	(5,168,086)	(4,198,781)	(5,173,420)	(4,204,115)

**Notes to the Financial Statements
for the year ended 31 December 2001**

19. OPTIONS

The Company had on issue at 31 December 2001 options over fully paid ordinary shares as follows:

Number of options	Expiry date	Exercise date	Exercise price
30,643,750 (listed)	31/03/02	Any time prior to expiry	20 cents
2,350,000 (unlisted)	01/06/06	Any time prior to expiry	22 cents

These options do not entitle the holder to participate in any share issue of any other corporation.

Consolidated		Company	
2001	2000	2001	2000
\$	\$	\$	\$

20(a) REMUNERATION OF DIRECTORS

Income paid or payable or otherwise made available to all directors of each entity in the economic entity by the Company or any related party.

196,040	201,700	196,040	201,700
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The number of directors whose income from the Company or related parties was within the following bands:

	Number		Number	
	2001	2000	2001	2000
\$0 - \$9,999	-	2	-	2
\$20,000 - \$29,999	2	1	2	1
\$140,000 - \$149,999	1	-	1	-
\$160,000 - \$169,999	-	1	-	1

20(b) REMUNERATION OF EXECUTIVES

The number of executive officers including executive directors of the Company whose remuneration falls within the following bands:

\$140,000 - \$149,999	1	-	1	-
\$160,000-\$169,999	-	1	-	1

Total remuneration received, or due and receivable by executive officers of the Company and economic entity from any entity and any related party for the management of the affairs of the company and its subsidiaries whose income is \$100,000 or more

\$149,040	\$162,300	\$149,040	\$162,300
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Notes to the Financial Statements
for the year ended 31 December 2001

21. RELATED PARTIES

(a) The names of persons who were directors of the Company at any time during the financial year are as follows:

Albert K R Watson
Murray V McDonald
Ian D Cowden

(b) Information on the remuneration of directors is set out in note 20.

(c) Related party transactions

Mr I D Cowden and Iana Pty Ltd (a company controlled by Mr Cowden) received fees for the provision of geological services to the company during the year. The aggregate amount charged for such services and expenses was \$113,286 (2000 \$31,774) which has not been included in remuneration of directors at note 20(a).

(d) All amounts referred to in note (c) were charged at normal commercial rates.

(e) Directors holdings of shares and share options.

The interests of directors and their director related entities in shares and share options of Legend Mining Limited at year end are set out below:

	2001	2000
	Number Held	Number Held
Ordinary Shares	7,525,001	7,525,001
Options over ordinary shares (listed)	6,835,122	3,366,667
Options over ordinary shares (unlisted)	1,250,000	-

(f) Transactions of directors and director-related entities concerning shares or share options.

During the year directors and director related entities disposed of Nil ordinary shares of Legend Mining Limited. 1,250,000 unlisted options were issued to director related entities during the year. The options have an exercise price of 22 cents each, and expire on 1 June 2006.

**Notes to the Financial Statements
for the year ended 31 December 2001**

22. NOTES TO STATEMENTS OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
Cash on hand	7	200	200	100	100
Deposits - at call	7	246,886	685,541	246,886	685,541
		<u>247,086</u>	<u>685,741</u>	<u>246,986</u>	<u>685,641</u>

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

Operating loss after abnormals and income tax	(969,305)	(931,157)	(969,305)	(930,169)
Add (less) non cash items:				
Amortisation	-	1,746,116	-	1,746,116
Depreciation	31,951	44,847	31,951	44,847
Exploration expenditure written off	-	32,331	-	32,331
Movement in provision for annual leave	(22,675)	18,690	(22,675)	18,690
Shares issued for professional services				
Provision for rehabilitation	150,000	-	150,000	-
	(100,000)	100,000	(100,000)	100,000
Provision for doubtful debts	5,601	-	5,601	-
Provision for diminution	17,184	-	17,184	-
	<u>(887,244)</u>	<u>1,010,827</u>	<u>(887,244)</u>	<u>1,011,815</u>
Change in assets & liabilities:				
(Increase) in receivables	(226,033)	(247,409)	(226,033)	(247,815)
Decrease (Increase) in inventory	644,063	(513,263)	644,063	(513,263)
(Decrease)/Increase in payables and borrowings	(360,708)	92,387	(360,708)	91,715
Net Cash provided/(Used) in Operating Activities	<u>(829,922)</u>	<u>342,542</u>	<u>(829,922)</u>	<u>342,452</u>

(iii) Financing facilities.

Refer Note 23.

**Notes to the Financial Statements
for the year ended 31 December 2001**

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
23. FINANCING ARRANGEMENTS					
The consolidated entity has access to the following lines of credit:					
Total facilities					
Overseas bills purchased facility		63,000	500,000	-	500,000
Performance Bond/Bank Guarantee		63,000	-	63,000	-
			500,000	63,000	500,000
Facilities utilised:					
Overseas bills purchased facility		-	290,370	-	290,370
Performance Bond/Bank Guarantee		-	-	-	-
		-	290,370	-	290,370
Facilities available:					
Overseas bill purchased facility		-	209,630	-	209,630
Performance Bond/Bank Guarantee		63,000	-	63,000	-
		63,000	209,630	63,000	209,630

Overseas Bills Purchase Facility
Interest on this facility is charged at prevailing market rates plus 3.50%.

24. COMMITMENTS FOR EXPENDITURE

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the company will be required to outlay in 2002 amounts of approximately \$141,040 (2000: \$105,560) in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Minerals and Energy. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

(b) Mining plant rental commitments

The company and its joint venture partner, East Coast Minerals NL ("the rentors") have entered into a rental agreement for the rental of mining plant for their Munni Munni operations for a period of not less than 12 months. In the next 12 months the company's share of rental commitment is to a maximum of \$36,000. Under the terms of the agreement, the company has the right at any time, to terminate the rental agreement without notice and without assigning a reason provided that the rentors pay the owner of the mining plant \$30,000 in satisfaction of all obligations and liabilities of the rentors to the owner.

**Notes to the Financial Statements
for the year ended 31 December 2001**

	Note	Consolidated		Company	
		2001	2000	2001	2000
		\$	\$	\$	\$
25. AMOUNTS RECEIVABLE IN FOREIGN CURRENCIES					
The Australian dollar equivalents of unhedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:					
<i>United States dollars</i>					
Amounts receivable:					
Current		-	403,507	-	403,507
Amount payable:					
Current		-	(290,370)	-	(290,370)

26. INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2001	Interest Held 2000
Arbotech Pty Ltd	Ordinary	100%	100%

Grant Thornton has not acted as auditor for Arbotech Pty Ltd. The company has effectively been dormant during the year. The company was incorporated in Australia.

Notes to the Financial Statements
for the year ended 31 December 2001

27. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2000	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non- Interest Bearing	Total
Financial assets:					
Cash	4.60%	685,541	-	200	685,741
Receivables		-	-	409,107	409,107
Other Financial Assets		-	-	67,148	67,148
		685,541	-	476,455	1,161,996
Financial liabilities:					
Payables					
Interest bearing liabilities	10.5%	290,370	-	-	290,370
		290,370	-	183,164	473,534
2001					
Financial assets:					
Cash	3.5%	246,886	-	200	247,086
Other Financial Assets		-	-	15,530	15,530
Receivables		-	-	635,140	635,140
		246,886	-	650,870	897,756
Financial liabilities:					
Payables		-	-	157,767	157,767
Interest bearing liabilities	7.2%	-	40,490	-	40,490
		-	40,490	157,767	198,257

(b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-Statement of Financial Position Financial Instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity sells its silver principally to two customers, one based in Australia and the other in South Africa. The consolidated entity does not consider this to be significant concentration of credit risk. Concentrations of credit risk on trade debtors due from customers are: Mining - 100% (2000: 100%)

**Notes to the Financial Statements
for the year ended 31 December 2001**

27. FINANCIAL INSTRUMENTS DISCLOSURE cont'd

(c) Net Fair Value of Financial Assets and Liabilities

On-Statement of Financial Position Financial Instruments

The company's financial assets and liabilities as disclosed in the statement of financial position are carried at amounts that approximate their net fair value.

Following are the carrying amounts and estimated net fair values of the consolidated entity's non-current financial instruments as at the reporting date. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing partners.

	2001 Carrying Amount \$	2001 Net Fair Value \$	2000 Carrying Amount \$	2000 Net Fair Value \$
Investments in listed corporations	15,530	15,530	67,148	157,009

28. INTEREST IN JOINT VENTURE OPERATIONS

Legend Mining Limited has an interest in the following joint venture arrangements:

Joint Venture	Project	Activity	2001 Interest	2000 Interest
Munni Munni Joint Venture	Elizabeth Hill	Silver Exploration	33.33%	30%
Titan Resources NL	Radio Hill West	Nickel Exploration	100%	40%
Emerald Joint Venture	Mt Ida Greenstone Belt	Nickel/Gold Exploration	91%	69%

Included in the assets of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interests in the assets employed in the joint ventures.

	Consolidated		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Current Assets				
Inventory	-	644,063	-	644,063
Non-current Assets				
Plant and equipment – net book value	80,055	138,621	75,867	133,387
Exploration, evaluation and development expenditure	-	103,189	-	103,189
Total assets	80,055	885,873	75,867	880,639

**Notes to the Financial Statements
for the year ended 31 December 2001**

28. INTEREST IN JOINT VENTURE OPERATIONS (cont'd)

For the year ended 31 December 2001 the contribution of the Munni Munni Joint Venture to the operating loss of the Company and the consolidated entity was operating expenses of \$500,000 (2000: \$1,276,618) and for Emerald Joint Venture a loss of \$Nil (2000: loss \$3,576).

29. SIGNIFICANT EVENTS AFTER BALANCE DATE

(a) On 18 October 2001, the company along with East Coast Minerals NL entered into an agreement with MKS Capital Limited for the purchase of the Elizabeth Hill Tailings Dam. The company's share of the proceeds was \$930,000. At balance date \$630,000 remained owing to the company. \$300,000 was received on 28 February 2002 with the balance of \$330,000 due by 30 March 2002. The financial effect of the post balance date receipts has not been brought to account at balance date.

(b) On 12 March 2002, Directors of the company resolved to issue a prospectus to existing share and option holders whereby all shareholders will receive one new option for every two shares held in the company and one new option for every two options held in the company. The financial effect of this transaction has not been brought to account at balance date.

	Consolidated		Company	
	2001	2000	2001	2000
	\$	\$	\$	\$

30. AUDITORS REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	10,000	20,000	10,000	20,000
- other services	1,000	-	1,000	-

DIRECTORS' DECLARATION

1. In the opinion of the directors of Legend Mining Limited:
 - (a) the financial statements and notes, set out on pages 19 to 38, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the Board of Directors.



M V McDonald
DIRECTOR

Dated 11th April 2002

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
LEGEND MINING NL

Grant Thornton 

Scope

We have audited the financial report of Legend Mining Limited and its controlled entity for the financial year ended 31 December 2001, comprising Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to the Financial Statements and Directors' Declaration.

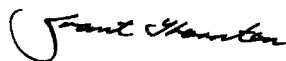
The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Audit Opinion

In our opinion, the financial report of Legend Mining Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 December 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Grant Thornton
Chartered Accountants



Greg LeGuier
Partner

Perth, WA
Dated: 27 March 2002

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LEGEND MINING LIMITED

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