

## PROSPECTUS

### LEGEND INTERNATIONAL HOLDINGS, INC

#### 42,840,000 SHARES OF COMMON STOCK

This prospectus relates to the sale of up to 42,000,000 shares of Legend's Common Stock by certain persons who are stockholders of Legend. Please refer to "Selling Stockholders" beginning on page 13.

We are also registering 840,000 shares of Common Stock that are issuable upon exercise of outstanding warrants at an exercise price of US\$2.50 per share.

Legend is not selling any shares of Common Stock in this offering and therefore will not receive any proceeds from this offering. Legend will however receive proceeds from the sale of Common Stock upon exercise of the warrants. All costs associated with this registration will be borne by Legend.

The shares of Common Stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board during the term of this offering. On September 12, 2008, the last reported sale price of our Common Stock was \$0.90 per share. Our Common Stock is quoted on the Over-the-Counter Bulletin Board under the symbol "LGDI." These prices will fluctuate based on the demand for the shares of Common Stock.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under the applicable state law or that an exemption from registration is available.

These securities are speculative and involve a high degree of risk.

Please refer to "Risk Factors" beginning on page 9.

No other underwriter or person has been engaged to facilitate the sale of shares of Common Stock in this offering. This offering will terminate 24 months after the accompanying registration statement is declared effective by the Securities and Exchange Commission. None of the proceeds from the sale of stock by the selling stockholders will be placed in escrow, trust or any similar account.

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY HAVE THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is September 30, 2008.

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We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor the sale of shares of Common Stock means that information contained in this prospectus is correct after the dates of this prospectus. This prospectus is not an offer to sell or a solicitation of an offer to buy these shares of Common Stock in any circumstances under which the offer or solicitation is unlawful.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains numerous forward-looking statements relating to our business. Such forward-looking statements are identified by the use of words such as believes, intends, expects, hopes, may, should, plan, projected, contemplates, anticipates or similar words. Actual production, operating schedules, results of operations, ore reserve and mineral deposit estimates and other projections and estimates could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include:

- The risk factors set forth herein,
- The possibility that the phosphates we find are not commercially economical to mine,
- The possibility that we do not find diamonds or that the diamonds we find are not commercially economical to mine,
- The risks and hazards inherent in the mining business (including environmental hazards, industrial accidents, weather or geologically related conditions),
- Changes in the market price of phosphate, base metals and diamonds,
- The uncertainties inherent in our production, exploratory and developmental activities, including risks relating to permitting and regulatory delays,
- The uncertainties inherent in the estimation of ore reserves,
- The effects of environmental and other governmental regulations, and
- Uncertainty as to whether financing will be available to enable further exploration and mining operations.

Investors are cautioned not to put undue reliance on forward-looking statements. We disclaim any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

## PROSPECTUS SUMMARY

This summary is not complete and does not contain all of the information that you should consider before investing in our Common Stock. This summary highlights selected information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the more detailed information regarding our company, the risks of purchasing our Common Stock discussed under “Risk Factors”, and our financial statements and the accompanying notes, before making an investment decision.

### **Our Business**

#### ***General***

Our name is Legend International Holdings, Inc. and we sometimes refer to ourselves in this Prospectus as “Legend,” “Company”, or as “we”, “our”, and “us”.

We are an exploration stage mining company. Our objective is to exploit our interest in certain mining tenements which are in Queensland and the Northern Territory of Australia. Our principal exploration target is for phosphate, base metals and diamonds and we are seeking to determine whether they are present in commercially economic quantities on our tenements to develop an operating mine.

We sometimes refer to our tenements collectively in this Prospectus as either the “Queensland Phosphate tenements”, “Lady Jane”, “Lady Annie”, “D-Tree”, “Thorntonia”, “Drifter”, “Quita Creek”, “Highlands Plains”, “Lily Creek”, and the “North Australian diamond tenements”, “Calvert Hills Project”, “Foelsche”, “Selby”, “Cox” or “Abner Range”. Our tenements are registered in the Department of Mines & Energy in Queensland and Department of Primary Industry, Fisheries and Mines in the Northern Territory of Australia, and give us the right to explore and mine minerals from the tenements.

We were incorporated in the State of Delaware on January 2, 2001 as Sundew International, Inc. and changed our name to Legend on March 13, 2003. We registered Legend as a foreign corporation in Australia on August 8, 2006. Our executive offices are at Level 8, 580 St Kilda Road, Melbourne, Victoria, 3004, Australia. Our website is [www.lgdi.net](http://www.lgdi.net). Information included on our website shall not be deemed to be incorporated in this Prospectus.

#### ***Stock Split***

Effective November 17, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rate basis to all shareholders. As a result, the Company issued 27,599,722 shares of its Common Stock. Effective December 31, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rata basis to all shareholders. As a result, the Company issued 41,934,337 shares of its Common Stock.

The Company has accounted for these bonus issues as a stock split (the “Stock Split”) and accordingly, all share and per share data included in this Prospectus has been retroactively restated.

### **The Offering**

This offering relates to the sale of 42,840,000 shares of Common Stock by certain selling stockholders. Of these shares being offered:

- 42,000,000 are currently held by selling stockholders;
- 840,000 shares issuable upon exercise of outstanding warrants at an exercise price of US\$2.50 per share.

Our shares are quoted on the "over-the-counter" ("OTC") Bulletin Board maintained by the Financial Industry Regulatory Authority Inc. ("FINRA"). The shares may be sold at prevailing market prices or privately negotiated prices.

### **Risk Factors**

You should read the "RISK FACTORS" section as well as the other cautionary statements throughout this prospectus so that you understand the risks associated with an investment in our securities. Any investment in our Common Stock should be considered a high-risk investment because of the nature of mineral exploration. Only investors who can afford to lose their entire investment should invest in these securities.

### **Use of Proceeds.**

We will not receive any proceeds from the shares offered by the selling stockholders. See "Use of Proceeds." We will, however, receive proceeds from the sale of Common Stock upon exercise of the warrants. We are paying all of the expenses relating to the registration of the shares for the selling stockholders.

### **Defined Terms.**

A number of technical and industry terms, as well as other defined terms used in this prospectus, are defined in the GLOSSARY at the end of this prospectus. Generally, we have provided a definition of each such defined term in the first instance that it is used in this prospectus and again in the GLOSSARY.

### **Currency**

We use the Australian dollar as our reporting currency, since we are headquartered in Australia and our administrative expenses are incurred in Australian dollars. References to dollars are to Australian dollars (A\$) unless otherwise indicated as being United States dollars (US\$). For the convenience of the reader, the Australian Dollar figures for the year ended December 31, 2007 have been translated into United States Dollars ("US\$") using the rate of exchange at December 31, 2007 of A\$1.00=US\$0.8767 and the Australian Dollar figures for the six months ended June 30, 2008 have been translated into United States Dollars ("US\$") using the rate of exchange at June 30, 2008 of A\$1.00= US\$0.9615. Prior to July 31, 2006, the Company's functional currency was the US dollar. However, as a result of the purchase of diamond mining tenements in Northern Australia in July 2006, the Company's 2006 revenue and expenses will be primarily denominated in Australian dollars (A\$). Statement of Financial Accounting Standards ("SFAS") No. 52, Foreign Currency Translation, states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. Accordingly the Company determined that from August 1, 2006 the functional currency of the Company is the Australian dollar. Assets, liabilities and equity were translated at the rate of exchange at July 31, 2006. Revenue and expenses were translated at actual rates. Transaction gains and losses were included as part of accumulated other comprehensive gain.

Restatement of comparative numbers was made for the change in functional and reporting currency. The change was adopted prospectively beginning July 31, 2006 in accordance with SFAS No. 52.

### **Agreements with IFFCO**

Effective July 14, 2008, the Company entered into a Shares Option Agreement with the Indian Farmers Fertilizer Cooperative Limited ("IFFCO").

#### **Share Options Agreement**

Under the Share Options Agreement, IFFCO received options to purchase 30 million shares of Common Stock of the Company on the following terms:

- a. 5,000,000 options, at an exercise price of \$2.50 per share and expiring 60 days from July 11, 2008;
- b. 8,000,000 options, at an exercise price of \$3.00 per share and expiring 12 months from July 11, 2008;
- c. 8,000,000 options, at an exercise price of \$3.50 per share and expiring 18 months from July 11, 2008;
- d. 9,000,000 options, at an exercise price of \$4.00 per share and expiring 24 months from July 11, 2008.

The total proceeds amount to \$100.5 million, and when exercised will be utilized to fund expenditure related to the Company's phosphate project.

The Share Options Agreement also gives IFFCO a preemptive right to acquire its pro rata share of future issuances of Common Stock by the Company, with certain exceptions.

IFFCO, via its wholly owned subsidiary Kizan International Trading FZE, exercised the first tranche of options to purchase 5,000,000 shares of common stock at \$2.50 per share in August 2008. The options exercise provided an additional US\$12.5 million of gross funding for the Company (US\$12.3 million net of transactional costs).

#### Rock Off-Take Agreement

Pursuant to the Share Options Agreement, the parties agreed to enter into a long-term rock off-take agreement ("ROTA"), which shall be separately negotiated but which shall be based on the following principles:

- IFFCO shall off-take on a long term and the Company shall deliver to IFFCO to off-take directly or through its Affiliates 4 million tonnes of concentrated rock phosphate produced by the Company every year.
- The long term rock off-take agreement (the "ROTA") shall be based on, among others, the following principles:
  - The concentrated rock phosphate should conform to specifications reasonably acceptable to IFFCO; such specifications shall be agreed to between the Company and IFFCO in the ROTA.
  - The supplies are FOB at one or more agreed ports in Australia.
  - The Price of the concentrate rock phosphate shall be at a discount of at least 5% to the Benchmark Price of rock.
  - At the Company's option, however:
    - The ROTA can have provisions for compensation to the Company in case IFFCO does not lift the contracted quantities and to IFFCO if the Company is unable to supply the contracted quantities.
    - In case the Benchmark Price falls below a value that reduces the return on investment of the project below an agreed amount, IFFCO can convert the entire discount into a subordinated loan at a nominal interest to be repaid in years when the market price is good. The details of this mechanism shall be agreed in the ROTA.
    - The minimum quantity supplied below which compensation claims can arise shall be 90% of the guaranteed quantities. Quantities below such minimum but not below 70% of the contracted quantity shall be rolled over to the following two years without any compensation, provided the Company does not sell the deficient quantity in the spot market.

- In case the Benchmark Price becomes such as it materially adversely affects the financial viability of either Party, the Parties will work together to mitigate the situation.

in which case the discount shall equal 10%.

- IFFCO shall provide no other support to the Company under the ROTA if the discount is 5%.
  - The benchmark Price (the “Benchmark Price”) shall be derived based on the price of equivalent quality of rock imported into India by IFFCO and other large importers. For this purpose only those buyers who import more than 350,000 tonnes per year will be considered. The Parties shall mutually decide transparent indices and adjustment formulas for different rock specifications for this purpose.
  - In case the agreed indices are not available, the Benchmark Price shall be derived based on the international market price of phosphoric acid delivered in India less cost of sulphur, fixed costs and other variable costs of phosphoric acid production, cost of transportation of rock from Australia to India and reasonable return on the production of phosphoric acid, divided by the specific consumption of rock of the specifications agreed in the ROTA. The details of this pricing structure shall be agreed in the ROTA.
- IFFCO shall be the marketing agent of the Company and act on the instructions of the Company in relation to the 20% of annual production that the Company may sell yearly on the spot market after the Company has fulfilled its annual obligations under its long-term supply agreement with IFFCO. IFFCO shall conduct these transactions on behalf of the Company in the spot market on an arm’s length basis.
  - For so long as IFFCO is a shareholder in the Company, either Party shall have a right of first refusal to participate with the other Party in the production, sale, marketing, distribution or in any other manner making available any fertilizer or related product in Australia (e.g., urea plant or triple super phosphate) on terms that shall be agreed to between the Company and IFFCO.
  - IFFCO shall facilitate the Company in procuring financing for the development and construction of the Company’s phosphate mines and related infrastructure (the “Project”), including introducing the Company to sources of project financing.
  - IFFCO shall also assist the Company by providing technical and personnel assistance on an arm’s length basis.
  - The Parties agree to use their reasonable best efforts to enter into a ROTA within 9 months following the closing. Unless mutually agreed, neither Party shall be obliged to enter into a ROTA if the Parties have not been able to execute a ROTA within 24 months of the closing and the Party seeking not to enter into the ROTA is not in breach of this Agreement. IFFCO shall also not be obliged to off take rock if the deliveries of the contracted quantities for the first year of operations, agreed in the ROTA, do not commence within 5 years of the Closing Date.

#### Other

In connection with the execution of the Shares Option Agreement, IFFCO entered into a Shareholders Agreement with Joseph Gutnick, the Company’s Chairman of the Board, President and Chief Executive Officer pursuant to which IFFCO purchased 15 million shares of Common Stock from an affiliate of Mr. Gutnick at \$1.87 per share. The parties agreed to vote in favor of the election of their respective Board nominees, including four nominees selected by Mr. Gutnick and two by IFFCO, subject to adjustment based upon their proportionate share ownership. The parties granted each other certain rights of first refusal

and tag-along rights with respect to future sale of shares by each other and their respective affiliates. In addition, the parties agreed to vote by mutual agreement with respect to certain material actions requiring stockholder approval.

In connection with the execution of the Shares Option Agreement and the Shareholders' Agreement, the Company agreed to increase the size of its Board of Directors from two members to six within 30 days following the closing and to appoint two nominees of IFFCO to the Company's Board of Directors, including the Managing Director of IFFCO, Dr. Awasthi and two additional nominees to be selected by Mr. Joseph Gutnick, the Company's Chairman of the Board, President and Chief Executive Officer. Mr. Gutnick's nominees are subject to the approval of BMO Nesbitt Burns in accordance with that certain Agency Agreement dated as of June 3, 2008. The Company also agreed to amend its Bylaws to require that certain material actions by the Company shall require the unanimous approval of the Board of Directors.

### Summary Financial Data

The following summary financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

### Statement of Operations Data

|   | Year ended<br>December 31 |                |                             | Six months<br>ended June 30 |                |                             |
|---|---------------------------|----------------|-----------------------------|-----------------------------|----------------|-----------------------------|
|   | 2006<br>A\$000            | 2007<br>A\$000 | Conv.<br>Transl.<br>US\$000 | 2007<br>A\$000              | 2008<br>A\$000 | Conv.<br>Transl.<br>US\$000 |
| Revenues – interest   | 2                         | 22             | 19                          | 4                           | 350            | 337                         |
| Costs and expenses  | (4,537)                   | (8,540)        | (7,487)                     | (2,657)                     | (8,638)        | (8,304)                     |
| Loss from operations  | (4,535)                   | (8,518)        | (7,468)                     | (2,653)                     | (8,288)        | (7,969)                     |
| Other income (loss)   | (40)                      | (120)          | (105)                       | (157)                       | (1,884)        | (1,811)                     |
| Profit (loss) before<br>income taxes                        | (4,575)                   | (8,638)        | (7,573)                     | (2,810)                     | (10,172)       | (9,780)                     |
| Provision for income<br>taxes                               | -                         | -              | -                           | -                           | -              | -                           |
| Net profit (loss)   | (4,575)                   | (8,638)        | (7,573)                     | (2,810)                     | (10,172)       | (9,780)                     |
|   | <b>A\$</b>                | <b>A\$</b>     | <b>US\$</b>                 | <b>A\$</b>                  | <b>A\$</b>     | <b>US\$</b>                 |
| Net profit (loss) per share<br>on continuing operations     | (0.06)                    | (0.06)         | (0.05)                      | (0.02)                      | (0.06)         | (0.06)                      |
| Weighted average<br>number of shares<br>outstanding (000's) | 75,230                    | 146,740        | 146,740                     | 121,863                     | 171,152        | 171,152                     |

### Balance Sheet Data

|                                   | A\$000 | A\$000 | US\$000 | A\$000 | A\$000  | US\$000 |
|-----------------------------------|--------|--------|---------|--------|---------|---------|
| Total assets                      | 1,149  | 17,994 | 15,776  | 4,463  | 114,910 | 110,486 |
| Total liabilities                 | 1,881  | 1,035  | 908     | 1,316  | 995     | 957     |
| Stockholders' equity<br>(deficit) | (732)  | 16,959 | 14,868  | 3,148  | 113,915 | 109,529 |

Convenience translation at December 31, 2007 using December 31, 2007 exchange rate and at June 30, 2008 using June 30, 2008 exchange rate.

## RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information provided in this prospectus before purchasing our Common Stock. An investment in our Common Stock involves a high degree of risk, and should be considered only by persons who can afford the loss of their entire investment. The risks and uncertainties described below are not the only ones we face. There may be additional risks and uncertainties that are not known to us or that we do not consider to be material at this time. If the events described in these risks occur, our business, financial condition and results of operations would likely suffer. Additionally, this prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. This section discusses the risk factors that might cause those differences.

### **Risks of Our Business**

#### **We Lack an Operating History And Have Losses Which We Expect To Continue Into the Future.**

To date we have had no material source of revenue. We have no operating history as a mineral exploration or mining company upon which an evaluation of our future success or failure can be made. Our ability to achieve and maintain profitability and positive cash flow is dependent upon:

- exploration and development of any mineral property we identify;
- our ability to locate economically viable mineral reserves in any mineral property we identify;
- our ability to raise the capital necessary to conduct exploration and preserve our interest in mineral claims, increase our interest in mineral claims and continue as an exploration and mining company; and
- our ability to generate revenues and profitably operate a mine on any mineral property we identify.

#### **We Have No Mineral Reserves And We Cannot Assure You That We Will Find Such Reserves. If We Develop A Mineral Reserve, There Is No Guarantee That Production Will Be Profitable.**

We cannot guarantee we will ever find any or that we will be successful in locating commercial mineral reserves on any exploration properties that we may obtain. Even if we find a commercial mineral reserve, there is no assurance that we will be able to mine them. Even if we develop a mine, there is no assurance that we will make a profit. If we do not find commercial minerals you could lose part or all of your investment.

#### **We Will Need Financing To Determine If There Is Commercial Minerals And To Maintain The Mineral Claims.**

Our success will depend on our ability to raise capital. We will require substantial additional funds to conduct mineral exploration and development activities on our tenements. There is no assurance whatsoever that funds will be available from any source or, if available, that they can be obtained on terms acceptable to us to make investments. If funds are not available in the amounts required to achieve our business strategy, we would be unable to reach our objective. This could cause the loss of all or part of your investment.

#### **The Report Of Our Independent Registered Public Accounting Firm Contain An Explanatory Paragraph Questioning Our Ability To Continue As A Going Concern.**

The report of our independent registered public accounting firm on our financial statements as of December 31, 2007 and for the years ended December 31, 2007 and 2006 includes an explanatory paragraph questioning our ability to continue as a going concern.

This paragraph indicates that we have not yet commenced revenue producing operations and have a retained deficit at December 31, 2007 of A\$13,993,863 which conditions raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty.

**We Could Encounter Delays Due To Regulatory And Permitting Delays.**

We could face delays in obtaining mining permits and environmental permits. Such delays, could jeopardize financing, if any, in which case we would have to delay or abandon work on the properties.

**There Are Uncertainties Inherent In The Estimation Of Mineral Reserves.**

Reserve estimates, including the economic recovery of ore, will require us to make assumptions about recovery costs and market prices. Reserve estimation is, by its nature, an imprecise and subjective process and the accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation, judgment and experience. The economic feasibility of properties will be based upon our estimates of the size and grade of ore reserves, metallurgical recoveries, production rates, capital and operating costs, and the future price of diamonds. If such estimates are incorrect or vary substantially it could affect our ability to develop an economical mine and would reduce the value of your investment.

**If We Define An Economic Ore Reserve And Achieve Production, It Will Decline In The Future. An Ore Reserve Is A Wasting Asset.**

Our future ore reserve and production, if any, will decline as a result of the exhaustion of reserves and possible closure of any mine that might be developed. Eventually, at some unknown time in the future, all of the economically extractable ore will be removed from the properties, and there will be no ore remaining unless this Company is successful in near mine site exploration to extend the life of the mining operation. This is called depletion of reserves. Ultimately, we must acquire or operate other properties in order to continue as an on going business. Our success in continuing to develop reserves, if any, will affect the value of your investment.

**If We Do Not Have Access to Adequate Infrastructure to Develop Our Mineral Exploration Projects Our Operations Will Be Adversely Affected.**

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operation costs. There can be no assurance that such infrastructure can be put in place or that capital will be available to the Company on satisfactory terms, or at all, in order to build and maintain such infrastructure, which will have a material adverse affect on the Company's financial condition and results of operation. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could also adversely affect the Company's operation, financial conditions and results of operations.

**There Are Significant Risks Associated With Mining Activities.**

The mining business is generally subject to risks and hazards, including quantity of production, quality of the ore, environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, our mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability. We could incur significant costs that could adversely affect our results of operation. Insurance fully covering many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to us or to other

companies in the industry. What liability insurance we carry may not be adequate to cover any claim.

### **We May Be Subject To Aboriginal Title and Rights Claims**

Aboriginal title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been formally asserted or any legal actions relating to aboriginal issues having been instituted with respect to any of the Company's properties. There can be no assurance that aboriginal title and/or rights claims will not be asserted in the future in respect to the companies properties.

### **We May Subject To Significant Environmental And Other Governmental Regulations That Can Require Substantial Capital Expenditure, And Can Be Time-Consuming.**

We may be required to comply with various laws and regulations pertaining to exploration, development and the discharge of materials into the environment or otherwise relating to the protection of the environment in the countries that we operate, all of which can increase the costs and time required to attain operations. We may have to obtain exploration, development and environmental permits, licenses or approvals that may be required for our operations. There can be no assurance that we will be successful in obtaining, if required, a permit to commence exploration, development and operation, or that such permit can be obtained in a timely basis. If we are unsuccessful in obtaining the required permits it may adversely affect our ability to carry on business and cause you to lose part or all of your investment.

### **Mining Accidents Or Other Adverse Events At Our Property Could Reduce Our Production Levels.**

If and when we reach production it may fall below estimated levels as a result of mining accidents, cave-ins or flooding on the properties. In addition, production may be unexpectedly reduced if, during the course of mining, unfavourable ground conditions or seismic activity are encountered, ore grades are lower than expected, or the physical or metallurgical characteristics of the ore are less amenable to mining or processing than expected. The happening of these types of events would reduce our profitability or could cause us to cease operations which would cause you to lose part or all of your investment.

The acquisition of mineral properties is subject to substantial competition. If we must pursue alternative properties, companies with greater financial resources, larger staffs, more experience, and more equipment for exploration and development may be in a better position than us to compete for properties. We may have to undertake greater risks than more established companies in order to compete which could affect the value of your investment.

### **We May Lose Our Claims If We Do Not Maintain A Minimum Level of Work On The Claims**

We will be required to carry out a minimum level of work on each claim to maintain of our claims in good standing. If we cannot afford to carry out the work or pay the fees we could lose our interest in claims. The loss of some or all of our mineral claims would adversely affect the value of your investment.

### **We are Substantially Dependent upon AXIS Consultants To Carry Out Our Activities**

We are substantially dependent upon AXIS for our senior management, financial and accounting, corporate legal and other corporate headquarters functions. For example, each of our officers is employed by AXIS and, as such, is required by AXIS to devote time to the business and affairs of the other clients of AXIS.

Pursuant to a services agreement, AXIS provides us with office facilities, administrative personnel and services, management and geological staff and services. No fixed fee is set in the agreement and we are required to reimburse AXIS for any direct costs

incurred by AXIS for us. In addition, we pay a proportion of AXIS indirect costs based on a measure of our utilization of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and indirect costs. This service agreement may be terminated by us or AXIS on 60 days' notice. See "Certain Relationships and Related Party Transactions."

We are one of four affiliated companies. Each of the companies has some common Directors, officers and shareholders. In addition, each of the companies is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. A number of arrangements and transactions have been entered into from time to time between such companies. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS. However, it is possible we may enter into such transactions in the future which could present conflicts of interest.

### **Future Sales of Common Stock Could Depress The Price Of Our Common Stock**

Future sales of substantial amounts of Common Stock pursuant to this prospectus or Rule 144 under the Securities Act of 1933 or otherwise by certain stockholders could have a material adverse impact on the market price for the Common Stock at the time. As of the date of this prospectus, there are 226,273,976 shares of Common Stock outstanding, of which 47,000,000 shares of Common Stock are restricted securities. We are registering 42,000,000 of the restricted securities in this prospectus which will be available for sale when this prospectus becomes effective. In addition, restricted securities will be available for sale pursuant to Rule 144 under the Securities Act. In general, under rule 144, a person (or persons whose shares are aggregated) who has satisfied a six-month holding period and who is not an affiliate of the Company may sell restricted securities without limitation as long as the Company is current in its SEC reports. A person who is an affiliate of the Company may sell within any three-month period a number of restricted securities which does not exceed the greater of one (1%) percent of the shares outstanding or the average weekly trading volume during the four calendar weeks preceding the notice of sale required by Rule 144. In addition, Rule 144 permits, under certain circumstances, the sale of restricted securities by a non-affiliate without any limitations after a one-year holding period. Any sales of shares by stockholders pursuant to this prospectus or Rule 144 may have a depressive effect on the price of our Common Stock.

### **Our Common Stock Is Traded Over the Counter, Which May Deprive Stockholders Of The Full Value Of Their Shares**

Our Common Stock is quoted via the Over The Counter Bulletin Board (OTCBB). As such, our Common Stock may have fewer market makers, lower trading volumes and larger spreads between bid and asked prices than securities listed on an exchange such as the New York Stock Exchange or the NASDAQ Stock Market. These factors may result in higher price volatility and less market liquidity for the Common Stock.

### **A Low Market Price May Severely Limit The Potential Market For Our Common Stock**

Our Common Stock is currently trading at a price substantially below \$5.00 per share, subjecting trading in the stock to certain SEC rules requiring additional disclosures by broker-dealers. These rules generally apply to any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions (a "penny stock"). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and institutional or wealthy investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price

information for the penny stock held in the account and information on the limited market in penny stock. The additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our Common Stock.

### **The Market Price Of Your Shares Will Be Volatile.**

The stock market price of mineral exploration companies like us has been volatile. Securities markets may experience price and volume volatility. The market price of our stock may experience wide fluctuations that could be unrelated to our financial and operating results. Such volatility or fluctuations could adversely affect your ability to sell your shares and the value you might receive for those shares.

### **USE OF PROCEEDS**

This prospectus relates to shares of our Common Stock that may be offered and sold from time to time by the selling stockholders. There will be no proceeds to us from the sale of shares of Common Stock in this offering. In addition, any proceeds that we receive from the exercise of warrants will be used for working capital and general corporate purposes.

### **DETERMINATION OF OFFERING PRICE**

The Offering Price is estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended (the "Act"), and is based on the average of the closing bid and asked prices for the Registrant's Common Stock as reported on the NASDAQ OTC Bulletin Board on July 25, 2008

### **DILUTION**

The net tangible book value of our Company as of June 30, 2008 was A\$113,914,933 or A\$0.06 per share of Common Stock. Net tangible book value per share is determined by dividing the tangible book value of our Company (total tangible assets less total liabilities) by the number of outstanding shares of our Common Stock. Since this offering is being made solely by the selling stockholders and none of the proceeds will be paid to our Company, our net tangible book value will be unaffected by this offering.

### **SELLING STOCKHOLDERS**

The following table sets forth as of September 15, 2008, the number of shares of our Common Stock owned by each selling stockholder and the number of such shares included for sale in this prospectus, which in each case, except as set forth below, is equal to the number of shares owned by such person.

Except as set forth below, the shares being offered by the selling stockholders were issued or are issuable upon exercise of securities that were issued in connection with one or more of the following transactions.

In June 2008, the Company completed a private placement offering (the "BMO Offering") of 42,000,000 share of common stock to institutional investors at a purchase price of US\$2.50 per share. BMO Nesbitt Burns Inc., Wellington West Capital Markets Inc. and BBY Limited acted as agents for the offering and received a commission of 5% of the offering proceeds and two year warrants to purchase 840,000 shares of common stock at an exercise price of US\$2.50 per share.

The Company has agreed to prepare and file with the Securities and Exchange Commission ("SEC") a registration statement covering the resale of the shares of Common Stock within forty-five (45) calendar days after the closing date of the BMO Offering (the "Filing Deadline") (which was subsequently extended to August 1, 2008). The Company has agreed to use its best efforts to cause such registration statement to become effective as soon as possible thereafter, and within the earlier of: (i) one hundred twenty (120) calendar days after the closing date or (ii) five (5) calendar days of the SEC clearance to request acceleration of effectiveness (the "Effectiveness Deadline"). The Company agreed that in the

event that the registration statement is not filed with the SEC on or before the Filing Deadline, or such registration statement is not declared effective by the SEC on or before the Effectiveness Deadline or if the effectiveness thereafter lapses (except for certain permitted grace periods) or if the Company fails to file certain SEC reports on a timely basis, the Company shall on the first day of each month thereafter until the date that the Company is in compliance with the foregoing requirements issue to the purchasers as liquidated damages and not as a penalty for such failure (the "Liquidated Damages"): shares of common equal to 1.2% of the shares purchased in the BMO Offering that have not been sold or cannot be sold without restriction under Rule 144.

In connection with the BMO Offering, the Company agreed not to issue any additional shares of Common Stock (other than pursuant to existing rights) for a period of 120 days following the closing without the consent of BMO, which shall not be unreasonably withheld. The Company also agreed to appoint two additional directors and a chief operating officer with the approval of BMO and to use its reasonable best efforts to list its shares of Common Stock on the American Stock Exchange within six months following the closing date.

In connection with the BMO Offering, Joseph Gutnick, Renika Pty Ltd. and Chabad House of Caulfield Pty Ltd. (the "Gutnick Group") generally have agreed not to acquire, transfer or dispose of any shares of Common Stock or other securities of the Company or enter into any agreements or make any announcements with respect thereto for a period of one year following the Closing, except that the Gutnick Group is not prohibited from (i) selling shares to an industry participant such as a mining company or fertilizer manufacturer or user in an off-market transaction; (ii) selling up to 2,000,000 shares commencing 180 days after the closing date; provided that BMO shall have the right to act as the broker for any sales that are made on market; and (iii) selling shares in response to a takeover offer for all of the outstanding shares of the Company.

| <u>Selling Stockholders</u>   | <u>Beneficial Ownership Prior to Offering</u> |  |                             | <u>Beneficial Ownership After Offering</u> |   |
|---|---|--|-----------------------------|--|---|
|   | <u>Common Stock</u>                           | <u>Percentage of Outstanding Common Stock*</u> | <u>Shares Being Offered</u> | <u>Common Stock</u>                        | <u>Percentage of Outstanding Common Stock</u> |
| Atticus European Fund, Ltd. (a)   | 29,127,339                                    | 12.87%   | 7,629,776                   | 21,497,563                                 | 9.73%   |
| Greenway Portfolio D (a)  | 1,842,661                                     | 0.81%  | 455,224                     | 1,387,437                                  | 0.63%   |
| MMCAP International Inc. (b)  | 275,000                                       | 0.12%  | 275,000                     | -  | -   |
| Republic Investment Management Pte Ltd - How & Co (c)                               | 189,000                                       | 0.08%  | 189,000                     | -  | -   |
| Republic Investment Management Pte Ltd. – RBC Dexia Investor Services Bank, S.A (d) | 411,000                                       | 0.18%  | 411,000                     | -  | -   |
| CF Eclectica Agriculture Fund(e)  | 675,000                                       | 0.30%  | 675,000                     | -  | -   |
| Craton Capital Global Resources Partnership LP                                      | 45,000  | 0.02%  | 45,000                      | -  | -   |
| Epoch Master Ltd. (g)   | 672,320                                       | 0.30%  | 672,320                     | -  | -   |
| CQS Convertible and Quantitative Strategies Master Fund Ltd.                        | 225,000                                       | 0.10%  | 225,000                     | -  | -   |
| Libra Fund LP(i)  | 3,160,000                                     | 1.40%  | 3,160,000                   | -  | -   |
| Libra Offshore Ltd. (j)   | 740,000                                       | 0.33%  | 740,000                     | -  | -   |
| IGXG Management LLC – Series G (k)  | 400,000                                       | 0.18%  | 400,000                     | -  | -   |
| Perella Weinberg Partners Xerion Master Fund Ltd.# (l)                              | 7,000,000                                     | 3.09%  | 3,980,000                   | 3,020,000                                  | 1.36%   |
| BTR Global Prospector Trading Ltd. (m)  | 558,000                                       | 0.25%  | 558,000                     | -  | -   |
| BTR Global Energy Trading Limited (n)   | 450,000                                       | 0.20%  | 450,000                     | -  | -   |
| BTR Global Arbitrage Trading Limited (o)  | 500,000                                       | 0.22%  | 500,000                     | -  | -   |

| <u>Selling<br/>Stockholders</u>                                  | <u>Beneficial Ownership<br/>Prior to Offering</u> |  |                                 | <u>Beneficial Ownership<br/>After Offering</u> |   |
|--|---|--|---------------------------------|--|---|
|  | <u>Common<br/>Stock</u>                           | <u>Percentage of<br/>Outstanding<br/>Common<br/>Stock*</u> | <u>Shares Being<br/>Offered</u> | <u>Common<br/>Stock</u>                        | <u>Percentage<br/>of<br/>Outstanding<br/>Common<br/>Stock</u> |
| Salida Multi Strategy Hedge Fund (p)                             | 1,000,000   | 0.44%  | 1,000,000                       | -  | -   |
| BTR Global Opportunity Trading Limited (q)                       | 1,050,000   | 0.46%  | 1,050,000                       | -  | -   |
| BTR Global Prospector II Trading Ltd. (r)                        | 42,000  | 0.02%  | 42,000                          | -  | -   |
| Petercam Equities Agrivalue                                      | 1,700,000   | 0.75%  | 1,700,000                       | -  | -   |
| Seamans Capital Management F/B/O Lifespan Endowment (u)          | 150,000   | 0.07%  | 150,000                         | -  | -   |
| Seamans Capital Management F/B/O Lahey Clinic (v)                | 110,000   | 0.05%  | 110,000                         | -  | -   |
| Seamans Capital Management Global Income Pref. 6% Fund (w)       | 240,000   | 0.11%  | 240,000                         | -  | -   |
| Quantum Partners LDC (x)   | 2,051,930   | 0.91%  | 1,946,430                       | 105,500  | 0.05%   |
| Quantum Emea Fund (y)  | 7,762,500   | 3.43%  | 7,762,500                       | -  | -   |
| RS Capital Partners Ltd. (z)                                     | 1,924,250   | 0.85%  | 1,818,750                       | 105,500  | 0.05%   |
| City Natural Resources High Yield Trust (aa)                     | 225,000   | 0.10%  | 225,000                         | -  | -   |
| U Capital Offshore Investments, LP (bb)                          | 124,400   | 0.05%  | 90,000                          | 34,400   | 0.02%   |
| Map T. Segregated Portfolio – A Segregated Portfolio of LMA (cc) | 146,000   | 0.06%  | 110,000                         | 36,000   | 0.02%   |
| GPC 79,LLC # (dd)  | 174,433   | 0.08%  | 112,190                         | 61,493   | 0.03%   |
| Weiss Multi-Strategy Partners LLC # (ee)                         | 538,877   | 0.24%  | 340,730                         | 180,383  | 0.08%   |
| OGI Associates LLC # (ff)  | 197,080   | 0.09%  | 197,080                         | -  | -   |
| Eastern Advisors Capital, Ltd (gg)                               | 1,700,000   | 0.75%  | 1,700,000                       | -  | -   |
| Luxor Capital Partners LP(ii)                                    | 470,184   | 0.21%  | 470,184                         | -  | -   |
| LCG Select, LLC (jj)   | 127,982   | 0.06%  | 127,982                         | -  | -   |
| Luxor Spectrum, LLC(kk)  | 819   | 0.00%  | 819                             | -  | -   |
| Luxor Capital Partners Offshore Ltd.(ll)                         | 708,170   | 0.31%  | 708,170                         | -  | -   |
| LCG Select Offshore Ltd.(mm)                                     | 589,616   | 0.26%  | 589,616                         | -  | -   |
| Luxor Spectrum Offshore, Ltd.(nn)                                | 28,647  | 0.01%  | 28,647                          | -  | -   |
| Atlas Master Fund Ltd. (oo)                                      | 74,582  | 0.03%  | 74,582                          | -  | -   |
| Hargreaves Hale # (pp)   | 320,000   | 0.14%  | 320,000                         | -  | -   |
| WR Multi-Strategy Master Fund Ltd. (qq)                          | 23,615  | 0.01%  | 23,615                          | -  | -   |
| Enso Global Equities Levered Master Partnership LP (rr)          | 143,256   | 0.06%  | 143,256                         | -  | -   |
| Enso Global Equities Levered Master Partnership LP (ss)          | 426,668   | 0.19%  | 426,668                         | -  | -   |
| Enso Global Opportunities Master Partnership LP (tt)             | 70,344  | 0.03%  | 70,344                          | -  | -   |
| HFR HE Jade Master Trust (uu)                                    | 56,117  | 0.02%  | 56,117                          | -  | -   |
| BMO Nesbitt Burns Inc.^  | 672,000(xx)                                       | 0.30%  | 672,000(xx)                     | -  | -   |
| Wellington West Capital Markets Inc.^                            | 84,000(xx)  | 0.04%  | 84,000(xx)                      | -  | -   |
| BBY Ltd (vv)   | 219,519(ww)                                       | 0.10%  | 84,000(xx)                      | 135,519  | 0.06%   |

\* Based upon 226,273,976 shares outstanding at September 15, 2008.

^ Broker-dealers who received the Registrable Securities as compensation for investment banking services to the Company.

# Affiliates of a broker-dealer and certify that they purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable securities to be

resold, had no agreements of understandings, directly or indirectly, with any person to distribute the Registrable Securities

- (a) In accordance with a Form 4 dated June 6, 2008, Atticus Capital LP, Atticus Management Limited and Mr. Timothy Barakett may be deemed to be beneficial owners of the shares of Common Stock.
- (b) MMCAP Asset Management Inc. has voting and investment control over the shares of Common Stock owned by MMCAP International Inc. SPC. Mathew Maclsaac is a director of MMCAP International Inc. SPC.
- (c) Anwar Awan has voting and investment control over the shares of Common Stock owned by Republic Investment Management Pte Ltd. – How & Co
- (d) Anwar Awan has voting and investment control over the shares of Common Stock owned by Republic Investment Management Pte Ltd. – RBC Dexia Investor Services Bank, S.A.
- (e) George Lee has voting and investment control over the shares of Common Stock owned by CF Eclectica Agriculture Fund
- (f) Maquarie Capital Investment Management Ltd (“MCIM”) has voting and investment control over the shares of Common Stock owned by Craton Capital Global Resources Partnership LP. Brenton Saunders and Mohendra Moodley are portfolio managers for MCIM. Lachlan Pike, Adam Solano and Lauren Steinberg are traders for MCIM.
- (g) Rajesh Hari Gupta has voting and investment control over the shares of Common Stock owned by Epoch Master, Ltd.
- (h) Deutsche Bank AG DTC #2428 has voting and investment control over the shares of Common Stock owned by CQS Convertible and Quantitative Strategies Master Fund Limited.
- (i) Ranjan Tandon has voting and investment control over the shares of Common Stock owned by Libra Fund LP
- (j) Ranjan Tandon has voting and investment control over the shares of Common Stock owned by Libra Offshore Ltd.
- (k) Arthur Norman Field has voting and investment control over the shares of Common Stock owned by IGXG Management LLC – Series G.
- (l) Daniel Arbess, Julio Garcia, William Kourakos and James Keyes have voting and investment control over the shares of Common Stock owned by Perella Weinberg Partners Xerion Master Fund Ltd.
- (m) Terry Bell has voting and investment control over the shares of Common Stock owned by BTR Global Prospector Trading Ltd .
- (n) Brad White has voting and investment control over the shares of Common Stock owned by BTR Global Energy Trading Limited
- (o) Brad White has voting and investment control over the shares of Common Stock owned by BTR Global Arbitrage Trading Ltd
- (p) Brad White has voting and investment control over the shares of Common Stock owned by Salida Multi Strategy Hedge Fund
- (q) Danny Guy has voting and investment control over the shares of Common Stock owned by BTR Global Opportunity Trading Limited
- (r) Terry Bell has voting and investment control over the shares of Common Stock owned by BTR Global Prospector II Trading Ltd
- (s) Sylvie Huret, Luc Van den Brande, Guy Lermينياux, Johnny Debschuysser, Baudouin du Parc, Leopold d’Oultremont, Georges Caballe and Geoffroy d’Aspremont representing Petercam SA, with all directors acting two by two, have voting and investment control over the shares of Common Stock owned by Petercam B Fund, Belgian limited liability company.
- (t) Not used.
- (u) Brian D. Corcoran has voting and investment control over the shares of Common Stock owned by Seamans Capital Management F/B/O Lifespan Endowment
- (v) Brian D. Corcoran has voting and investment control over the shares of Common Stock owned by Seamans Capital Management F/B/O Lahey Clinic
- (w) Brian D. Corcoran has voting and investment control over the shares of Common Stock owned by Seamans Capital Management Global Income Pref. 6% Fund
- (x) George Soros, Robert Soros and Jonathan Soros share voting and investment control over the shares of Common Stock owned by Quantum Partners LDC by virtue of their positions as Chairman, Deputy Chairman and President of Soros Fund Management LLC,
- (y) George Soros, Robert Soros and Jonathan Soros share voting and investment control over the shares of Common Stock owned by Quantum Emea Fund Ltd. by virtue of their positions as

- Chairman, Deputy Chairman and President of Soros Fund Management LLC,
- (z) George Soros, Robert Soros and Jonathan Soros share voting and investment control over the shares of Common Stock owned by RS Capital Partners Ltd. by virtue of their positions as Chairman, Deputy Chairman and President of Soros Fund Management LLC,
  - (aa) David Coats has voting and investment control over the shares of Common Stock owned by City NatuResources High Yield Fund.
  - (bb) Jonathan Urfrig has voting and investment control over the shares of Common Stock owned by Map T. Segregated Portfolio – A Segregated Portfolio of LMA .
  - (cc) Jonathan Urfrig has voting and investment control over the shares of Common Stock owned by U Capital Offshore Investments, LP.
  - (dd) Weiss Multi-Strategy Advisors LLC has voting and investment control over the shares of Common Stock owned by GPC 79, LLC.
  - (ee) Weiss Multi-Strategy Advisors LLC has voting and investment control over the shares of Common Stock owned by Weiss Multi-Strategy Partners LLC .
  - (ff) Weiss Multi-Strategy Advisors LLC has voting and investment control over the shares of Common Stock owned by OGI Associates, LLC.
  - (gg) Scott Booth has voting and investment control over the shares of Common Stock owned by Eastern Advisors Capital Ltd.
  - (hh) Not used.
  - (ii) Christian Leone has voting and investment control over the shares of Common Stock owned by Luxor Capital Partners, LP.
  - (jj) Christian Leone has voting and investment control over the shares of Common Stock owned by LCG Select, LLC.
  - (kk) Christian Leone has voting and investment control over the shares of Common Stock owned by Luxor Spectrum, LLC.
  - (ll) Christian Leone, Don Seymour and Aldo Ghisletta have voting and investment control over the shares of Common Stock owned by Luxor Capital Partners Offshore, Ltd.
  - (mm) Christian Leone, Don Seymour and Aldo Ghisletta have voting and investment control over the shares of Common Stock owned by LCG Select Offshore, Ltd.
  - (nn) Christian Leone, Don Seymour and Aldo Ghisletta have voting and investment control over the shares of Common Stock owned by Luxor Spectrum Offshore, Ltd.
  - (oo) Dmitry Balyasny has voting and investment control over the shares of Common Stock owned by Atlas Master Fund, Ltd .
  - (pp) Hargreave Hale Limited has voting and investment control over the shares of Common Stock owned by Hargreave Hale Nominees Limited, Heritage Bank and HSBC Global Custody Nominees Limited. Adam Caplan is a director of Hargreave Hale Limited.
  - (qq) Salina Love has voting and investment control over the shares of Common Stock owned by WR Multi-Strategy Master Fund Ltd. .
  - (rr) Salina Love has voting and investment control over the shares of Common Stock owned by Enso Global Equities Levered Master Partnership LP..
  - (ss) Salina Love has voting and investment control over the shares of Common Stock owned by Enso Global Equities Levered Master Partnership LP..
  - (tt) Salina Love has voting and investment control over the shares of Common Stock owned by Enso Global Opportunities Master Partnership LP..
  - (uu) Salina Love has voting and investment control over the shares of Common Stock owned by HFR HE Jade Master Trust.
  - (vv) Glenn Rosewall has voting and investment control over the shares of Common Stock owned by BBY Limited.
  - (ww) Includes shares issuable upon exercise of two-year warrants at an exercise price of US\$2.50 per share and Common Stock.
  - (xx) Issuable upon exercise of two-year warrants at an exercise price of US\$2.50 per share.

## PLAN OF DISTRIBUTION

### *General*

The selling stockholders and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchase by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- broker-dealers may agree with the selling stockholder to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended, if available, rather than under this prospectus. The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities, and may sell or deliver shares in connection with these trades. The selling stockholders may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares.

Broker-dealers engaged by the selling stockholders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholder (or, if any broker-dealer acts as agent for the purchase of shares, from the purchaser) in amounts to be negotiated.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses (excluding selling expenses) incident to the registration of the shares being registered herein.

*Blue Sky Laws.* Under the securities laws of certain states, the shares of Common Stock may be sold in such states only through registered or licensed brokers or dealers. The selling stockholders are advised to ensure that any underwriters, brokers, dealers or agents effecting transactions on behalf of the selling stockholders are registered to sell securities in all fifty states. In addition, in certain states the shares of Common Stock may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

*Costs of Registration.* We will pay all the expenses incident to the registration, offering and sale of the shares of Common Stock to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. We estimate that the expenses of the offering to be borne by us will be approximately US\$44,319. The offering expenses consist of: a SEC registration fee of US\$4,319, accounting fees of US\$15,000, legal fees of US\$20,000 and miscellaneous expenses of US\$5,000.

*Regulation M.* The selling stockholders should be aware that the anti manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of Common Stock by the selling stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Regulation M, a selling stockholder or its agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of our Common Stock while such selling stockholder is distributing shares covered by this prospectus. The selling stockholders are not permitted to cover short sales by purchasing shares while the distribution is taking place. The selling stockholders are advised that if a particular offer of Common Stock is to be made on terms constituting a material change from the information set forth above with respect to the Plan of Distribution, then, to the extent required, a post-effective amendment to the accompanying registration statement must be filed with the Securities and Exchange Commission.

## **LEGAL PROCEEDINGS**

We are not a party to any pending legal proceeding or litigation and none of our property is the subject of a pending legal proceeding which the Company considers material.

## **DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS**

The following table sets out certain information concerning the Company's officers and directors.

| <b>Name</b>     | <b>Age</b> | <b>Position(s) Held</b>  |
|-----------------|------------|--|
| Joseph Gutnick  | 56         | Chairman of the Board<br>President, Chief Executive Officer and Director |
| David Tyrwhitt  | 70         | Director   |
| Dr U.S Awasthi  | 63         | Director   |
| Manish Gupta    | 41         | Director   |
| Dr Allan Trench | 44         | Director   |
| Henry Herzog    | 67         | Director   |
| Peter Lee       | 51         | Secretary, Chief Financial Officer and Principal Accounting Officer      |
| Craig Michael   | 31         | General Manager Development & Resources                                  |

### **Joseph Gutnick**

Mr. Gutnick has been Chairman of the Board, President and Chief Executive Officer since November 2004 and has been Chairman of the Board, President and Chief Executive Officer of numerous public listed companies in Australia and the USA specialising in the mining sector since 1980 and is currently a Director of Quantum Resources Limited. Mr. Gutnick was previously been a Director of the World Gold Council. He is a Fellow of the Australasian Institute of Mining & Metallurgy and the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

## **David Tyrwhitt**

Dr Tyrwhitt was appointed a Director in March 2005. He is a geologist, holding a Bachelor of Science and PhD degrees and has 46 years experience in mineral exploration and management development and operation of gold mines in Australia. Dr Tyrwhitt has been a Director of numerous public listed companies in Australia in the mining industry and is currently a Director of Hawthorn Resources Limited, and Quantum Resources Limited and has also been a Director of Golden River Resources Corp, a Delaware corporation (GORV.OB) since 1996 and Northern Capital Resources Corp., a Nevada corporation since 2008.

## **U.S. Awasthi**

Dr. Awasthi was appointed a Director in August 2008. Dr. Awasthi has been the Managing Director of IFFCO since February 1993, the largest producer and seller of fertilisers in India. Dr. Awasthi has worked in various pivotal positions in IFFCO & KRIBHCO and acquired all-round expertise in planning and execution of fertiliser plants and was closely associated with the construction of Hazira as well as Aonla Projects. In 1986, he joined Pyrites, Phosphates & Chemicals Limited (PPCL) as its Chairman and Managing Director. He also held additional charge as Chairman & Managing Director of Rashtriya Chemicals & Fertilisers Ltd. (RCF) from April 1991 to March 1992. Dr. Awasthi was the Chairman of the Fertiliser Association of India (FAI), New Delhi, during 1994-96. He held the position of President, International Fertiliser Industry Association (IFA), Paris during 1997-99. Dr. Awasthi has over 30 papers to his credit and has co-authored a book 'Fertiliser Industry in India'.

## **Manish Gupta**

Mr. Gupta was appointed a Director in August 2008. Mr Manish Gupta graduated from the Indian Institute of Technology (IIT), Delhi, India in 1988 with a Bachelor of Technology specialising in Civil Engineering and continued his studies at the Institute of Management (IIM), Calcutta, India where he gained a Post Graduate Diploma in Management in 1990 specialising in Development, Marketing, and then at the University of Pune, Pune, India where he gained a Bachelor of Laws (LLB) in 1996 excelling in Taxation and Commercial Laws. Mr Gupta has held several positions in the Indian Government including with the Indian Taxation Office and as Deputy Secretary to the Government of India, Ministry of Chemicals and Fertilisers, and as an Additional Commissioner of Income Tax and Officer on Special Duty to the Revenue Secretary, Government of India. In May 2004, he joined IFFCO and currently heads the strategic management team of IFFCO, responsible for formulating the future vision of the society and associated strategic decision making including setting up new ventures and partnerships, acquisition of existing ventures and diversification in new areas.

## **Allan Trench**

Dr. Trench was appointed a Director in August 2008. Dr Allan Trench is a geologist/geophysicist and business management consultant with approximately 20 years experience within the Australian resources sector across a number of commodity groups. Dr Trench was the Exploration Manager for WMC for the Leinster-Mt Keith region and then managed a number of exploration companies associated with Mr. Joseph Gutnick before joining McKinsey & Company as a management consultant. In his role at McKinsey, Dr Trench was an advisor to a number of large international resources companies on strategic, organisation and operational issues. From 2004 to 2006 Dr Trench was employed in a contract role as corporate strategist end benchmarking manager at Woodside Energy, helping to building Woodside's capability in strategy, benchmarking and performance improvement across its global asset portfolio. Dr Trench also serves as a non executive director for two other resource companies and currently holds the title of Adjunct Professor of Mineral Economics & Mine Management at the WA School of Mines, Curtin University.

## **Henry Herzog**

Mr. Herzog was appointed a Director in August 2008. Mr Henry Herzog has served in a number of various positions as President, Vice President or Director on a number of publically listed companies in Australia and the United States, predominantly in the mining sector. Mr. Herzog has restructured and reorganized several publically listed companies including U.S. company Bayou International Limited where he served as its President and Chief Executive Office from 1986-1988 and then as a Vice President through to June, 1999. Mr Herzog has also occupied a variety of other management and consulting roles and has over forty years of business experience. Mr Herzog has spent the last six years managing a number of private investment entities and currently sits on the Board of Trustees of a non-profit college of higher education.

## **Peter Lee**

Mr. Lee has been Chief Financial Officer since March 2005 and Secretary since November 2004. He is a Director, Chief Financial Officer and Secretary of Golden River Resources Corp, a Delaware corporation (GORV.OB). Mr. Lee is a Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia Ltd., a Member of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology. He has over 25 years commercial experience and is currently General Manager Corporate and Company Secretary of several listed public companies in Australia.

## **Craig Michael**

Mr. Michael has 8 years experience in the mining and resources industry. His previous work was with Oxiana Ltd where he was based in Laos in a Supervisor/Trainer role, both as a Mine Geologist and Resource Geologist at the Sepon Copper Gold Project. He was responsible for the geological interpretation of the Khanong copper-gold deposit and the surrounding oxide and primary gold deposits. In conjunction with training the national geologic staff in all mining and resource geology functions Mr. Michael also conducted resource estimates for public reporting. Prior to his time with Oxiana, he was a Mine Geologist at Sons of Gwalia's Carosue Dam Gold Project in Western Australia where he also conducted his honours thesis on their flagship Karari gold deposit.

## **Involvement on Certain Material Legal Proceedings During the Last Five Years**

No director, officer, significant employee or consultant has been convicted in a criminal proceeding, exclusive of traffic violations. No director, officer, significant employee or consultant has been permanently or temporarily enjoined, barred, suspended or otherwise limited from involvement in any type of business, securities or banking activities. No director, officer or significant employee has been convicted of violating a federal or state securities or commodities law.

## **Board of Directors**

Our Certificate of Incorporation provides that there must be at least one Director of the Company. Our Board of Directors currently consists of six directors.

Directors need not be stockholders of the Company or residents of the State of Delaware. Directors are elected for an annual term and generally hold office until the next Directors have been duly elected and qualified. Directors may receive compensation for their services as determined by the Board of Directors. A vacancy on the Board may be filled by the remaining Directors even though less than a quorum remains. A Director appointed to fill a vacancy remains a Director until his successor is elected by the Stockholders at the next annual meeting of Shareholder or until a special meeting is called to elect Directors.

The executive officers of the Company are appointed by the Board of Directors. There are no family relationships between any Directors or executive officers of the Company.

Our Board of Directors currently consists of six members, of whom three meet the independence requirement of the American Stock Exchange and are independent under applicable regulations. During fiscal 2007, our Board of Directors met four times. The Board of Directors also uses resolutions in writing to deal with certain matters and during fiscal 2007, six resolutions in writing were signed by all Directors.

The Company encourages all Directors to attend the Annual Meeting of stockholders, either in person or by telephone. The Directors did not attend the 2007 Annual meeting as they were overseas on business.

### **IFFCO Shareholders' Agreement**

In connection with the execution of the Shares Option Agreement, IFFCO entered into a Shareholders Agreement with Joseph Gutnick, the Company's Chairman of the Board, President and Chief Executive Officer pursuant to which IFFCO purchased 15 million shares of Common Stock from an affiliate of Mr. Gutnick at \$1.87 per share. The parties agreed to vote in favour of the election of their respective Board nominees, including four nominees selected by Mr. Gutnick and two by IFFCO, subject to adjustment based upon their proportionate share ownership. The parties granted each other certain rights of first refusal and tag-along rights with respect to future sale of shares by each other and their respective affiliates. In addition, the parties agreed to vote by mutual agreement with respect to certain material actions requiring stockholder approval.

In connection with the execution of the Shares Option Agreement and the Shareholders' Agreement, the Company agreed to increase the size of its Board of Directors from two members to six within 30 days following the closing and to appoint two nominees of IFFCO to the Company's Board of Directors, including the Managing Director of IFFCO, Dr. Awasthi and two additional nominees to be selected by Mr. Joseph Gutnick, the Company's Chairman of the Board, President and Chief Executive Officer. Mr. Gutnick's nominees are subject to the approval of BMO Nesbitt Burns in accordance with that certain Agency Agreement dated as of June 3, 2008. IFFCO's nominees are Dr. Awasthi and Mr. Gupta and Mr. Gutnick's nominees are Dr. Trench and Mr. Herzog. The Company also agreed to amend its Bylaws to require that certain material actions by the Company shall require the unanimous approval of the Board of Directors.

### **Nominating Committee**

At a meeting of the Board of Directors on August 12, 2008, it was resolved that Dr. Allan Trench, Dr. David Tyrwhitt and Mr. Henry Herzog be appointed to the Nominating Committee and that Dr. David Tyrwhitt be the Chair of the Committee. The Nominating Committee has authority and responsibilities as vested in it by the Board of Directors at a Directors Meeting held on June 27, 2008.

### **Audit and Compensation Committees**

At a meeting of the Board of Directors on August 12, 2008, it was resolved that Dr. Allan Trench, Dr. David Tyrwhitt and Mr. Henry Herzog be appointed to the Audit Committee and the Compensation Committee and that Dr. Allan Trench be the Chair of both of the Committees.. It is the opinion of the Board of Directors that Dr. David Tyrwhitt, Dr. Allan Trench and Mr. Henry Herzog are independent directors as defined in Rule 10A-3 of the Securities Exchange Act of 1934. In addition, the Board believes that Dr. David Tyrwhitt, Dr. Allan Trench and Mr. Henry Herzog would meet the director independence requirements of the American Stock Exchange if we were listed on such Market.

### **Code of Ethics**

We have adopted a Code of Conduct and Ethics and it applies to all Directors, Officers and employees. A copy of the Code of Conduct and Ethics will be posted on our website and we will provide a copy to any person without charge. If you require a copy, you will be able to download it from our website at [www.lgdi.net](http://www.lgdi.net) or alternatively, contact us by facsimile or email and we will send you a copy.

## Stockholder Communications with the Board

Stockholders who wish to communicate with the Board of Directors should send their communications to the Chairman of the Board at the address listed below. The Chairman of the Board is responsible for forwarding communications to the appropriate Board members.

Mr. Joseph Gutnick  
Legend International Holdings, Inc.  
PO Box 6315 St Kilda Road  
Central Melbourne, Victoria 8008 Australia

## Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, our Directors, executive officers and beneficial owners of more than 10% of the outstanding Common Stock are required to file reports with the Securities and Exchange Commission concerning their ownership of and transactions in our Common Stock and are also required to provide to us copies of such reports. Based solely on such reports and related information furnished to us, we believe that in fiscal 2007 all such filing requirements were complied with in a timely manner by all Directors and executive officers and 10% stockholders, except that Mr. Gutnick and Renika Pty Ltd. filed one Form 4 in connection with the sale of stock and Mr. Gutnick filed one Form 4 with respect to the receipt of options. Mr. Lee filed two Form 4's in connection with the receipt of options and Mr. Michael filed a Form 3 and two Form 4's in connection with the receipt of options, after the respective due dates of such forms.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets out, to the best of our knowledge, the numbers of shares of Common Stock beneficially owned as at September 15, 2008 by:

- (i) each of our present Executive Officers and Directors,
- (ii) each person (including any "group" as that term is defined in Section 13(d)(3) of the Securities Exchange Act) who beneficially owns more than 5% of our Common Stock, and
- (iii) all of our present Directors and officers as a group.

| Name  | Number of Shares Owned |              | Percentage of Shares (1) |
|---|------------------------|--------------|--------------------------|
| Joseph and Stera Gutnick *  | 69,426,726             | (2)(3)(4)(5) | 30.68                    |
| David Tyrwhitt *  | -                      | (6)          | -                        |
| Dr U.S Awasthi  | -                      | (11)         | -                        |
| Manish Gupta  | -                      | (12)         | -                        |
| Dr Allan Trench   | -                      | (13)         | -                        |
| Henry Herzog  | 884,940                | (14)         | **                       |
| Peter Lee *   | 1,050,000              | (7)          | **                       |
| Craig Michael *   | 100,000                | (8)          | **                       |
| All officers and Directors<br>As a Group                              | 71,461,666             |              | 31.58                    |
| Atticus European Fund, Ltd<br>767 Fifth Avenue – 12 <sup>th</sup> Fl. | 29,127,339             | (9)          | 13.18                    |

| <b>Name</b>  | <b>Number of Shares Owned</b> |      | <b>Percentage of Shares (1)</b> |
|--|-------------------------------|------|---------------------------------|
| New York, NY 10153   |                               |      |                                 |
| Green Way Portfolio D<br>767 Fifth Avenue – 12 <sup>th</sup> Fl.<br>New York, NY 10153                                     | 1,842,661                     | (9)  | 0.83                            |
| Kisan International Trading, FZE<br>Emaar Business Park No.2,<br>Office 562,<br>Jebel Ali<br>Dubai, UAE<br>Post Box 261835 | 45,000,000                    | (10) | 17.9                            |

\* unless otherwise indicated, the address for each person is C/- Legend International Holdings, Inc., Level 8, 580 St Kilda Road, Melbourne, Victoria 3004, Australia.

\*\* less than 1%

- (1) Based on 226,273,976 shares outstanding as of September 15, 2008.
- (2) Includes 48,755,476 shares of Common Stock owned by Renika Pty. Ltd., of which Mr. Joseph Gutnick, Stera M. Gutnick and members of their family are officers, Directors and principal stockholders.
- (3) Includes 750,000 shares issuable to Mr Joseph Gutnick upon exercise of stock options of which vested on September 19, 2007. Mr. Gutnick holds a further 750,000 options which vest on September 19, 2008, 750,000 options which vest on September 19, 2009, 1,666,666 options which vest on February 7, 2009, 1,666,667 options which vest on February 7, 2010, and 1,666,667 options which vest on February 7, 2011.
- (4) Joseph Gutnick and Stera Gutnick are husband and wife.
- (5) Includes 19,901,250 shares of Common Stock owned by Chabad House of Caulfield Pty Ltd. ("Chabad House"), a private corporation that is the trustee of the Heichal Menachem Community Centre Fund, a charitable organization. Joseph Gutnick and Stera Gutnick are directors of Chabad House but disclaim any beneficial interest in the shares of Common Stock owned by Chabad House.
- (6) Does not include 333,333 options which vest on July 11, 2009, 333,333 options which vest on July 11, 2010 and 333,334 options which vest on July 11, 2011.
- (7) Includes 525,000 shares issuable to Mr. Peter Lee upon exercise of stock options of which vested on September 19, 2007 and 525,000 options which vest on September 19, 2008. Mr. Lee holds a further 333,333 options which vest on December 28, 2008, 333,333 options which vest on December 28, 2009, 525,000 options which vest on September 19, 2009 and 333,333 options which vest on December 28, 2010.
- (8) Includes 100,000 shares issuable to Mr. Michael upon exercise of stock options which vest on September 10, 2008 and. Does not include 416,666 options which vest on December 28, 2008, 416,666 options which vest on December 28, 2009, 100,000 options which vest on September 10, 2009, 416,667 options which vest on December 28, 2010, 100,000, options which vest on September 10, 2010.
- (9) In accordance with a Form 4 dated June 06, 2008, Atticus Capital LP, Atticus Management Limited and Mr. Timothy Barakett may be deemed to be beneficial owners of the shares of Common Stock.
- (10) Includes 20,000,000 shares of common stock owned by Kisan International Trading, FZE, a subsidiary of Indian Farmers Fertilizer Cooperative Limited ("IFFCO"). Also includes share issuable upon exercise of the following stock options: 8,000,000 options which were granted to IFFCO which are exercisable no later than July 14, 2009, 8,000,000 options which are exercisable no later than January 14, 2010, and 9,000,000 options which are exercisable no later than July 14, 2010.

- (11) Dr U.S Awasthi is a director of the Indian Farmers Fertilizer Cooperative Limited which wholly owns Kisan International Trading, FZE. In accordance with a Form 3 dated September 02, 2008, no securities of the Company are beneficially owned by Dr U.S Awasthi.
- (12) Manish Gupta is a director of the Indian Farmers Fertilizer Cooperative Limited which wholly owns Kisan International Trading, FZE. In accordance with a Form 3 dated August 29, 2008, no securities of the Company are beneficially owned by Manish Gupta.
- (13) Does not include 116,667 options which vest on August 11, 2009, 116,667 options which vest on August 11, 2010 and 116,666 options which vest on August 11, 2011.
- (14) Shares of Common Stock are held by Riccalo Pty Ltd., of which Henry Herzog and members of his family are officers, directors and principal stockholders

**Transfer Agent**

The transfer agent and registrar for the Company's Common Stock is Continental Stock Transfer & Trust Company of 17 Battery Place, 8<sup>th</sup> Floor, New York, NY 10004.

## **DESCRIPTION OF SECURITIES**

The following description of our Common Stock is a summary of the material terms of our Common Stock. This summary is subject to and qualified in its entirety by our Certificate of Incorporation as amended, our Bylaws and by the applicable provisions of the State of Delaware law.

Our authorized capital stock consists of 20,000,000 shares of preferred stock and 300,000,000 shares of Common Stock having a par value of \$0.001 per share, of which 226,273,976 shares were issued and outstanding as of September 15, 2008.

There is no cumulative voting for the election of directors. There are no preemptive rights to purchase shares. The holders of shares of Common Stock are entitled to dividends, out of funds legally available therefore, when and as declared by the Board of Directors. The Board of Directors has never declared a dividend and does not anticipate declaring a dividend in the future. Each outstanding share of Common Stock entitles the holder thereof to one vote per share on all matters. In the event of liquidation, dissolution or winding up of our affairs, holders are entitled to receive, ratably, our net assets available to shareholders after payment of all creditors. All of our issued and outstanding shares of Common Stock are duly authorized, validly issued, fully paid, and non-assessable. To the extent that our unissued shares of Common Stock are subsequently issued, the relative interests of existing shareholders may be diluted.

## **INTEREST OF NAMED EXPERTS AND COUNSEL**

Not applicable

## **DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT**

The Delaware Business Corporation Act and our by-laws, provide that we shall indemnify our officers and directors and hold harmless each person who was, is or is threatened to be made a party to or is otherwise involved in any threatened proceedings by reason of the fact that he or she is or was our director or officer, against losses, claims, damages, liabilities and expenses actually and reasonably incurred or suffered in connection with such proceeding. However, the statutory indemnity does not apply to: (a) acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of law; (b) unlawful distributions; or (c) any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property, or services to which the director was not legally entitled. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the forgoing provisions or otherwise, we have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in that Act and is, therefore, unenforceable.

## **ORGANIZATION WITHIN LAST FIVE YEARS**

Not Applicable

## **DESCRIPTION OF BUSINESS**

The Company has never generated any significant revenues from operations and is still considered an exploration stage company. The Company was initially formed to engage in the business of selling compatible inkjet cartridges and refill kits on the Internet for the consumer printer market. In March 2003, management of the Company decided to engage in the business of building and acquiring controlling or other interests in one or more companies engaged in the contract sales and distribution of specialty medical products, and raise additional capital for this purpose. Neither business was successful and operations of both were eventually discontinued. During fiscal 2004, management of the Company developed a

plan of operations to acquire income-producing real property. The Company did not acquire any properties pursuant to such plan.

Following the change of management in November 2004, the Company developed a new plan of operations, which was to engage in mineral exploration and development activities. Legend's business plan calls for the identification of mineral properties where it can obtain secure title to exploration, development and mining interests.

### Legend's Land Holdings and Projects

The Legend landholdings, prospective for phosphate, diamonds and base metals cover 40,525 square acres in Queensland, Australia and 4.7 million square acres in the Northern Territory, Australia. In Queensland, Legend's holdings are historical phosphate deposits located in the Mt. Isa district, along the margin of the Georgina Basin which is host to major base metal and phosphate deposits.

Legend's mining tenements are divided into the following project areas:

- Phosphate Projects:
  - The Queensland Phosphates
  - Selby Project, Northern Territory.
- Diamond Projects:
  - The Foelsche Project encompassing:
    - McArthur River, Northern Territory.
    - Glyde River, Northern Territory.
    - Foelsche, Northern Territory
    - Abner Range, Northern Territory.
    - Cox, Northern Territory.
- All of these project areas are also prospective for Base Metals.

### Queensland Projects

Tenement Status, Details & Commitments (Projected) Queensland, Australia

| Lease    | Lease Status                   | Project             | App. Date  | Grant Date | Expiry Date | Anni. Date (2008) | Rent \$ (2008) | Commit. \$ (2008) |
|----------|--------------------------------|---------------------|------------|------------|-------------|-------------------|----------------|-------------------|
| EPM14905 | Granted                        | Quita Creek         | 10/12/2004 | 12/12/2006 | 11/12/2011  | 11/12/2008        | \$11,178       | \$70,000          |
| EPM14906 | Granted                        | Highland Plains     | 10/12/2004 | 24/08/2007 | 23/08/2012  | 23/08/2008        | \$12,150       | \$50,000          |
| EPM14912 | Granted                        | Lily Creek          | 17/12/2004 | 30/01/2007 | 29/01/2012  | 29/01/2008        | \$12,460       | \$50,000          |
| EPM14753 | Granted                        | D-Tree              | 09/08/2004 | 21/04/2008 | 20/04/2013  | 20/04/2009        | \$2,392        |                   |
| EPM16683 | Application (Withdrawn)        | Lady Jane           | 30/07/2007 |            |             |                   |                |                   |
| EPM16940 | Application (Withdrawn)        | Lady Annie          | 09/10/2007 |            |             |                   |                |                   |
| EPM16941 | Application (Withdrawn)        | Thorntonia          | 09/10/2007 |            |             |                   |                |                   |
| EPM16942 | Application (Priority Granted) | Lady Annie          | 09/10/2007 |            |             |                   |                |                   |
| EPM17087 | Application                    | Drifter             | 03/12/2007 |            |             |                   |                |                   |
| EPM17330 | Application (Priority Granted) | Lady Jane           | 04/02/2008 |            |             |                   |                |                   |
| EPM17333 | Application (Priority Granted) | Thorntonia          | 05/02/2008 |            |             |                   |                |                   |
| EPM17334 | Application (Secondary)        | Lady Annie          | 05/02/2008 |            |             |                   |                |                   |
| EPM17447 | Application (Priority Granted) | Lady Annie          | 03/03/2008 |            |             |                   |                |                   |
| EPM17437 | Application (Priority Granted) | West Thornton Creek | 03/03/2008 |            |             |                   |                |                   |
| EPM17443 | Application (Priority Granted) | East Galah Creek    | 03/03/2008 |            |             |                   |                |                   |
| EPM17446 | Application (Priority Granted) | Epsom Bore          | 03/03/2008 |            |             |                   |                |                   |
| EPM17441 | Application (Priority Granted) | Johnstone Creek     | 03/03/2008 |            |             |                   |                |                   |

## Landholdings

Some of Legend's landholdings (tenements) are held under licence from the Queensland Government in Australia. Tenements are granted as either exploration permits, mineral development licences or mining leases.

Exploration permits can only be applied for over available ground. Applications consist of a prescribed application form, proposed exploration programme with estimated expenditure and the prescribed application fee. An exploration permit number is assigned when the application is received. The Department then assesses the application to determine whether a company is a suitable candidate and proposes to spend sufficient funds on exploration on the licence. If the Department considers a company to be a suitable candidate, the Department then assesses the environmental impact of the proposed exploration programme and also commences the native title process. The native title process involves advertising the application for the purpose of determining whether there are any objections to the licence being granted. If there are no objections, the permit is granted.

The exploration permit is granted for five years provided the company continues to comply with the licences conditions. There is a statutory requirement to reduce the area of the exploration licence by fifty percent before the end of years three, four and five.

Rent is required to be paid each year in advance.

An annual expenditure report is due each year, as a statement of the amount that has been spent on the ground. An annual technical report is also due each year, as a statement of the exploration work that has been undertaken on the ground and what work is proposed to be undertaken for the coming year.

The exploration permit is due to expire at the end of year five but a renewal application can be lodged prior to the expiry to, if granted, extend the permit for up to another five years. A summary of work completed on the ground together with a detailed explanation of the work proposed for the ground is required to accompany the renewal application.

If the company proposes to mine a measured resource it will need to apply for a Mining Lease. As the Exploration Permit holder it has automatic priority to the ground to be the subject of the mining Lease. Applications consist of a prescribed application form, details of the proposed development, the financial resources to fund the proposal and the prescribed application fee. A mining lease number is assigned when the application is received. The Department then assesses the application to determine the suitability of the proposal. The application will then pass through the environmental and native title process. An agreement will need to be negotiated with the native title holders/claimants as part of the native title process.

A mineral lease may be granted for such term as the Minister thinks fit. The company is required to state the term of the lease required at the time of application. The term required is stated on the application form.

Rent is required to be paid each year in advance.

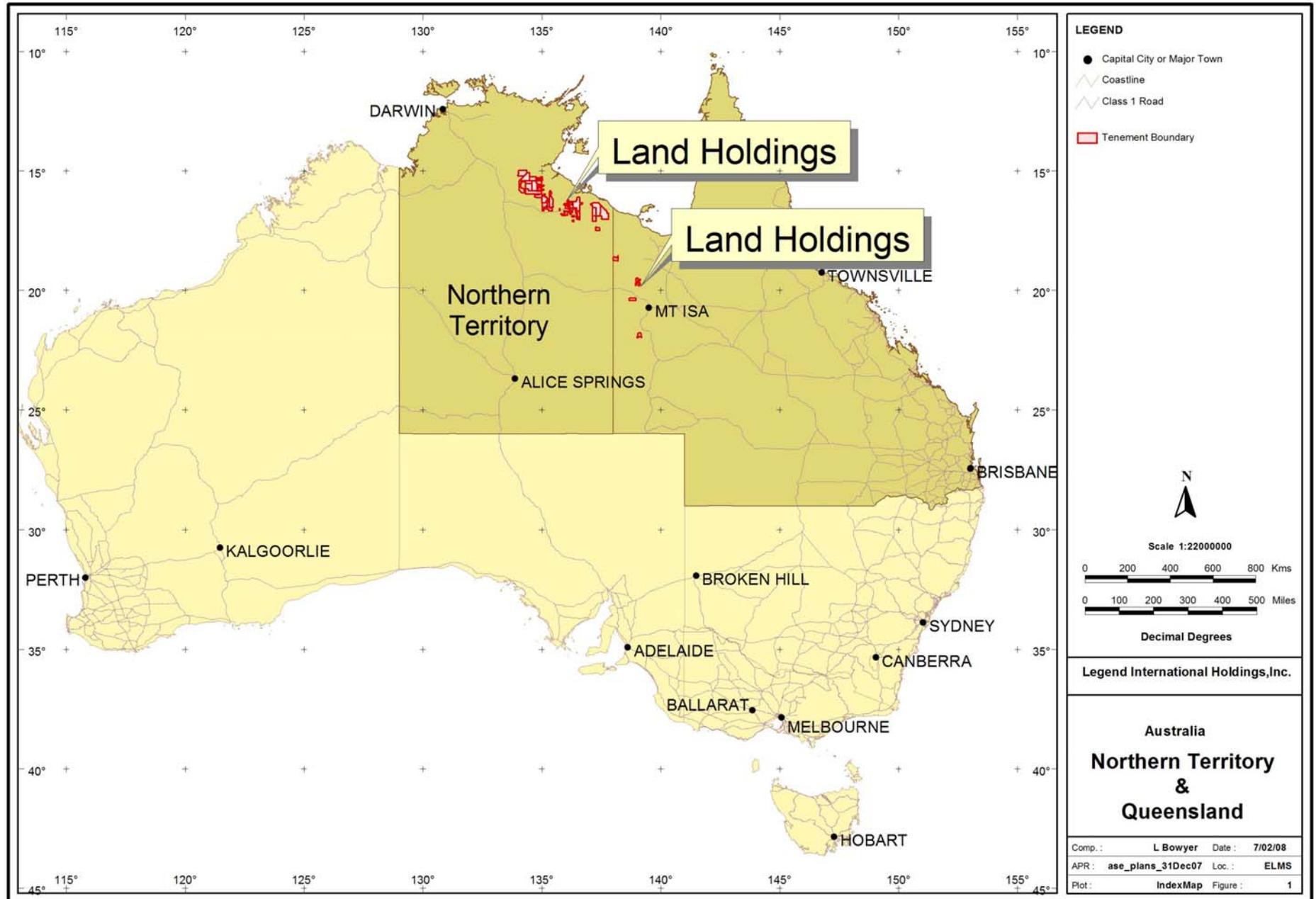
An annual expenditure report is due each year, as a statement of what has been spent on the ground. An annual technical report is also due each year, as a statement of what work has been done on the ground and what work is proposed for the coming year.

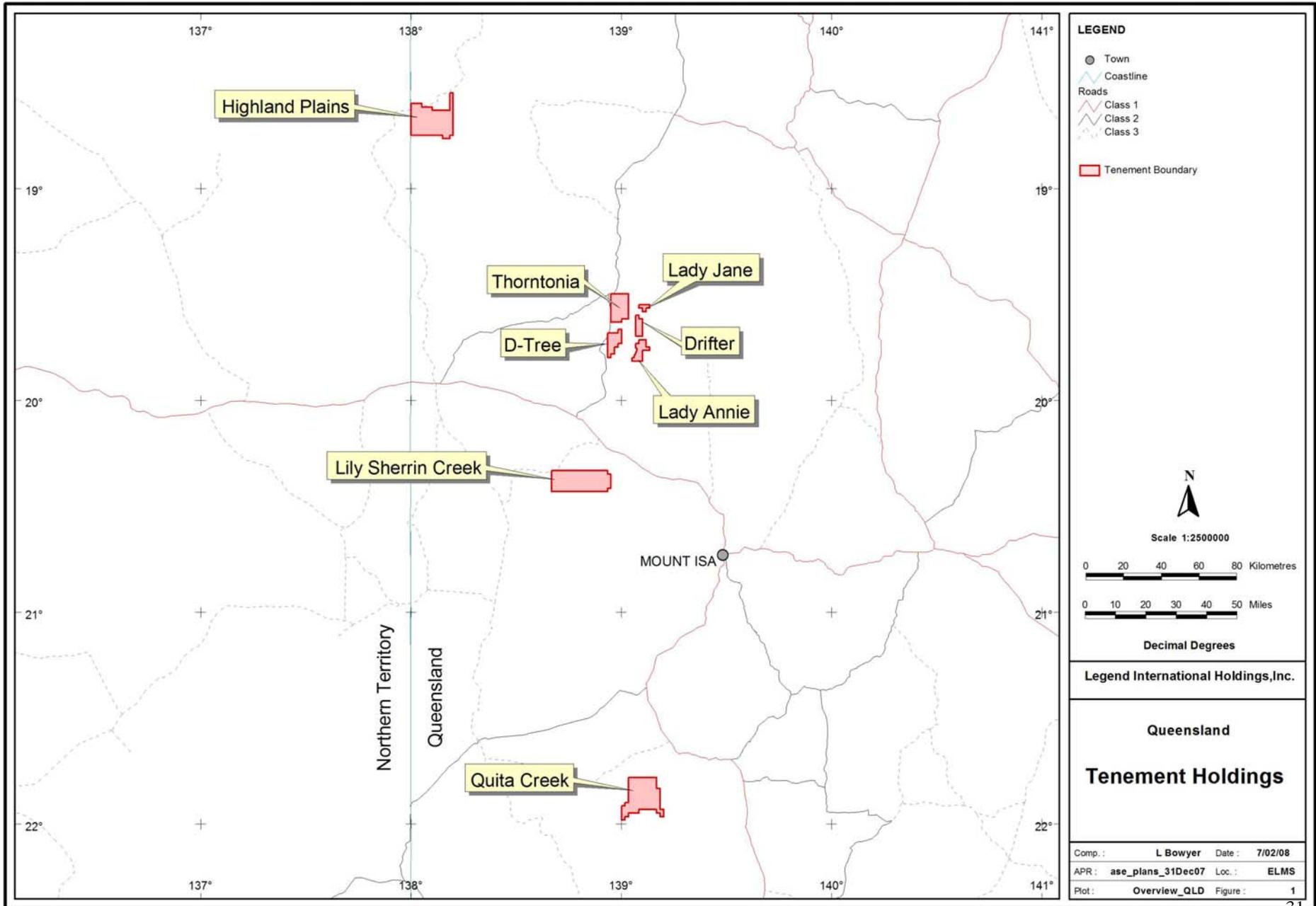
## Geological History of the Georgina Basin of Queensland.

The Georgina Basin hosts a number of phosphorate deposits near Mt Isa. In particular, the Beetle Creek Formation and Thornton Limestone contain three key phosphatic lithologies: pelletal, microspherite and replacement-types. The Lady Annie, Lady Jane, D-Tree & Thornton phosphate deposits lie within the Beetle Creek Formation and its lateral facies equivalents. (Howard, 1986)

The Inca Formation is the youngest unit, composed of laminated siltstones and shales and conformably overlies Thornton Limestone. The Thornton Limestone is a dolomitic limestone with increasing chert bands toward top. It is the lateral facies equivalent to the Beetle Creek Formation, with which it intertongues. The Beetle Creek Formation hosts the phosphate deposits, composed predominately of interbedded coarse to fine grained phosphorites, siltstone, claystone, chert and some discrete carbonate lenses. Locally, karst-like surfaces are filled with chalky high-grade phosphate that appear to replace the underlying limestone. This unit conformably and gradationally overlies Mt Hendry Formation which is a discontinuous conglomerate and sandstone. (Cook & Elgueta, 1986)

All the deposits formed under coastal, shallow marine conditions. These Cambrian sediments are covered by up to 71m of Mesozoic claystone and sandstone and Cainozoic alluvium and eluvium. Coarse to medium grained skeletal-ovulitic grainstone and packstone phosphorites are thought to have formed through reworking, transport and accumulation grains. Phosphatic microspherulites are thought to have formed from the suspension of very fine grained detrital material or precipitation from the water column in very shallow supratidal areas. (Cook & Elgueta, 1986) The replacement phosphates are thought to have occurred due to post-depositional phosphate replacement of carbonate, such as found at D-Tree.





**LEGEND**

- Town
- ▲ Coastline
- Roads
  - Class 1
  - Class 2
  - Class 3
- Tenement Boundary



Scale 1:2500000

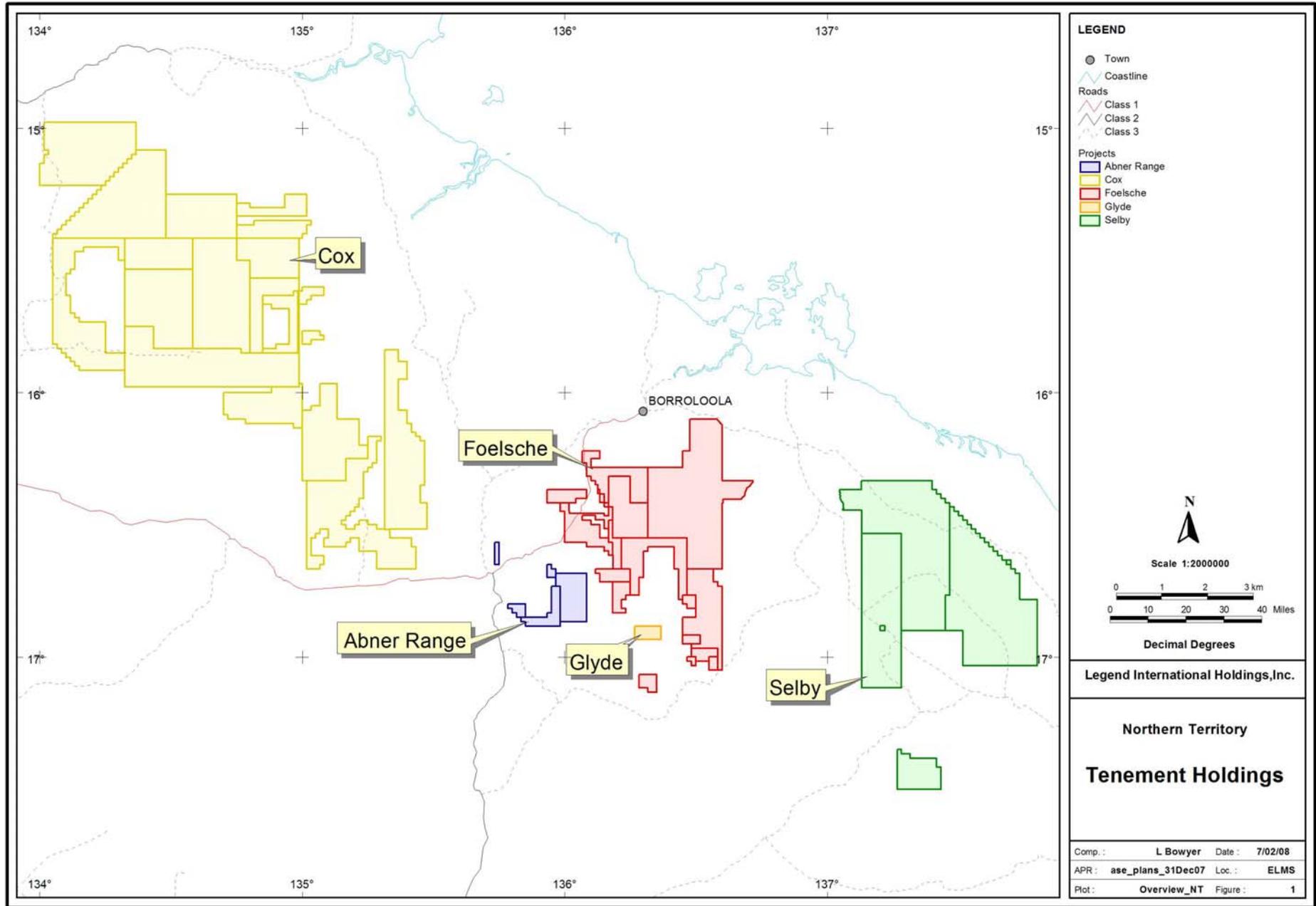


Decimal Degrees

Legend International Holdings, Inc.

**Queensland  
Tenement Holdings**

|        |                   |         |         |
|--------|-------------------|---------|---------|
| Comp.: | L Bowyer          | Date:   | 7/02/08 |
| APR:   | ase_plans_31Dec07 | Loc.:   | ELMS    |
| Plot:  | Overview_QLD      | Figure: | 1       |



## Exploration History and Forward Work Program

The Lady Annie, Lady Jane, D-Tree & Thornton phosphate deposits are located approximately 130km north west of Mt Isa in the Georgina Basin. The historically published deposits lie within the same geological rock unit and their size and tonnages are as follows:

| <b>Deposit</b> | <b>Classification</b>             | <b>Estimated<br/>million tonnes</b> | <b>% P<sub>2</sub>O<sub>5</sub></b> |
|----------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Lady Annie     | Non-reserve mineralized material* | 293                                 | 16.6 <sup>1</sup>                   |
| Lady Jane      | Non-reserve mineralized material* | 193                                 | 17.6 <sub>1</sub>                   |

\* Such non-reserve mineralized material would not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries and other material factors concludes being both legal and economic feasibility

### Source of Information

Historically published resources & reserves in Queensland Minerals Mines & Projects, 4th Edition. From:1 1990 Freeman, M.J., Shergold, J.H., Morris, D.G., & Walter, M.R. Late Proterozoic And Palaeozoic Basins of Central and Northern Australia- Regional Geology And Mineralisation. 21996 Draper, J.J Phosphate- Queensland Mineral Commodity Report, Queensland Government Mining Journal, 97 (1131) 14-25.

Past feasibility studies by BH South Ltd (Rogers J.K, 1988) occurred in 1974 on a phosphate rock beneficiation plant and slurry pipeline to the Queensland coast. Beneficiation test shafts and mining scale trenches were dug. A pilot plant built in 1973 produced 34% P205 concentrate at Lady Annie from 17% P205 rock (Cook, P.J. 1989). Feasibility was concluded at that time at a production rate of 4-5 million tonnes per year (Cook, P.J. 1989).

A thorough Open File Historical data review has commenced. Past exploration and reserve estimation data is being acquired and compiled into a global database for use in re-validating the past surveys, drilling and sampling. Appropriate Heritage, Environmental and Proposals for Works approvals are being sought. A detailed field sampling and drilling program is being developed in full awareness of quality control and compliance procedures to verify past data and re-establish the volumes and percentage of phosphate in these deposits. It is anticipated that fieldwork will commence mid 2008.

### Access

Access to the Queensland project areas is by commercial airline to Mount Isa, a mining district in Queensland. From Mount Isa it is approximately 96 kilometres by road however, helicopter is often used due to rugged terrain. Mount Isa has substantial infrastructure, accommodation and other facilities. Between April to November, in the dry season, four wheel drive vehicles can be used on dirt roads

| <b>Project</b>        | <b>Access</b>                          |
|-----------------------|--|
| Queensland Phosphates | Via the Barkly Highway from Mount Isa. |

### Government Regulations, Declarations & Conditions

The Company's exploration operations are subject to federal and state laws and regulations governing the method of acquisition and ownership of mining rights, exploration, development, mining, production, taxes, labour standards, occupational health, mine safety, toxic substances other matters. Federal and State legislation also governs environmental management and native title issues. We are committed to and, to our knowledge, are in compliance with all governmental legislation and regulations.

## Mineralisation

No known mineral reserves are known on our land in Queensland, however phosphate resources are recorded. Our proposed program will be developed with a view to verify existing data and prove the deposits up to deposit grade.

## Government Requirements for Maintenance of Licences

To ensure that licences are kept in good standing the Company is required to pay the annual rent amount for each licence on its respective anniversary date. The amount due is dependent upon the size and age of the licence. The Company is also required to work the licences and meet the annual expenditure commitments. Annual reporting is required, specifying details of the exploration programme which has occurred and which is anticipated for the following year. Failure to comply would place the licences at risk of cancellation and therefore forfeit the right to explore on that ground.

## Licence Conditions

The Company is required to meet certain standard conditions and obligations as specified by the Queensland Mineral Resources Act, Exploration Permits. These include conducting activities in a way which minimise environmental damage, rehabilitation, avoiding interference with registered native title sites or areas and ensuring compliance with any other relevant legislation. Programmes of Work are to be submitted at the time of application for any ground disturbance or exploration works, the conditions of which are clearly specified and adhered to. Security bonds are payable on the grant of the permits and additional conditions can be imposed by the government State Minister.

## Native Title

The rights and obligations of the Company with respect to native title obligations differ depending upon the permit's proposed impact on the land. All the exploration permit applications held by the company will need to comply with the Native Title Act. The overwhelming majority on permit applications will be advertised under the expedited procedure and require advertising to determine whether there are any objections. If there are no objections, the Queensland Government can grant the permit and will impose the Native Title Protection Conditions on the permit before grant. These conditions ensure that any native title claimants are aware of the proposed exploration work and it gives them an opportunity to identify any culturally sensitive areas. If there are objections, the company will need to negotiate an agreement with the native title claimants. Following lodgement of this agreement with the Queensland government the permit will be granted.

## Environment

The rights and obligations of the Company with respect to environmental management and rehabilitation are based upon the principles of disturbance minimisation, including such things as preservation of mature trees, preventing the spread of noxious weeds, avoiding the disturbance of waterways and waste management. Rehabilitation is a condition of the Security bond and requires such things as sealing of collars, plugging of casings and replacement of topsoils.

## Royalties

The royalty rate for phosphate rock is the higher of the following: (a) 80 cents for each tonne of phosphate rock; or (b) the rate, rounded down to 2 decimal places, for each tonne of phosphate rock worked out using the following formula –

$$R = \$1 \times \frac{G}{32.3} \times \frac{P_{curr}}{\$72.50}$$

where  $R$  is the royalty rate,  $G$  is the average  $P_2O_5$  content of the phosphate rock for the return period, and  $P_{curr}$  is the average price for the return period, converted to Australian dollars at the average hedge settlement rate for the return period, of Moroccan phosphate rock with 32.3%  $P_2O_5$  content.

#### Contractual Agreements in relation to Queensland Phosphate Interests

- (i) On November 2, 2007, we entered into an agreement with Iron Dwyfken Pty Ltd to acquire three (3) project areas in the Georgina Basin of Queensland, Australia. Each project hosts a known and well documented, substantial deposit of phosphate rock (Cook, P.J, 1989, Howard, P.F, 1986). These deposits were delineated by earlier work conducted by previous major companies since 1967 and have been named the Lady Annie, Lady Jane and Thornton phosphate deposits. The deposits were defined in times when phosphate prices were low. Phosphate prices have risen considerably since those times due to increased world demand especially from China and India. Past feasibility studies on these deposits will be reassessed with a view to commercialization of the deposits, based on current prices. Legend agreed to pay A\$500,000 and issue 500,000 shares of Common Stock as consideration.
- (ii) Effective November 7, 2007, Legend International Holdings, Inc entered into an agreement with Ansett Resources & Industries Pty Ltd to acquire one (1) project area in the Georgina Basin of Queensland, Australia. The project hosts a known and well documented, substantial deposit of phosphate rock (Cook, P.J, 1989, Howard, P.F, 1986). The deposit was delineated by earlier work conducted by previous major companies since 1967 and have been named the D-Tree phosphate deposit. As set out above, the deposit was defined in times when phosphate prices were low. Phosphate prices have risen considerably since those times due to increased world demand especially from China and India. Past feasibility studies on this deposit will be reassessed with a view to commercialization of the deposit, based on current prices. Legend agreed to pay A\$300,000 as consideration.
- (iii) We entered into a farm-in and joint venture heads of agreement with King Eagle Resources Pty Limited on December 7, 2007 pursuant to which Legend can earn an 80% interest in phosphate on three tenement blocks named Quita Creek, Highland Plains and Lily and Sherrin creek by spending \$3 million on phosphate exploration over five years. Legend has no rights to any other minerals on the three tenement blocks.
- (iv) Effective February 27, 2008, we entered into a Share Sale Agreement whereby the Company agreed to purchase all of the issued and outstanding shares of Teutonic Minerals Pty Ltd. As a result, Teutonic became a subsidiary of the Company from that date. Teutonic holds an application for a mineral licence over phosphate in the Georgina Basin in the State of Queensland, Australia. The consideration payable to the vendors was A\$300,000, and the Company granted a 1% gross revenue royalty from production from the mineral licence.

#### Northern Territory Exploration Interests

##### Tenement Status, Details & Commitments (Projected) Northern Territory, Australia

| Lease   | Lease Status          | Project  | Grant Date | Expiry Date | Area (Ha) | Anni. Date \$ (2008) | Rent \$ (2008) | Commit. \$ (2008) |
|---------|-----------------------|----------|------------|-------------|-----------|----------------------|----------------|-------------------|
| EL22244 | Granted               | Foelsche | 3/7/2003   | 3/6/2009    | 144,500   | 3/6/2008             | 79,376         | 30,000            |
| EL22245 | Granted               | Foelsche | 3/7/2003   | 3/6/2009    | 42,410    | 3/6/2008             | 22,704         | 100,000           |
| EL22246 | Granted               | Selby    | 2/5/2003   | 2/4/2009    | 103,700   | 2/4/2008             | 61,600         | 30,000            |
| EL22247 | Granted               | Selby    | 2/5/2003   | 2/4/2009    | 159,000   | 2/4/2008             | 86,944         | 30,000            |
| EL22251 | Granted               | Selby    | 4/24/2003  | 4/23/2009   | 164,400   | 4/23/2008            | 88,000         | 500,000           |
| EL22252 | Granted               | Selby    | 8/22/2002  | 8/21/2008   | 23,580    | 8/21/2008            | 25,344         | 50,000            |
| EL22294 | Application 12/9/1999 | Cox      |            |             | 108,600   |                      |                |                   |

| Lease   | Lease Status                      | Project     | Grant Date | Expiry Date | Area (Ha) | Anni. Date \$ (2008) | Rent \$ (2008) | Commit. \$ (2008) |
|---------|-----------------------------------|-------------|------------|-------------|-----------|----------------------|----------------|-------------------|
| EL22295 | Granted                           | Cox         | 2/5/2003   | 2/4/2009    | 79,050    | 2/4/2008             | 42,944         | 30,000            |
| EL22296 | Granted                           | Cox         | 2/5/2003   | 2/4/2009    | 43,400    | 2/4/2008             | 23,936         | 30,000            |
| EL22297 | Granted                           | Cox         | 8/5/2003   | 8/4/2009    | 70,920    | 8/4/2008             | 37,840         | 30,000            |
| EL22298 | Surrendered                       | Cox         | 4/24/2002  | 4/23/2008   | 98,480    | 4/23/2008            | 105,248        | 30,000            |
| EL22299 | Application 12/9/1999             | Cox         |            |             | 125,600   |                      |                |                   |
| EL22300 | Surrendered                       | Cox         | 9/26/2002  | 9/25/2008   | 16,560    | 9/25/2008            | 17,600         | 20,000            |
| EL22302 | Surrendered                       | Cox         | 9/26/2002  | 9/25/2008   | 53,270    | 9/25/2008            | 59,840         | 30,000            |
| EL22351 | Granted                           | Foelsche    | 8/5/2003   | 8/4/2009    | 31,290    | 8/4/2008             | 16,720         | 30,000            |
| EL23116 | Granted                           | Abner Range | 3/3/2003   | 3/2/2009    | 1,646     | 3/2/2008             | 880            | 15,000            |
| EL23117 | Granted                           | Abner Range | 3/3/2003   | 3/2/2009    | 1,645     | 3/2/2008             | 880            | 20,000            |
| EL23118 | Granted                           | Abner Range | 3/3/2003   | 3/2/2009    | 10,520    | 3/2/2008             | 5,632          | 50,000            |
| EL23119 | Granted                           | Foelsche    | 3/3/2003   | 3/2/2009    | 4,927     | 3/2/2008             | 2,640          | 30,000            |
| EL23121 | Granted                           | Foelsche    | 3/3/2003   | 3/2/2009    | 5,915     | 3/2/2008             | 3,168          | 100,000           |
| EL23126 | Granted                           | Cox         | 8/5/2003   | 8/4/2009    | 19,700    | 8/4/2008             | 10,560         | 20,000            |
| EL23127 | Application 4/10/2001             | Cox         |            |             | 36,020    |                      |                |                   |
| EL23162 | Application 5/9/2001              | Cox         |            |             | 38,577    |                      |                |                   |
| EL23510 | Granted                           | Foelsche    | 3/3/2003   | 3/2/2009    | 985       | 3/2/2008             | 528            | 40,000            |
| EL23511 | Granted                           | Foelsche    | 3/3/2003   | 3/2/2009    | 4,596     | 3/2/2008             | 2,464          | 20,000            |
| EL23512 | Granted                           | Foelsche    | 3/3/2003   | 3/2/2009    | 7,237     | 3/2/2008             | 3,872          | 20,000            |
| EL23513 | Granted                           | Abner Range | 3/3/2003   | 3/2/2009    | 22,690    | 3/2/2008             | 12,144         | 30,000            |
| EL23514 | Granted                           | Abner Range | 3/3/2003   | 3/2/2009    | 2,959     | 3/2/2008             | 1,584          | 100,000           |
| EL23515 | Granted                           | Foelsche    | 7/4/2003   | 7/3/2009    | 22,820    | 7/3/2008             | 13,024         | 150,000           |
| EL25486 | Application 7/18/2006             | Cox         |            |             | 91,570    |                      |                |                   |
| EL25491 | Granted                           | Foelsche    | 3/12/2007  | 3/11/2013   | 2,628     | 3/11/2008            | 88             | 60,000            |
| EL25612 | Application 9/20/2006             | Cox         |            |             | 91,750    |                      |                |                   |
| EL25613 | Application 9/20/2006             | Cox         |            |             | 81,710    |                      |                |                   |
| EL25614 | Application 9/20/2006             | Cox         |            |             | 103,200   |                      |                |                   |
| EL25615 | Application 9/20/2006             | Cox         |            |             | 28,710    |                      |                |                   |
| EL25616 | Granted                           | Foelsche    | 8/23/2007  | 8/22/2013   | 6,136     | 8/22/2008            | 209            | 15,000            |
| EL25617 | Granted                           | Foelsche    | 8/23/2007  | 8/22/2013   | 24,840    | 8/22/2008            | 847            | 40,000            |
| EL25629 | Application 9/25/2006             | Cox         |            |             | 17,190    |                      |                |                   |
| EL26175 | Granted                           | Foelsche    |            |             | 126       |                      |                |                   |
| EL26176 | Granted                           | Foelsche    |            |             | 590       |                      |                |                   |
| EL26177 | Granted                           | Foelsche    |            |             | 281       |                      |                |                   |
| EL26360 | Granted                           | Selby       |            |             | 329       |                      |                |                   |
| EL26405 | Ceased                            | Foelsche    |            |             | 29,310    |                      |                |                   |
| EL26406 | Application 08/27/2007            | Foelsche    |            |             | 8,079     |                      |                |                   |
| EL26495 | Pending - Received offer to grant | Foelsche    |            |             | 1,970     |                      |                |                   |

| Lease   | Lease Status                      | Project  | Grant Date | Expiry Date | Area (Ha) | Anni. Date \$ (2008) | Rent \$ (2008) | Commit. \$ (2008) |
|---------|-----------------------------------|----------|------------|-------------|-----------|----------------------|----------------|-------------------|
| EL26507 | Pending - Received offer to grant | Foelsche |            |             | 7,235     |                      |                |                   |
| EL26509 | Pending - Received offer to grant | Foelsche |            |             | 2,630     |                      |                |                   |
| EL26514 | Pending - Received offer to grant | Cox      |            |             | 5,011     |                      |                |                   |
| EL26515 | Pending - Received offer to grant | Cox      |            |             | 3,635     |                      |                |                   |
| EL26528 | Pending - Received offer to grant | Foelsche |            |             | 32,240    |                      |                |                   |

## Landholdings

All of Legend's landholdings (tenements) are held under licence from the Northern Territory Government in Australia. Tenements are granted as either exploration licences or mining leases.

Exploration licences can only be applied for over available ground. Applications consist of a prescribed application form, proposed exploration programme with estimated expenditure and the prescribed application fee. An exploration licence number is assigned when the application is received. The Department then assesses the application to determine whether a company is a suitable candidate and proposes to spend sufficient funds on exploration on the licence. If the Department considers a company to be a suitable candidate, the Department then commences the native title process which involves advertising for the purpose of determining whether there are any objections to the licence being granted. If there are no objections, the licence is granted.

The exploration licence is granted for six years provided the company continues to comply with the licences conditions. There is a statutory requirement to reduce the area of the exploration licence by fifty percent before the end of years two, three, four and five. An application to waive the reduction can be made at the time the reduction is due.

Rent is required to be paid each year in advance. The cost per block is increased by 100% each year after year two.

An annual expenditure report is due each year, as a statement of the amount that has been spent on the ground. An annual technical report is also due each year, as a statement of the exploration work that has been undertaken on the ground and what work is proposed to be undertaken for the coming year.

The exploration licence is due to expire at the end of year six but a renewal application can be lodged prior to the expiry to, if granted, extend the licence for another two years. A summary of work completed on the ground together with a detailed explanation of the work proposed for the ground is required to accompany the renewal application. The rent of the two year period is also required with the renewal application.

If the company proposes to mine a measured resource it will need to apply for a Mineral Lease. As the Exploration Licence holder it has automatic priority to the ground to be the subject of the Mineral Lease. Applications consist of a prescribed application form, details of the proposed development, the financial resources to fund the proposal and the prescribed application fee. A mineral lease number is assigned when the application is received. The Department then assesses the application to determine the suitability of the proposal. The application will then pass through the native title process. An agreement will need to be negotiated with the native title holders/claimants as part of the native title process. The mineral leases must be surveyed before it is granted.

A mineral lease may be granted for such term as the Minister thinks fit. The company is required to state the term of the lease required at the time of application. The term required is stated on the application form.

Rent is required to be paid each year in advance.

An annual expenditure report is due each year, as a statement of what has been spent on the ground. An annual technical report is also due each year, as a statement of what work has been done on the ground and what work is proposed for the coming year.

#### Geological History and Kimberlite Occurrence in the McArthur River Basin.

The North Australian Craton is one of two principal tectonic domains in the Northern Territory. The dominant tectonic episode for formation of the Craton, reworking the Archaean (or Palaeo-Proterozoic) basement, was the Barramundi Orogeny at 1865-1850Ma. Outcrops of these older deformed and metamorphosed rocks are now surrounded by younger basins.

The McArthur Group is the principal element of cover over the North Australian Craton, composed of mildly deformed and unmetamorphosed Meso-proterozoic (1800-570Ma) dolomitic carbonate, evaporates and sediments. The McArthur River Basin extends over 180,000 square kilometers and its sediments host a number of base metal occurrences including the McArthur Lead-Zinc-Silver shale-hosted deposit; strata-bound, disseminated Lead-Zinc deposits; the Redbank Copper deposits and Cobalt, Uranium and Iron.

The McArthur River Basin is covered by approximately 100 meters of Cambrian Bukalara sandstone and flood basalts in the south. Widespread, young Cretaceous sedimentation covered the region but much has been removed through erosion. One remnant of Cretaceous sediment is host to the Merlin field which represents the youngest volcanic event in the region.

The major structural feature in the McArthur Basin is the north to north-west trending Batten Trough or Batten Fault Zone approximately 70 kilometres wide, to which Legend's holdings lie to the east. The Trough is bound on the west by the Emu Fault which transects Legend's holdings in the McArthur River Project. The associated Mallapunyah and Calvert faults are approximately 50 kilometres apart and also trend north-west.

The presence of microdiamonds across the North Australian Craton defies geological boundaries, extending right across its heart. This wide distribution may be due to recycling of the microdiamonds through the younger Cretaceous by fluvial processes. However, an element of high-level fracture control is now evidenced by the Merlin deposits. Since the discovery of the Merlin field, diamond exploration approaches have shifted from Proterozoic mobile belts with little consideration of regional geology, to incorporate the range of fracture zones in the North Australian Craton. The North Australian Craton is extensively underlain by Archaean basement and deep lithospheric, cratonic rocks may be tapped by younger kimberlites as they intrude into these fractures. The Merlin kimberlites are certainly younger than their Cambrian sandstone host, yet older than their Cretaceous cover.

#### Access

Access to the Northern Territory project areas is by commercial airline to Darwin, the capital of the Northern Territory. From Darwin it is approximately 950 kilometres by road approximately 2 hours flying time by air. The nearest major town is Borroloola which has limited accommodation and other facilities, where Legend has a base. Access from Borroloola to the drilling sites is normally via helicopter as terrain is rugged. Between April to November, in the dry season, four wheel drive vehicles can be used on dirt roads however, distances from Borroloola to field sites range between 90 and 150 kilometres.

Access to the Queensland project areas is by commercial airline to Mount Isa, a mining district in Queensland. From Mount Isa it is approximately 96 kilometres by road however, helicopter is often used due to rugged terrain. Mount Isa has substantial

infrastructure, accommodation and other facilities. Between April to November, in the dry season, four wheel drive vehicles can be used on dirt roads

| Project               | Access  |
|-----------------------|---|
| Queensland Phosphates | Via the Barkly Highway from Mount Isa.  |
| Selby                 | Via the Carpentaria Highway, east from Daly Waters to Cape Crawford, Borroloola and from the south via Wollogorang.                           |
| McArthur              |   |
| Glyde                 |   |
| Abner Range           |   |
| Foelsche              |   |
| Cox                   | Via the Roper Highway and station roads to Hodgson River, Nutwood Downs and Cox River. Or, via the Carpentaria Highway towards Cape Crawford. |

## Exploration History and Forward Work Program

### Selby Project

The Selby project is located 100km SW of the coast of the Gulf of Carpentaria in the McArthur Basin, adjacent to the Georgina Basin which hosts Legend's Queensland phosphates. Historically recorded phosphate rock outcrops at surface in recurrent lenses over a 60 kilometre strike. Uranium, which is a common by-product of marine phosphate deposits, accounting for a significant proportion of the world's Uranium production, is also present.

An historical Open File review of the Selby region has also identified base metal results from stream sampling adjacent to the Karns Dolomite and regional fault systems. Historical data also reveals that the region remains prospective for diamonds.

A multi-faceted approach to exploration of the Selby phosphate was established in 2007. Geological mapping, rock chip, stream and loam sampling, diamond and RC drilling was undertaken. Early results from Legend's rock chip sampling of phosphate-bearing siltstones are as such:

Geochemical analysis of sampling will be undertaken to assist in the further development of this program, in order to adequately delineate the extent of phosphate present. Further work is anticipated to explore for structural or shale-hosted base metals.

### McArthur River

Legend's base metal project is situated approximately 20 kilometres south west of Borroloola. The Emu fault zone which runs through Legend's tenements is a mineralised geological feature hosting the HYC Pyritic Shale base metal prospect and a number of known base metal deposits accounting for 8% of world base metal (lead-zinc-silver) production.

A detailed collation and analysis of a significant amount of available historical open file geophysical and geochemical data is underway. Tracks have been made to enable access for a detailed geological mapping program, stream & loam sampling. 149 RC/RAB drill holes have been approved and this drilling will commence in 2008.

### Abner Range

The Abner Range Plateau is approximately 300 kilometers south of Borroloola, west of The Gulf of Carpentaria in the Northern Territory. It is host to the diamondiferous Abner Range Kimberlite part of the Merlin diamondiferous intrusive field, only seven kilometres north of Legend's holdings. Past indicator mineral sampling by Ashton and Rio Tinto has recovered

macrodiamonds, microdiamonds and chromite indicator minerals with no primary source yet determined.

Airborne Electro-Magnetic (“EM”), magnetic and gravity surveys flown in late 2006 have identified numerous EM, gravity & magnetic anomalies and grid-based loam samples were taken as follow up to this result and of other targets.

Geochemical analysis of the results of the loam gridding and sampling will be used to inform regions of high priority for ground gravity surveys. This will be conducted as a part of the ongoing diamond core and reverse circulation drilling program.

#### Glyde Project

The Glyde River is in the Batten Trough and hosts 40 kilometres of alluvial gravels sourced from numerous diamond bearing catchments including the entire Merlin diamond field. The pipes in the Merlin field are located on the eastern shoulder of the Batten Trough only six kilometres east of the Emu Fault. They have intruded the Cambrian Bukalara sandstone and were emplaced around the time of the Alice Springs Orogeny.

The Legend tenement is north of the HYC Pyritic Shale base metal prospect and this Member has been intersected in several drill holes. CRAE has explored the tenement area for kimberlite. Ashton collected two bulk samples from separate drainages and had diamond responses. Helicopter magnetics and EM covered the northern part of the tenement as part of Rio Tinto’s exploration around the Merlin pipe field.

An airborne geophysical program flown in late 2006 located many targets for drilling. Bulk sampling, stream and loam sampling and an RC drilling program was undertaken in December 2006.

The geochemistry of drilling and sampling undertaken in 2006 will be analysed in conjunction with geophysical and geological data in order to delineate priority targets. The tenement covering the Glyde River to the north will be examined for alluvial diamonds.

#### Foelsche Project

Legend’s Foelsche Project tenements lie east of the Glyde Project and Merlin diamond field. They are bound by regional scale faults which act as fluid conduits for mineralisation and have uplifted basement rocks up to lie against younger sandstones. The area contains historical trains of kimberlite indicator minerals in streams draining the area.

In 2005, airborne EM/magnetics were flown by Astro which identified priority geophysical anomalies. These were investigated with ground gravity surveys and RC/diamond drill holes in 2006. The source of the geophysical anomalies was attributed to depressions in the Proterozoic sandstone bedrock which were infilled by younger Cretaceous/Tertiary sediment. Similar infill sequences are known to typically occur over kimberlites in the region.

Many exploration targets at Foelsche are not yet explored and numerous kimberlite indicator mineral trains require follow-up. Re-appraisal of airborne EM/magnetics, additional aeromagnetic surveys and follow-up drilling is planned for the area.

#### Cox Project

The Cox Project covers approximately 8,676.9 square kilometers and is located between Roper Bar and Cape Crawford on the north western part of the Bauhinia Downs. In the 1980’s indicator mineral sampling by Ashton and Rio Tinto recovered numerous microdiamonds and three macrodiamonds. Magnetic anomalies and some chromite indicator minerals were found but a primary source was not found by these companies.

Exploration carried out over the Cox Project has included site investigations to verify historical sampling results, a compilation and analysis of historic exploration data from open-

file reports and multi-client airborne magnetic data with a view to developing an appropriate exploration strategy.

A loam and stream sampling program is being developed to chase the results observed in the limited sampling undertaken to date. This would enable a thorough coverage of transportation systems in the tenements.

Tenement Commitment & Expenditure Figures (Past & Projected) Northern Territory, Australia.

The Department have verbally agreed with Legend that as long as legend spends more on exploration than the commitment on a project basis, the Department will consider legend to have met commitment and grant waiver of reduction applications. Furthermore, the Department agreed to grant waivers of the Cox project as a result of the amounts spent on other projects by Legend.

| Project  | TenID    | Grant      | 2005-2006      |                | 2006-2007      |                  | 2007-2008      |                  |
|----------|----------|------------|----------------|----------------|----------------|------------------|----------------|------------------|
|          |          |            | Commit         | Expend         | Commit         | Expend           | Commit         | Expend           |
| COX      | EL 22295 | 05/02/2003 | 25,000         | 7,899          | 25,000         | 15,700           | 30,000         | 1,898            |
| COX      | EL 22296 | 05/02/2003 | 25,000         | 7,483          | 25,000         | 35,927           | 30,000         | 5,959            |
| COX      | EL 22297 | 05/08/2003 | 20,000         | 12,736         | 20,000         | 5,103            | 30,000         | 2,235            |
| COX      | EL 22298 | 24/04/2002 | 20,000         | 20,211         | 20,000         | 25,705           | 30,000         | 52,055           |
| COX      | EL 22300 | 26/09/2002 | 20,000         | 6,190          | 20,000         | 2,521            | 20,000         | 3,814            |
| COX      | EL 22302 | 26/09/2002 | 20,000         | 6,190          | 30,000         | 2,833            | 30,000         | 4,470            |
| COX      | EL 23126 | 05/08/2003 | 20,000         | 3,532          | 15,000         | 4,381            | 20,000         | 1,845            |
|          |          |            | <b>150,000</b> | <b>64,241</b>  | <b>155,000</b> | <b>92,170</b>    | <b>190,000</b> | <b>72,276</b>    |
| FOELSCHE | EL 22244 | 07/03/2003 | 20,000         | 20,341         | 20,000         | 3,570            | 30,000         | 2,667            |
| FOELSCHE | EL 22245 | 07/03/2003 | 20,000         | 223,256        | 20,000         | 484,319          | 100,000        | 15,411           |
| FOELSCHE | EL 22351 | 05/08/2003 | 20,000         | 4,318          | 15,000         | 11,466           | 30,000         | 7,607            |
| FOELSCHE | EL 23116 | 03/03/2003 | 20,000         | 5,275          | 15,000         | 9,763            | 15,000         | 17,467           |
| FOELSCHE | EL 23117 | 03/03/2003 | 20,000         | 5,251          | 10,000         | 67,170           | 20,000         | 19,729           |
| FOELSCHE | EL 23118 | 03/03/2003 | 20,000         | 69,689         | 20,000         | 103,087          | 50,000         | 444,841          |
| FOELSCHE | EL 23119 | 03/03/2003 | 20,000         | 86,536         | 20,000         | 76,691           | 30,000         | 5,057            |
| FOELSCHE | EL 23121 | 03/03/2003 | 20,000         | 9,248          | 15,000         | 529,146          | 100,000        | 76,911           |
| FOELSCHE | EL 23510 | 03/03/2003 | 20,000         | 98,161         | 20,000         | 135,159          | 40,000         | 42,884           |
| FOELSCHE | EL 23511 | 03/03/2003 | 20,000         | 6,058          | 20,000         | 3,535            | 20,000         | 2,924            |
| FOELSCHE | EL 23512 | 03/03/2003 | 15,000         | 6,338          | 15,000         | 3,535            | 20,000         | 41,861           |
| FOELSCHE | EL 23513 | 03/03/2003 | 15,000         | 6,088          | 15,000         | 62,547           | 30,000         | 21,257           |
| FOELSCHE | EL 23514 | 03/03/2003 | 20,000         | 6,088          | 15,000         | 228,272          | 100,000        | 404,475          |
| FOELSCHE | EL 23515 | 04/07/2003 | 20,000         | 6,914          | 15,000         | 10,731           | 150,000        | 25,902           |
| FOELSCHE | EL 25491 | 12/03/2007 | N/A            | N/A            | N/A            | N/A              | 60,000         | 3,508            |
| FOELSCHE | EL 25616 | 23/08/2007 | N/A            | N/A            | N/A            | N/A              | 15,000         | 4,844            |
| FOELSCHE | EL 25617 | 23/08/2007 | N/A            | N/A            | N/A            | N/A              | 40,000         | 843              |
|          |          |            | <b>270,000</b> | <b>553,561</b> | <b>235,000</b> | <b>1,728,991</b> | <b>795,000</b> | <b>1,138,188</b> |
| SELBY    | EL 22246 | 05/02/2003 | 25,000         | 8,714          | 25,000         | 10,350           | 30,000         | 10,790           |
| SELBY    | EL 22247 | 05/02/2003 | 25,000         | 10,454         | 25,000         | 9,970            | 30,000         | 67,815           |
| SELBY    | EL 22251 | 24/04/2003 | 20,000         | 150,857        | 20,000         | 339,821          | 500,000        | 1,360,596        |
| SELBY    | EL 22252 | 22/08/2002 | 20,000         | 23,000         | 25,000         | 39,510           | 50,000         | 11,048           |
|          |          |            | <b>90,000</b>  | <b>193,025</b> | <b>95,000</b>  | <b>399,651</b>   | <b>610,000</b> | <b>1,450,249</b> |

## Government Regulations, Declarations & Conditions

The Company's exploration operations are subject to federal and state laws and regulations governing the method of acquisition and ownership of mining rights, exploration, development, mining, production, taxes, labour standards, occupational health, mine safety, toxic substances other matters. Federal and State legislation also governs environmental management and native title issues. We are committed to and, to our knowledge, are in compliance with all governmental legislation and regulations.

### Mineralisation

No known mineral reserves are known on our land in the Northern Territory. Our previous and proposed programs are exploratory in nature.

### Government Requirements for Maintenance of Licences

To ensure that licences are kept in good standing the Company is required to pay the annual rent amount for each licence on its respective anniversary date. The amount due is dependent upon the size and age of the licence. The Company is also required to work the licences and meet the annual expenditure commitments. Annual reporting is required, specifying details of the exploration programme which has occurred and which is anticipated for the following year. Failure to comply would place the licences at risk of cancellation and therefore forfeit the right to explore on that ground.

### Licence Conditions

The Company is required to meet certain standard conditions and obligations as specified by the Northern Territory Of Australia Mining Act, Exploration Licence. These include conducting activities in a way which minimise environmental damage, rehabilitation, avoiding interference with registered native title sites or areas and ensuring compliance with any other relevant legislation. Mine Management Plans are to be submitted for any ground disturbance or exploration works, the conditions of which are to be clearly specified for approval and adhered to. Security bonds are payable on Mine Management plans and additional conditions can be imposed by the government State or Territory Minister.

### Native Title

The rights and obligations of the Company with respect to native title obligations differ between licences depending upon the underlying ownership of the land. Crown land, namely pastoral lease land, falls under the Native Title Act while Aboriginal freehold land falls under the Aboriginal Land Rights Act (Northern Territory). All the granted licences held by the Company are on pastoral lease land. The Company is currently in negotiations with the local native title council working towards the grant of several more applications that are situated on aboriginal freehold land. Heritage surveys are contracted where necessary to ensure the protection of local registered and unregistered aboriginal heritage sites.

### Environment

The rights and obligations of the Company with respect to environmental management and rehabilitation are based upon the principles of disturbance minimisation, including such things as preservation of mature trees, preventing the spread of noxious weeds, avoiding the disturbance of waterways and waste management. Rehabilitation is a condition of the Security bond and requires such things as sealing of collars, plugging of casings and replacement of topsoils.

### Royalties

Certain of the tenements have a 1% gross revenue royalty payable to an external party from all mineral production derived on the tenements.

## Acquisition of Northern Territory Tenements

Effective as of March 3, 2006, Legend entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company acquired certain diamond mining tenements in Northern Australia from Astro. The consideration payable by Legend to Astro was Australian dollars \$1.5 million and Legend was also required to pay to Astro any costs incurred on the tenements after February 1, 2006. Astro provided commercial warranties which are usual for a transaction of this nature in favour of Legend. Under Australian law, Astro was required to provide an independent experts report to shareholders for this transaction. In order to prepare the independent experts report, a mineral valuation was prepared on behalf of Astro which indicated that the preferred value for the tenements that are the subject of the transaction was A\$1.5 million. This formed the basis of the consideration agreed by the parties. The President and Chief Executive Officer of the Company, Mr. J. I. Gutnick was Chairman and Managing Director of Astro at the time of entering into the Contract and Dr DS Tyrwhitt, an independent Director of the Company, who is also a Director of Astro was a Director of Astro at the time of entering into the Contract. The tenements are located in the Northern Territory of Australia and are prospective for diamonds.

## HISTORY

Legend was incorporated in the State of Delaware on January 5, 2001 under the name Sundew International, Inc., to engage in the business of selling compatible inkjet cartridges and refill kits on the Internet.

On March 13, 2003, Legend filed for an Amendment to its Certificate of Incorporation (the "Amendment") pursuant to which the name of Sundew International, Inc. was changed to "Legend International Holdings, Inc."

In November 2004, Renika Pty Ltd, an Australian corporation ("Renika") acquired an 88% interest in Legend from William and Michael Tay (the "Tays"), the Tays resigned as Directors and Officers of Legend, Joseph Gutnick was appointed President, Chief Executive Officer and a Director and Peter Lee was appointed Secretary. The Tays also granted Renika an option to acquire an additional 578,240 shares of Common Stock that Renika exercised in 2005. Commencing in fiscal 2005, Legend has decided to focus its business on mineral exploration activities.

Effective as of March 3, 2006, the Company entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company shall acquire certain diamond mining tenements in Northern Australia from Astro, which is described above.

In November 2007, Legend acquired a number of phosphate exploration interests in the State of Queensland in Australia

Legend is an exploration stage company. Legend has not been involved in any bankruptcy, receivership or similar proceeding. Legend has not been involved in any material reclassification, merger consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

### General

The following discussion and analysis of our financial condition and plan of operation should be read in conjunction with the Financial Statements and accompanying notes and the other financial information appearing elsewhere in this report. This report contains numerous forward-looking statements relating to our business. Such forward-looking statements are identified by the use of words such as believes, intends, expects, hopes, may, should, plan, projected, contemplates, anticipates or similar words. Actual operating schedules, results of

operations, ore grades and mineral deposit estimates and other projections and estimates could differ materially from those projected in the forward-looking statements.

We are an exploration stage mining company. Our principal exploration target is for phosphate. We are in the initial stages of our exploration program and we have not yet identified any ore reserves. We have not generated any material revenues from operations.

### Selected Financial Data

Our selected financial data presented below for each of the years in the two-year period ended December 31, 2007, and the balance sheet data at December 31, 2007 has been derived from financial statements, which have been audited by PKF, Certified Public Accountants, a Professional Corporation. The selected financial data should be read in conjunction with our financial statements for each of the years in the two year period ended December 31, 2007 and Notes thereto, which are included elsewhere in this Prospectus.

The selected financial data presented below for each of the periods in the six months ended June 30, 2008, and the balance sheet at June 30, 2008 have been derived from the Company's interim (unaudited) financial statements included elsewhere in this Prospectus.

|   | Year ended<br>December 31 |                |                             | Six months<br>ended June 30 |                |                             |
|---|---------------------------|----------------|-----------------------------|-----------------------------|----------------|-----------------------------|
|   | 2006<br>A\$000            | 2007<br>A\$000 | Conv.<br>Transl.<br>US\$000 | 2007<br>A\$000              | 2008<br>A\$000 | Conv.<br>Transl.<br>US\$000 |
| Revenues – interest   | 2                         | 22             | 19                          | 4                           | 350            | 337                         |
| Costs and expenses  | (4,537)                   | (8,540)        | (7,487)                     | (2,657)                     | (8,637)        | (8,304)                     |
| Loss from operations  | (4,535)                   | (8,518)        | (7,468)                     | (2,653)                     | (8,288)        | (7,969)                     |
| Other income (loss)   | (40)                      | (120)          | (105)                       | (157)                       | (1,884)        | (1,811)                     |
| Profit (loss) before<br>income taxes                        | (4,575)                   | (8,638)        | (7,573)                     | (2,810)                     | (10,172)       | (9,780)                     |
| Provision for income<br>taxes                               | -                         | -              | -                           | -                           | -              | -                           |
| Net profit (loss)   | (4,575)                   | (8,638)        | (7,573)                     | (2,810)                     | (10,172)       | (9,780)                     |
|   | <b>A\$</b>                | <b>A\$</b>     | <b>US\$</b>                 | <b>A\$</b>                  | <b>A\$</b>     | <b>US\$</b>                 |
| Net profit (loss) per share<br>on continuing operations     | (0.06)                    | (0.06)         | (0.05)                      | (0.02)                      | (0.06)         | (0.06)                      |
| Weighted average<br>number of shares<br>outstanding (000's) | 75,230                    | 146,740        | 146,740                     | 121,863                     | 171,152        | 171,152                     |

### Balance Sheet Data

|                                   | A\$000 | A\$000 | US\$000 | A\$000 | A\$000  | US\$000 |
|-----------------------------------|--------|--------|---------|--------|---------|---------|
| Total assets                      | 1,149  | 17,994 | 15,776  | 4,463  | 114,910 | 110,486 |
| Total liabilities                 | 1,881  | 1,035  | 908     | 1,316  | 995     | 957     |
| Stockholders' equity<br>(deficit) | (732)  | 16,959 | 14,868  | 3,148  | 113,915 | 109,529 |

### Foreign Currency Translation

The majority of our administrative operations are in Australia and, as a result, our accounts are reported in Australian dollars. The income and expenses of its foreign operations are translated into Australian dollars at the average exchange rate prevailing during the period. Assets and liabilities of the foreign operations are translated into Australian dollars at the period-end exchange rate. The following table shows the period-end rates of

exchange of the Australian and US dollar compared with the US dollar during the periods indicated.

|                                   |          |            |
|-----------------------------------|----------|------------|
| 12 months ended December 31, 2006 | A\$1.00= | US\$0.7893 |
| 12 months ended December 31, 2007 | A\$1.00= | US\$0.8767 |
| 6 months ended June 30, 2007      | A\$1.00= | US\$0.8488 |
| 6 months ended June 30, 2008      | A\$1.00= | US\$0.9615 |

## Plan of Operation

We have A\$124.1 million in cash at September 16, 2008. See "Liquidity and Capital Resources" for a discussion of how the Company intends to finance its plan of operations.

We commenced exploration activities on the tenements we acquired in July 2006 and since that time and up to June 30, 2008 have spent A\$11.4 million on exploration activities. We plan to continue our exploration program throughout 2008 and anticipate spending A\$5,000,000 on exploration. However, if exploration results are positive, we believe that we will be able to raise additional equity capital in order to progress our exploration program at a faster rate.

The services of our Chief Executive Officer, Chief Financial Officer, General Manager Resources and geologists as well as certain clerical employees are provided by AXIS. At the current time, we have no plans to change these arrangements or employ any further persons.

## Results of Operations

### Six Months Ended June 30, 2008 vs. Six Months Ended June 30, 2007.

The Company's financial statements are prepared in Australian dollars (A\$). A number of the costs, expenses and assets of the Company are incurred/held in US\$ and the conversion of these costs to A\$ means that the comparison of the six months ended June 30, 2008 to the six months ended June 30, 2007 does not always present a true comparison.

Other income increased from A\$4,403 for the six months ended June 30, 2007 to A\$349,972 for the six months ended June 30, 2008 which represents interest on funds in the bank following the private placement of \$322,206 and A\$27,766 from affiliate companies.

Costs and expenses increased from A\$2,657,369 in the six months ended June 30, 2007 to A\$8,637,492 in the six months ended June 30, 2008. The increase in expenses is a net result of:

- a) an increase in exploration expenditure written off from A\$1,695,409 for the six months ended June 30, 2007 to A\$2,438,740 in the six months ended June 30, 2008. The exploration costs include geological/geophysical/mineral analysis contractors, salaries for contract field staff, travel costs, accommodation and tenement acquisition costs of A\$326,526 (refer Note 7), tenement holding costs and drilling recommenced in April 2008 following the end of the wet season in Northern Australia together with work on the preliminary scoping and prefeasibility work on the Queensland tenements. As a result of the increase in the Company's exploration activities, additional staff costs were incurred via the service arrangements with AXIS as AXIS provided additional staff to undertake the Company's activities.
- b) an increase in legal, accounting and professional expense from A\$59,299 for the six months ended June 30, 2007 to A\$306,324 for the six months ended June 30, 2008 as a result of the increase in legal fees for general legal work including stock transfer matters, regulatory filings, private placement matters, registration statement matters, stock transfer agent fees, and audit fees for professional services in relation to the Form 10-Q, 10-K and the registration statement. All fees have increased in the six

months to June 30, 2008 as a result of increased activity by the Company as a consequence of the exploration program and capital raising activities.

- c) an increase in administrative costs from A\$698,708 in the six months ended June 30, 2007 to A\$3,914,913 in the six months ended June 30, 2008 as a result of an increase in direct costs, including salaries and related costs, indirect costs and service fees, charged to the Company by AXIS which increased from \$399,883 to \$2,202,412, as a result in the level of activity of the Company; the cost of the shares issued under a registration rights agreement of A\$660,494; the cost of travel and accommodation in the marketing of the Company of A\$420,379, investor relations, tenement and other consultants of A\$537,890 and New York office costs of A\$155,495. The increases are as a result of the increase in activity by the Company as a consequence of the acquisition of mining tenements, preparation of regulatory filings and capital raising activities.
- d) a decrease in interest expense from A\$33,006 for the six months ended June 30, 2007 to A\$18,705 for the six months ended June 30, 2008 due to the increase in vehicle finance lease costs which were offset by a decrease in interest as some historical interest bearing debt had been repaid. For the six months ended June 30, 2008, interest was incurred on motor vehicle finance lease and camp lease.
- e) an increase in stock based compensation from A\$170,947 in the six months ended June 30, 2007 to A\$1,958,810 in the six months ended June 30, 2008 as a result of the issue of options under the 2006 Incentive Option Plan. See footnote 4 for further details on the options issued.

As a result of the foregoing, the loss from operations increased from A\$2,652,966 for the six months ended June 30, 2007 to A\$8,287,520 for the six months ended June 30, 2008. An increase in foreign currency exchange loss for the six months ended June 30, 2007 from \$156,535 to A\$1,884,175 in the six months ended June 30, 2008 was recorded as a result of the movement in the Australian dollar versus the US dollar. The net loss was A\$2,809,501 for the six months ended June 30, 2007 compared to a net loss of A\$10,171,695 for the six months ended June 30, 2008.

#### **Year ended December 31, 2007 versus Year ended December 31, 2006**

Effective November 17, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rate basis to all shareholders. As a result, the Company issued 27,599,722 shares of its Common Stock. Effective December 31, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rata basis to all shareholders. As a result, the Company issued 41,934,337 shares of its Common Stock.

The Company has accounted for these bonus issues as a stock split and accordingly, all share and per share data has been retroactively restated.

As an exploration company, we do not have an ongoing source of revenue. Our revenue stream is normally from ad-hoc tenement disposals and interest received on cash in bank. During the year ended December 31, 2007, we received A\$22,183 (US\$19,448) in interest on funds in the bank (2006: A\$1,930).

Costs and expenses increased during the year from A\$4,536,507 for the year ended December 31, 2006 to A\$8,539,934 (US\$7,486,960) for the year ended December 31, 2007.

The main components of costs and expenses are as follows:-

- (i) An increase in exploration expenditure written off from A\$3,811,385 in 2006 to A\$5,132,000 (US\$4,499,224) in 2007. Our accounting policy is to expense all exploration costs (including costs associated with the acquisition of tenement

interests) as incurred. During 2007, we incurred A\$3,729,592 in costs for exploration drilling on our tenements in the Northern Territory. The costs included drilling, helicopter support, geological/geophysical contractors, salaries and associated costs for contract field staff, travel, accommodation, meals and tenement holding costs. During 2007, we used drillers almost continuously on our exploration program. In December 2007, we entered into agreements to purchase exploration permits in Queensland. The purchase price of A\$1,318,000 included cash of A\$800,000, and shares with a value of A\$518,000. The total cost has been expensed as part of exploration costs. We have spent A\$84,408 since entering into the agreements on purchasing and reviewing data for the permits. In 2006, the Company acquired certain diamond mining tenements in Northern Australia for A\$1,500,000, paid A\$81,000 in stamp duty, A\$921,131 of exploration expenditure incurred by Astro from February 1, 2006 to September 30, 2006 and A\$1,309,244 of exploration expenditure incurred since acquisition by the Company. All costs incurred in connection with this acquisition have been expensed as part of exploration costs. The Company commenced a drilling program on the tenement interests in the Northern Territory of Australia as soon as settlement of the acquisition of the tenements was completed.

- (ii) An increase in interest expense from A\$41,371 in 2006 to A\$62,196 (US\$54,528) in 2007. During 2007, we incurred A\$25,235 for interest on the camp lease; A\$1,807 motor vehicle finance lease; A\$14,683 charged by AXIS on outstanding amounts owing under the Service Agreement, which was repaid in June 2007; A\$16,774 charged by Astro on amounts owed for exploration expenditure incurred by Astro, which was repaid in March 2007, and A\$3,697 for short term funds used to maintain the Company's activities. AXIS provides management and geological services to us pursuant to a Service Agreement dated December 2004. AXIS and Astro charged interest at a rate of 10.10% during 2007. During 2006, we borrowed A\$324,951 from Wilzed, a company which our President and CEO is a Director and shareholder and in October 2006, the total debt of A\$336,081 was repaid. Wilzed charged us A\$3,588 in interest at a rate between 9.35% to 9.85% during 2006. AXIS charged us A\$13,498 in interest for 2006 at a rate between 9.35% to 10.10% during 2006 on accounts owing under the Service Agreement. Astro charged us A\$21,302 in interest on amounts owed for exploration expenditure incurred by Astro.
- (iii) An increase in legal, professional and accounting from A\$89,351 for 2006 to A\$213,063 (US\$186,792) for 2007. During 2007, we incurred legal expenses of A\$91,483 for general legal work including stock transfer matters, regulatory filings, stock option plans and Form SB-2 Registration Statement; audit fees of A\$62,049 for professional services in relation to financial statements, the quarterly Form 10-QSBs, Form 10-KSB, Form 10-K and Form SB-2; and A\$59,531 for a stock transfer agent and regulatory filing fees. All fees have increased from 2006 as a result of increased activity by the Company as a consequence of the acquisition of mining tenements, capital raising activities and preparation of the Form SB-2 Registration Statement. During 2006, we incurred legal expenses of A\$28,295 in relation to general legal work including stock transfer matters, stock option plans and regulatory filings; audit fees of A\$35,062 for professional services in relation to financial statements, the quarterly Form 10-QSBs and Form 10-KSB; and A\$25,993 for a stock transfer agent and regulatory filing fees.
- (iv) An increase in administrative costs from A\$479,093 in 2006 to A\$2,753,365 (US\$2,413,875) in 2007. During 2007, the corporate management and service fees charged to us by AXIS was A\$410,416 (US\$359,812). AXIS charged us A\$454,107 (US\$398,116) for Directors' fees, salaries and salary related matters incurred in behalf of the Company, which relates to our share of salaries paid to the President & Chief Executive Officer, Chief Financial Officer and Secretary, General Manager Development and Resources, General Manager Business and other staff of AXIS who provide services to the Company. One independent Director charged directly to the Company the amount of A\$20,000 for 2007. The Company paid insurance premiums of A\$35,100 for 2007 compared to the 2006 premium was only for five months. The Company incurred A\$282,648 (US\$247,798) for travel by Directors and officers on capital raising trips, A\$67,867 for travel of Directors, officers and support

contractors to the field, A\$534,268 (US\$469,269) for investor relations consultants and A\$36,595 for tax matters, employee option valuation and exploration tenement maintenance; and A\$13,443 for postage and freight charges. There was no comparable amount in 2006 for A\$604,805 (US\$530,233) for registration statement non-performance; A\$111,197 for New York rent; A\$49,256 for subscription to industry papers and services; A\$15,564 for telecommunications support; A\$14,751 for website maintenance; A\$15,601 for depreciation of non-field assets and minor equipment purchases, A\$8,238 for franchise tax, general costs of A\$10,791 and A\$8,791 for printing and stationery. AXIS charge A\$120,000 for asset usage of plant and equipment of which \$60,000 was charged to costs in 2007 and there was no comparable amount for 2006. The overall increase in administration costs related to the increase in activity by the Company as a consequence of providing support to a field exploration program from mid February 2007 to November 2007, capital raising activities, preparation of regulatory filings and Form SB-2 Registration Statement. During 2006, the management fee charged by AXIS to us was \$76,910. AXIS charged us A\$75,410 for Director's fees and salaries incurred on behalf of the Company. One independent Director charged directly to the Company the amount of A\$35,000 for the period from the date of his appointment to December 31, 2006. The Company paid A\$8,350 in insurance premiums for policies that commenced in August 2006. The Company incurred A\$66,477 in travel and accommodation costs, A\$61,878 in relation to travel by Directors and officers on capital raising trips and A\$4,598 for travel of support contractors to the field; A\$193,513 for consultants, A\$179,464 for investor relations consultants and A\$14,049 for lodging annual tax returns, employee share option valuation and exploration tenement maintenance; A\$8,350 for postage and freight costs; A\$11,351 for motor vehicle costs related to the motor vehicle proposals for the field program.

- (v) Stock based compensation has increased from A\$115,307 for 2006 to A\$375,740 (US\$329,411) for 2007. The Company has issued options under the 2006 Incentive Option Plan in September 2006, May 2007, September 2007 and December 2007. The increase is a result of additional options issued and includes an adjustment for forfeited options. See note 4 for further details on the options issued.

Accordingly, the loss from operations increased from A\$4,534,577 for the year ended December 31, 2006 to A\$8,517,751 (US\$7,467,512) for the year ended December 31, 2007.

There was no provision for tax in either the prior year or the current year.

The net loss amounted to A\$8,638,129 (US\$7,573,047) for the year ended December 31, 2007, compared to a net loss of A\$4,574,594 for the year ended December 31, 2006.

The net loss per common equivalent share in 2007 was A\$0.06 (US\$0.05) compared with a net loss with a common equivalent share price of A\$0.06 (US\$0.05) in the prior year.

### **Liquidity and Capital Resources**

For the six months ending June 30, 2008, net cash used in operating activities was A\$5,883,141 (2007: A\$2,173,230) primarily consisting of the net loss of A\$10,171,695 (2007: A\$2,809,501), decrease in accounts receivable of A\$238,590 (2007: A\$(20,954)) and offset by an increase in prepayments and deposits of A\$1,158,358 (2007: A\$(182,287)) accounts payable and accrued expenses of A\$17,191 (2007: A\$(185,094)); net cash used in investing activities was A\$675,211 (2007: A\$95,526), being for the purchase of motor vehicles, geotechnical software and equipment for A\$348,685 and the purchase of an investment for A\$326,526; and net cash provided by financing activities was A\$104,120,389 (2007: A\$5,313,853) being net proceeds from share issue and advance payable – affiliates in 2007.

As at June 30, 2008 the Company had A\$112,766,052 in cash, A\$268,674 in receivables, A\$313,698 in prepayments and short-term obligations of A\$962,315 comprising accounts payable, accrued expenses and lease liability.

We plan to continue our exploration program throughout 2008 and anticipate spending A\$5,000,000 on exploration and feasibility studies and A\$5,000,000 for property and equipment purchases relating to the projects. Based upon the results of a feasibility study, the Company expects to spend A\$5,000,000 at the commencement of the development stage. In addition, we expect that we will need to spend \$4,000,000 on legal, professional, accounting and administration expenses.

In June 2008, the Company completed a private placement offering (the "BMO Offering") of 42,000,000 shares of common stock to institutional investors at a purchase price of US\$2.50 per share. BMO Nesbitt Burns Inc., Wellington West Capital Markets Inc. and BBY Limited acted as agents for the offering and received a commission of 5% of the offering proceeds and two year warrants to purchase 840,000 shares of common stock at an exercise price of US\$2.50 per share.

The Company has filed with the Securities and Exchange Commission ("SEC") a registration statement covering the resale of the shares of Common Stock within forty-five (45) calendar days after the closing date of the BMO Offering, which was subsequently extended to August 1, 2008 (the "Filing Deadline"). The Company has agreed to use its best efforts to cause such registration statement to become effective as soon as possible thereafter, and within the earlier of: (i) one hundred twenty (120) calendar days after the closing date or (ii) five (5) calendar days of the SEC clearance to request acceleration of effectiveness (the "Effectiveness Deadline"). The Company agreed that in the event that the registration statement is not filed with the SEC on or before the Filing Deadline, or such registration statement is not declared effective by the SEC on or before the Effectiveness Deadline or if the effectiveness thereafter lapses (except for certain permitted grace periods) or if the Company fails to file certain SEC reports on a timely basis, the Company shall on the first day of each month thereafter until the date that the Company is in compliance with the foregoing requirements issue to the purchasers as liquidated damages and not as a penalty for such failure (the "Liquidated Damages"): shares of common stock equal to 1.2% of the shares purchased in the BMO Offering that have not been sold or cannot be sold without restriction under Rule 144. Management is in discussion with the placement holders and at this time does not believe there is exposure to any penalty liability.

In connection with the BMO Offering, the Company agreed not to issue any additional shares of Common Stock (other than pursuant to existing rights) for a period of 120 days following the closing without the consent of BMO, which shall not be unreasonably withheld. The Company also agreed to appoint two additional directors and a chief operating officer with the approval of BMO and to use its reasonable best efforts to list its shares of Common Stock on the American Stock Exchange within six months following the closing date.

In connection with the BMO Offering, Joseph Gutnick, Renika Pty Ltd. and Chabad House of Caulfield Pty Ltd. (the "Gutnick Group") generally have agreed not to acquire, transfer or dispose of any shares of Common Stock or other securities of the Company or enter into any agreements or make any announcements with respect thereto for a period of one year following the Closing, except that the Gutnick Group is not prohibited from (i) selling shares to an industry participant such as a mining company or fertilizer manufacturer or user in an off-market transaction; (ii) selling up to 2,000,000 shares commencing 180 days after the closing date; provided that BMO shall have the right to act as the broker for any sales that are made on market; and (iii) selling shares in response to a takeover offer for all of the outstanding shares of the Company.

Effective as of August 1, 2008, the Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission, and on August 7, 2008 an amendment on Form S-1/A, to register the 42,000,000 shares of common stock and 840,000 shares issuable upon exercise of options that were issued in the BMO private placement offering in June 2008.

The Company is considered to be an exploration stage company, with no significant revenue, and is dependent upon the raising of capital through placement of its common stock, preferred stock or debentures to fund its operations. In the event the Company is

unsuccessful in raising such additional capital, it may not be able to continue active operations.

### **Impact of Australian Tax Law**

Australian resident corporations are subject to Australian income tax on their non-exempt worldwide assessable income (which includes capital gains), less allowable deductions, at the rate of 30%. Foreign tax credits are allowed where tax has been paid on foreign source income, provided the tax credit does not exceed 30% of the foreign source income.

Under the U.S./Australia tax treaty, a U.S. resident corporation such as us is subject to Australian income tax on net profits attributable to the carrying on of a business in Australia through a "permanent establishment" in Australia. A "permanent establishment" is a fixed place of business through which the business of an enterprise is carried on. The treaty limits the Australian tax on interest and royalties paid by an Australian business to a U.S. resident to 10% of the gross interest or royalty income unless it relates to a permanent establishment. Although we consider that we do not have a permanent establishment in Australia, it may be deemed to have such an establishment due to the location of its administrative offices in Melbourne. In addition we may receive interest or dividends from time to time.

### **Impact of Australian Governmental, Economic, Monetary or Fiscal Policies**

Although Australian taxpayers are subject to substantial regulation, we believe that our operations are not materially impacted by such regulations nor is it subject to any broader regulations or governmental policies than most Australian taxpayers.

### **Recent Issuance of Securities**

In 2004, a total of 2,004,750 common shares were issued to the Company's former sole officer and director for services valued at A\$58,053 (US\$44,550) or \$0.029 (US\$ 0.022) per share.

In December 2004, the Company issued to Renika Pty Limited ("Renika"), a company associated with Mr J I Gutnick, 20,250,000 options to be converted into 20,250,000 shares of Common Stock, at an exercise price of \$0.022 and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black Scholes valuation of these options using a A\$0.029 (US\$0.022) exercise price, A\$0.029 (US\$0.022) market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. The 20,250,000 options were valued at A\$160,672 (US\$123,300) or A\$0.008 (US\$0.006) each.

The stock options were issued for services rendered, to be rendered and for agreeing to provide financial assistance to the Company (not the actual provision of financial assistance). The issue of the stock options was not contingent upon any further services or events. The stock options are not forfeitable if the services or financial assistance are not provided. Accordingly, the value of the stock options was expensed immediately during 2004.

In September 2005, Renika exercised the 20,250,000 options using the cashless exercise feature and were issued 17,085,937 shares of Common Stock.

Effective as of December 12, 2005, the Board of Directors of Company approved the distribution to all stockholders for no consideration of an aggregate of 36,135,500 non-transferable options, each of which is exercisable to purchase one share of Common Stock of the Company at an exercise price of 25 cents per share with a latest exercise date of December 31, 2012. The options were issued on a pro-rata basis to all stockholders of record on December 31, 2005 on the basis of two (2) options for every one (1) share of Common Stock owned by a stockholder on the record date. The options may not be exercised until the shares underlying the options are registered under federal and state securities laws.

Effective July 21, 2006, Legend issued 71,730,079 shares of Common Stock to Renika, following the cashless exercise of 34,778,220 options. The shares of Common Stock issued are restricted shares.

From September 19, 2006 to November 17, 2006, we entered into subscription agreements with a number of parties pursuant to which we issued to those parties in a private placement transaction shares of Common Stock in Legend at an issue price of US\$0.50 per share.

On November 30, 2006, we issued 112,500 shares of Common Stock and 112,500 options over shares of Common Stock to Pinchas T Althaus in connection with the settlement of a dispute.

Effective November 17, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rate basis to all shareholders. As a result, the Company issued 27,599,722 shares of its Common Stock. The Company has accounted for these bonus issues as a stock split and accordingly, all share and per share data has been retroactively restated.

On December 31, 2006, we entered into a subscription agreement with a party pursuant to which we issued to that party in a private placement transaction shares of Common Stock and options on the basis of one option for every two shares subscribed for with no exercise price in Legend at an issue price of US\$0.50 per share. The Company has accounted for these bonus issues as a stock split and accordingly, all share and per share data has been retroactively restated.

Effective December 31, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rata basis to all shareholders. As a result, the Company issued 41,934,337 shares of its Common Stock.

From February 19, 2007 to July 31, 2007, we entered into subscription agreements with a number of parties pursuant to which we issued to those parties in a private placement transaction 29,336,824 shares of Common Stock in Legend at an issue price of US\$0.25 per share.

From June 15, 2007 to July 31, 2007, we issued an aggregate of 2,150,000 shares of Common Stock as consulting fees in connection with a private placement.

In November 2007, we issued 75,000 shares of Common Stock as a result of the cashless exercise of 90,000 options expiring December 31, 2012.

In November 2007, we also issued 104,000 shares of Common Stock to two parties for investor relations and consulting services.

In November 2007, we entered into an agreement with Iron Duyfken Pty Limited to purchase a number of tenements for the purpose of phosphate exploration. As part consideration, we issued 250,000 shares to each of Pilmore Pty Limited and Len van der Sluijs.

On November 22 and 24, 2007, we agreed to issue a total of 104,000 shares of Common Stock for investor relations and consulting services.

On December 12, 2007, we entered into a Subscription Agreement with Atticus European Fund Ltd and Green Way Managed Account Series Ltd in respect of its segregated account, Green Way Portfolio D (collectively "Atticus") pursuant to which the Company issued in a private placement transaction (the "Private Placement") to Atticus an aggregate of 18,750,000 shares of Common Stock at a price of US\$0.80 per share for an aggregate purchase price of US\$15,000,000.

On December 31, 2007, we issued 200,000 shares of Common Stock for services rendered to us and 150,000 shares of Common Stock for consulting services.

Between January 1, 2008 and March 31, 2008, Legend issued a further 132,877 shares of common stock as a result of delays in lodging a registration statement.

Between April 1, 2008 and June 30, 2008, Legend issued a further 324,932 shares of common stock as a result of delays in lodging a registration statement and a further 30,800 shares of common stock for consulting services.

In May 2008, we issued 1,125,980 shares of Common Stock as a result of the exercise of options expiring December 31, 2012.

In June 2008, we issued 256,602 shares of Common Stock as a result of the exercise of options expiring December 31, 2012.

On June 03, 2008, we entered into an Agency Agreement with BMO Nesbitt Burns Inc. ("BMO"), Wellington West Capital Markets Inc. and BBY Limited (collectively, the "Agents") pursuant to which the Company issued in a private placement transaction (the "Private Placement") an aggregate of 42,000,000 shares of Common Stock at a price of US\$2.50 per share for an aggregate purchase price of US\$105,000,000 to accredited investors introduced by the Agents.

On July 13, 2008 we issued 318,960 shares of Common Stock as a result of the exercise of options expiring December 31, 2012.

On August 12, 2008 we issued 5,000,000 shares of Common Stock as a result of the exercise of options expiring September 14, 2008.

In September 2008, we issued 15,000 shares of Common Stock as a result of the exercise of options expiring December 31, 2012

The securities described above were issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act") under Section 4(2) of the Act and/or under Regulation S promulgated under the Act.

### **Impact of Recent Accounting Pronouncements**

For a discussion of the impact of recent accounting pronouncements on the Company's annual financial statements, see Note 2 to the Company's Financial Statements which are included herein.

### **Quantitative and Qualitative Disclosures about Market Risk**

At June 30, 2008, the Company had no outstanding loan facilities. At June 30, 2008, assuming no change in the cash at bank, a 10% change in the A\$ versus US\$ exchange rate would have a A\$1.127 million effect on the Company's cash position.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet agreements.

### **DESCRIPTION OF PROPERTY**

We occupy certain executive and office facilities in Melbourne, Victoria, Australia which are provided to us pursuant to a service agreement with AXIS Consultants. See "Certain Relationships and Related Transactions." The Company believes that its administrative space is adequate for its current needs.

For information about our mineral claims, see "Description of Business and Appendix B."

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In December 2004, the Company entered into an agreement with AXIS Consultants Pty Ltd to provide geological, management and administration services to the Company. AXIS is affiliated through common management. We are one of five affiliated companies. Each of the companies has some common Directors, officers and shareholders. In addition, each of the companies is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. A number of arrangements and transactions have been entered into from time to time between such companies. It has been the intention of the affiliated companies and respective Boards of Directors that each of such arrangements or transactions should accommodate the respective interest of the relevant affiliated companies in a manner which is fair to all parties and equitable to the shareholders of each. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS.

AXIS is a company owned by its public companies (including Legend) and any profits generated by AXIS are returned to its shareholders in the form of dividends.

AXIS is paid by each company for the costs incurred by it in carrying out the administration function for each such company. Pursuant to the Service Agreement, AXIS performs such functions as payroll, maintaining employee records required by law and by usual accounting procedures, providing insurance, legal, human resources, company secretarial, land management, certain exploration and mining support, financial, accounting advice and services. AXIS procures items of equipment necessary in the conduct of the business of the Company. AXIS also provides for the Company various services, including but not limited to the making available of office supplies, office facilities and any other services as may be required from time to time by the Company as and when requested by the Company.

We are required to reimburse AXIS for any direct costs incurred by AXIS for the Company. In addition, we are required to pay a proportion of AXIS's overhead cost based on AXIS's management estimate of our utilisation of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and overhead costs. Amounts invoiced by AXIS are required to be paid by us. We are also not permitted to obtain from sources other than AXIS, and we are not permitted to perform or provide ourselves, the services contemplated by the Service Agreement, unless we first request AXIS to provide the service and AXIS fails to provide the service within one month.

The Service Agreement may be terminated by AXIS or us upon 60 days prior notice. If the Service Agreement is terminated by AXIS, we would be required to independently provide, or to seek an alternative source of providing, the services currently provided by AXIS. There can be no assurance that we could independently provide or find a third party to provide these services on a cost-effective basis or that any transition from receiving services under the Service Agreement will not have a material adverse effect on us. Our inability to provide such services or to find a third party to provide such services may have a material adverse effect on our operations.

In accordance with the Service Agreement AXIS provides the Company with the services of our Chief Executive Officer, Chief Financial Officer, geologists and clerical employees, as well as office facilities, equipment, administrative and clerical services. We pay AXIS for the actual costs of such facilities plus a maximum service fee of 15%.

During 2006, AXIS charged the Company A\$203,664 in management fees and administration services, A\$212,679 for exploration services provided to the Company, charged interest of A\$13,498 on the outstanding balance, loaned us \$4,500 and the Company repaid A\$180,000. AXIS charged interest at a rate of between 9.35% and 10.10% for 2006. AXIS did not charge a service fee for 2006. The amount owed to AXIS at December 31, 2006 was A\$312,253. During 2007, AXIS charged the Company A\$1,126,311 in management fees including salaries incurred in relation to AXIS staff that provided services to the Company, A\$834,552 for exploration services provided to the Company, A\$151,800 for asset usage,

interest of A\$14,683 and we repaid A\$2,432,687. AXIS charged interest at a rate of 10.10% for 2007. The amount owed to AXIS at December 31, 2007 was A\$6,912.

On December 14, 2004, the Company issued 20,250,000 options to Renika Pty Ltd ("Renika") as consideration for services to be rendered by the new President and Chief Executive Officer of the Company. The 20,250,000 options convert to 20,250,000 shares of Common Stock at an exercise price of \$0.022 and a latest exercise date of December 2009. The Company undertook a Black Scholes valuation of the options using a \$0.022 exercise price, \$0.022 market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7% which equated to a value of \$123,300. The \$0.022 market price was based on the price of the Company's shares of Common Stock at the time. In the absence of any independent directors on the Company's Board, the Company's sole director, Mr. Gutnick, appointed Dr. David Tyrwhitt to approve the terms of the options on behalf of the Company. In September 2005, Renika exercised the 20,250,000 options using the cashless exercise feature and were issued 17,085,937 shares of Common Stock.

Wilzed Pty Ltd, a company associated with President and CEO of the Company, Joseph Gutnick, has paid expenses on behalf of the Company and has provided loan funds to enable the Company to meet its liabilities. During the 2006 fiscal year, Wilzed loaned A\$324,951 and charged A\$3,588 in interest, and we repaid \$336,081. The amount owed at December 31, 2006 was A\$nil. Wilzed charged interest at a rate of between 9.35% and 9.85% for 2006.

Mr Joseph Gutnick, the President of the Company advanced the Company the initial deposit on opening a US Dollar bank account. In March, 2007, the balance of A\$831, owing of the initial advance of A\$1,303 (US\$1,000) less expenses incurred of A\$472, was repaid.

Effective as of March 3, 2006, Legend entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company acquired certain diamond mining tenements in Northern Australia from Astro. The consideration payable by Legend to Astro was A\$1.5 million and Legend was also required to pay to Astro any costs incurred on the tenements after February 1, 2006. Astro provided commercial warranties which are usual for a transaction of this nature in favour of Legend. Under Australian law, Astro was required to provide an independent experts report to shareholders for this transaction. In order to prepare the independent experts report, a mineral valuation was prepared on behalf of Astro which indicated that the preferred value for the tenements that are the subject of the transaction was A\$1.5 million. This formed the basis of the consideration agreed by the parties. The President and Chief Executive Officer of the Company, Mr. J. I. Gutnick, is Chairman and Managing Director of Astro and Dr D.S. Tyrwhitt, an independent Director of the Company is also a Director of Astro. The tenements are located in the Northern Territory of Australia and are prospective for diamonds. Astro incurred costs on the mining tenements from February 1, 2006 which at settlement Legend was required to pay. However, Astro had not quantified the amount at the date of settlement. At December 31, 2006, the Company owed Astro A\$942,433 including interest of A\$21,302. During fiscal 2007, the amount was repaid in full including interest charge for fiscal 2007 of A\$16,774. Astro charged interest at a rate of 10.10% in 2007.

The Company appointed Mr. Mordechai Gutnick, as the Company's General Manager, Business in December, 2007. Mr. Gutnick is the son of Joseph Gutnick, the Company's President and Chairman of the Board. Mr. Mordechai Gutnick receives an annual salary paid via AXIS. In addition, in December, 2007, Mr. Mordechai Gutnick was granted 2,000,000 stock options with an exercise price of US\$1.00 per share which vest 1/3 on December 28, 2008, 1/3 on December 28, 2009 and 1/3 on December 28, 2010.

#### **Transactions with Management.**

We have a policy that we will not enter into any transaction with an Officer, Director or affiliate of us or any member of their families unless the transaction is approved by a majority of our disinterested non-employee Directors and the disinterested majority determines that

the terms of the transaction are no less favourable to us than the terms available from non-affiliated third parties or are otherwise deemed to be fair to us at the time authorised.

## MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Market Information

Legend's Common Stock is traded on the Over-the-Counter Bulletin Board ("OTCBB") under the ticker symbol "LGDI" and CUSIP# 52467C 10 0. The Company's Common Stock was initially cleared for trading on the OTC-BB on September 26, 2003.

The following table sets out the high and low bid information for the Common Stock as reported by the National Quotation Service Bureau for each period/quarter indicated in US\$:

| <u>Calendar Period</u> | <u>High Bid</u> (1) | <u>Low Bid</u> (1) |
|------------------------|---------------------|--------------------|
| 2006                   |                     |                    |
| First Quarter          | 3.75                | 2.50               |
| Second Quarter         | 3.90                | 2.50               |
| Third Quarter          | 2.55                | 0.85               |
| Fourth Quarter         | 2.10                | 1.00               |
| 2007                   |                     |                    |
| First Quarter          | 1.80                | 0.90               |
| Second Quarter         | 1.95                | 1.50               |
| Third Quarter          | 1.45                | 1.25               |
| Fourth Quarter         | 1.50                | 0.75               |
| 2008                   |                     |                    |
| First Quarter          | 2.15                | 0.90               |
| Second Quarter         | 5.05                | 1.62               |

(1) The quotations set out herein reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

As of September 15, 2008, there are 226,273,976 shares of Common Stock outstanding.

To date we have not paid dividends on our Common Stock and we do not expect to declare or pay any dividends on our Common Stock in the foreseeable future. Payment of any dividends will depend upon our future earnings, if any, our financial condition, and other factors deemed relevant by the Board of Directors.

### Shareholders

As of September 15, 2008, there were approximately 884 record holders of the Company's Common Stock. Within the holders of record of the Company's Common Stock are depositories such as Cede & Co., a nominee for The Depository Trust Company (or DTC), that hold shares of stock for brokerage firms which, in turn, hold shares of stock for one or more beneficial owners. Accordingly, the Company believes there are many more beneficial owners of its Common Stock whose shares are held in "street name", not in the name of the individual shareholder.

### Options

Effective as of December 12, 2005, the Board of Directors of Company approved the distribution to stockholders for no consideration of an aggregate of 36,135,500 non-transferable options, each of which is exercisable to purchase one share of Common Stock of the Company at an exercise price of US\$0.25 (\$0.111, as adjusted) per share with a latest exercise date of December 31, 2012 and otherwise on the terms and conditions set out in

Appendix A to the Form 8-K dated December 12, 2005. The options were issued on a pro-rata basis to all stockholders of record on December 31, 2005 on the basis of two (2) options for every one (1) share of Common Stock owned by a stockholder on the record date. The options may not be exercised until the shares underlying the options are registered under federal and state securities laws. On June 26, 2006, the Board of Directors amended the terms and conditions of the options and included a cashless exercise clause for the options in the terms and conditions. On July 21, 2006, Renika exercised 34,778,220 options using the cashless exercise feature and were issued 71,730,079 shares of Common Stock. In December 2006, the Company issued 700,000 shares with attaching options on the basis of one option for every two shares at no exercise price. The options were exercised in December 2006. On December 27, 2006, a further optionholder exercised 19,000 options using the cashless exercise feature and were issued 24,750 shares of Common Stock. 1,405,170 of these options remained outstanding as of the date of this prospectus.

On September 19, 2006, the Company issued 7,425,000 options (as adjusted for the Stock Split) pursuant to the 2006 Equity Incentive Plan. Of the total 7,425,000 options issued, 2,475,000 vest on September 19, 2007, 2,475,000 vest on September 19, 2008 and 2,475,000 vest on September 19, 2009. The exercise price of the options is US\$1.00 for the President and Chief Executive Officer and for all other participants, US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The options expire on September 19, 2016. The Company has accounted for all options issued in 2006 based upon their fair market value using the Binomial pricing model. There were no employee stock options issued by the Company prior to 2006. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$0.50, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.69% and volatility of 60%. This equates to values ranging from US\$0.116 to US\$0.233 per option depending on the exercise price and vesting date. The total value of the options equates to A\$752,701 (US\$566,633).

In November 2006, the Company issued options to purchase 112,500 shares of Common Stock with an exercise price of US\$0.111 per share in connection with the settlement of a dispute.

On May 16, 2007, the Company issued 862,500 options pursuant to the 2006 Equity Incentive Plan. Of the total 862,500 options issued, 287,500 vest on May 16, 2008, 287,500 vest on May 16, 2009 and 287,500 vest on May 16, 2010. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The options expire on May 16, 2017. The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$0.25, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.92% and volatility of 60%. This equates to values ranging from US\$0.064 to US\$0.124 per option depending on the exercise price and vesting date. The total value of the options equates to A\$42,593 (US\$35,438).

On December 28, 2007, the Board of Directors of the Company agreed to issue/ratify the issue of 5,387,500 options under the 2006 Incentive Option Plan to officers, employees and consultants as follows:

- (i) 300,000 options which will vest 1/3 on September 10, 2009, 1/3 on September 10, 2010 and the balance on September 10, 2011 and 50% have an exercise price of US\$0.444 per option and 50% have an exercise price of US\$1.00 per option. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$1.25, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.637% and volatility of 60%. This equates to values ranging from US\$0.79 to US\$1.01 per option depending on the exercise price and vesting date. The total value of the options equates to A\$272,035;
- (ii) 300,000 options which will vest 1/3 on December 19, 2009, 1/3 on December 19, 2010 and the balance on December 19, 2011 and 50% have an exercise price of

US\$0.444 per option and 50% have an exercise price of US\$1.00 per option. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$0.95, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.441% and volatility of 60%. This equates to values ranging from US\$0.54 to US\$0.72 per option depending on the exercise price and vesting date. The total value of the options equates to A\$183,806; and

- (iii) 4,787,500 options which will vest 1/3 on December 28, 2009, 1/3 on December 28, 2010 and the balance on December 28, 2011 and have an exercise price of US\$1.00 per option. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$1.09, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.488% and volatility of 60%. This equates to values ranging from US\$0.65 to US\$0.69 per option depending on the exercise price and vesting date. The total value of the options equates to A\$3,386,185.
- (iv) On February 7, 2008 the Board of Directors of the Company agreed to issue 5,000,000 options to officers, employees and consultants under the 2006 Incentive Option Plan which will vest 1/3 on February 7, 2009, 1/3 on February 7, 2010 and the balance on February 7, 2011 and have an exercise price of US\$2.00 per option. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$0.99, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.387% and volatility of 60%. This equates to values ranging from US\$0.40 to US\$0.46 per option depending on the exercise price and vesting date. The total value of the options equates to A\$2,856,004.
- (v) On February 18, 2008 the Board of Directors of the Company agreed to issue 400,000 options to officers, employees and consultants under the 2006 Incentive Option Plan which will vest 1/3 on February 18, 2009, 1/3 on February 18, 2010 and the balance on February 18, 2011 and have an exercise price of US\$1.00 per option. An external consultant has calculated the fair value of the options using the Binomial valuation method using a share price of US\$1.04, strike price as set out above, maturity period of 5.5 to 6.5 years depending on the vesting date, risk free interest rate of 4.422% and volatility of 60%. This equates to values ranging from US\$0.61 to US\$0.65 per option depending on the exercise price and vesting date. The total value of the options equates to A\$334,750.

On July 11, 2008, the Company issued Dr. D.S. Tyrwhitt 1,000,000 options under the 2006 Incentive Option Plan with an exercise price of US\$3.48, a latest exercise date of July 11, 2018, no issue price and to vest 1/3 in 12 months, 1/3 in 24 months and 1/3 in 36 months.

On July 14, 2008, the Company issued options to the Indian Farmers Fertilizer Cooperative Limited, pursuant to a Share Options Agreement, to purchase 30,000,000 shares of Common Stock on the following terms:

- a. 5,000,000 options, at an exercise price of \$2.50 per share and expiring 60 days from July 11, 2008;
- b. 8,000,000 options, at an exercise price of \$3.00 per share and expiring 12 months from July 11, 2008;
- c. 8,000,000 options, at an exercise price of \$3.50 per share and expiring 18 months from July 11, 2008;
- d. 9,000,000 options, at an exercise price of \$4.00 per share and expiring 24 months from July 11, 2008.

On August 11, 2008 the Company issued two eligible participants 700,000 options under the 2006 Incentive Option Plan with an exercise price of US\$2.00, a latest exercise date of August 11, 2018, no issue price and to vest 1/3 in 12 months, 1/3 in 24 months and 1/3 in 36 months.

On August 11, 2008 the Company issued two eligible participants 350,000 options under the 2006 Incentive Option Plan with an exercise price of US\$2.00, a latest exercise date of August 11, 2018, no issue price and to vest 1/3 in 12 months, 1/3 in 24 months and 1/3 in 36 months.

On August 11, 2008 the Company issued an eligible participant 112,500 options under the 2006 Incentive Option Plan with an exercise price of US\$10, a latest exercise date of August 11, 2018, no issue price and to vest 1/3 in 12 months, 1/3 in 24 months and 1/3 in 36 months.

## Dividend Policy

The Company has not previously paid any cash dividends on Common Stock and does not anticipate or contemplate paying dividends on Common Stock in the foreseeable future. It is the present intention of management to utilize all available funds for the development of the Company's business. The only restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future, are those restrictions imposed by law. Under Delaware corporate law, no dividends or other distributions may be made which would render the Company insolvent or reduce assets to less than the sum of its liabilities plus the amount needed to satisfy any outstanding liquidation preferences.

Effective November 17, 2006, the Company's Board of Directors declared a 1-for-2 share bonus issue in the form of a dividend that was payable in December 2006 to stockholders of record as of November 17, 2006. An aggregate of 27,599,722 shares of Common Stock were issued in connection with this dividend.

In November 2006, the Company's Board of Directors declared a second 1-for-2 share bonus issue in the form of a dividend that was payable in January 2007 to stockholders of record as of December 31, 2006. An aggregate of 41,934,337 shares of Common Stock were issued in connection with this dividend.

## EXECUTIVE COMPENSATION

The following table sets forth the annual salary, bonuses and all other compensation awards and pay outs on account of our Chief Executive Officer for services rendered to us during the fiscal years ended December 31, 2006 and 2007 and our Chief Financial Officer and General Manager Development & Resources for services rendered to us during the fiscal year ended December 31, 2007. No other executive officer received more than US\$100,000 per annum during these periods.

### Summary Compensation Table

| Name and Principal Position                              | Year | Salary (A\$) | Bonus (A\$) | Stock Awards (A\$) | Option Awards (A\$) | Non-Equity Incentive Plan Compensation (A\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (A\$) | All Other Compensation (A\$) | Total (US\$) |
|--|------|--------------|-------------|--------------------|---------------------|--|---|------------------------------|--------------|
| Joseph Gutnick, Chairman of the Board, President and CEO | 2007 | 82,132       | -           | -                  | 86,764              | -  | -   | 26,768                       | 195,664      |
|  | 2006 | -            | -           | -                  | 28,892              | -  | -   | -                            | 28,892       |
| Peter Lee, CFO & Secretary                               | 2007 | 115,400      | -           | -                  | 65,501 (i)          | -  | -   | 38,825 (ii)(iii)             | 219,726      |
| Craig Michael, Gen Mgr, Development & Resources          | 2007 | 48,988       | -           | -                  | 59,341 (i)          | -  | -   | 11,948 (ii)                  | 120,277      |

(i) The amounts included in the table for option awards has been calculated in accordance with SFAS 123R.

- (ii) Includes share of superannuation contributions made by AXIS applicable to salaries charged to the Company.
- (iii) Includes share of cost of motor vehicle costs made by AXIS applicable to Mr. Lee as charged to the Company.

### Outstanding Equity Awards at Fiscal Year-End

| Option Awards   |   |   |  |                            |                        |   |  | Stock Awards   |  |
|---|---|---|--|----------------------------|------------------------|---|--|--|--|
| Name  | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Been Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
| Joseph Gutnick, Chairman of the Board, President and CEO <sup>(1)</sup> | -   | -   | 2,250,000  | US\$1.00                   | 9/19/16                | -   | -  | -  | -  |
| Peter Lee, CFO and Secretary <sup>(2)</sup>                             | -   | -   | 787,500  | US\$0.444                  | 9/19/16                | -   | -  | -  | -  |
|   | -   | -   | 787,500  | US\$1.00                   | 9/19/16                | -   | -  | -  | -  |
|   | -   | -   | 1,000,000  | US\$1.00                   | 12/28/17               | -   | -  | -  | -  |
| Craig Michael, General Manager Development & Resources <sup>(3)</sup>   | -   | -   | 150,000  | US\$0.444                  | 9/10/17                | -   | -  | -  | -  |
|   | -   | -   | 150,000  | US\$1.00                   | 9/10/17                | -   | -  | -  | -  |
|   | -   | -   | 1,250,000  | US\$1.00                   | 12/28/17               | -   | -  | -  | -  |

- (1) Includes 750,000 shares issuable to Mr Joseph Gutnick upon exercise of stock options of which vested on September 19, 2007. Mr Gutnick holds a further 750,000 options which vest on September 19, 2008 and 750,000 options which vest on September 19, 2009
- (2) Includes 525,000 shares issuable to Mr Peter Lee upon exercise of stock options of which vested on September 19, 2007. Mr Lee holds a further 525,000 options which vest on September 19, 2008, 333,333 options which vest on December 28, 2009 525,000 options which vest on September 19, 2009, 333,333 options which vest on December 28, 2009, 333,333, options which vest on December 28, 2010 and 333,334, options which vest on December 28, 2011.
- (3) Includes 100,000 options which vest on September 10, 2009, 416,666 options which vest on December 28, 2009 100,000 options which vest on September 10, 2010, 416,667 options which vest on December 28, 2010, 100,000, options which vest on September 10, 2011 and 416,667, options which vest on December 28, 2011.

### 2006 Equity Incentive Plan

The 2006 Plan provides for the granting of options. The maximum number of shares available for awards is 10% of the issued and outstanding shares of Common Stock on issue at any time. If an option expires or is cancelled without having been fully exercised or vested, the remaining shares will generally be available for grants of other awards.

The 2006 Plan is administered by the Board comprised solely of directors who are not employees or consultants to Legend or any of its affiliated entities.

Any employee, director, officer, consultant of or to Legend or an affiliated entity (including a company that becomes an affiliated entity after the adoption of the 2006 Plan) is eligible to participate in the 2006 Plan if the Committee, in its sole discretion, determines that such person has contributed significantly or can be expected to contribute significantly to the success of Legend or an affiliated entity. During any one year period, no participant is eligible

to be granted options to purchase more than 5% shares of our issued and outstanding Common Stock or if they provide investor relations activities, or are a consultant to the Company, 2% of the issued and outstanding shares of Common Stock in any 12 month period.

Options granted under the 2006 Plan are to purchase Legend Common Stock. The term of each option will be fixed by the Board, but no option will be exercisable more than 10 years after the date of grant. The option exercise price is fixed by the Board at the time the option is granted. The exercise price must be paid in cash. Options granted to participants vest and have a term of 10 years.

No award is transferable, or assignable by the participant except upon his or her death.

The Board may amend the 2006 Plan, except that no amendment may adversely affect the rights of a participant without the participant's consent or be made without stockholder approval if such approval is necessary to qualify for or comply with any applicable law, rule or regulation the Board deems necessary or desirable to qualify for or comply with.

Subject to earlier termination by the Board, the 2006 Plan has an indefinite term except that no ISO may be granted following the tenth anniversary of the date the 2006 Plan is approved by stockholders.

Other than the issue of these Options, there are no other current plans or arrangements to grant any options under the 2006 Plan.

### Compensation Pursuant to Plans

The Company does not have any pension or profit sharing plans. The Company does not have any employees and therefore has no superannuation obligations.

### Equity Compensation Plan Information

The following table sets forth, as of December 31, 2007, information regarding options under our 2006 stock option plan, our only active plan. The 2006 stock option plan has been approved by our stockholders. Outstanding options under this plan that are forfeited or cancelled will be available for future grants. All of the options are for the purchases of our Common Stock.

|  | Number of Securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available future issuance under equity compensation (excluding securities <u>reflected in Column One</u> ) |
|--|---|---|---|
| Equity compensation plans approved by security holders     | 12,587,500  | A\$0.8820   | 5,119,326   |
| Equity compensation plans not approved by security holders | -   | -   | -   |

(1) The maximum number of shares available for issuance under the 2006 stock option plan is equal to 10% of the issued and outstanding shares of Common Stock, at any time.

### Director Compensation

| Name  | Fees Earned or Paid in Cash (A\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation (\$) | Total (A\$) |
|-------|-----------------------------------|-------------------|--------------------|---|---|-----------------------------|-------------|
| David | 20,000                            | -                 | -                  | -   | -   | -                           | 20,000      |

|          |  |  |  |  |  |  |  |
|----------|--|--|--|--|--|--|--|
| Tyrwhitt |  |  |  |  |  |  |  |
|----------|--|--|--|--|--|--|--|

It is our policy to reimburse Directors for reasonable travel and lodging expenses incurred in attending Board of Directors meetings. Commencing January 2005, non-management Directors are paid Directors fees of A\$20,000 per annum.

### **FINANCIAL STATEMENTS**

See the Consolidated Financial Statements beginning on page F-1, "Financial Statements"

### **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

### **LEGAL MATTERS**

The validity of the Common Stock offered in this prospectus has been passed upon by Phillips Nizer LLP of New York, New York

### **EXPERTS**

The financial statements of Legend as of December 31, 2007 and for the years ended December 31, 2007 and 2006 and the cumulative amounts from inception, January 5, 2001 through December 31, 2007, have been audited by PKF, Certified Public Accountants, a Professional Corporation, as set forth in their report thereon appearing in this prospectus, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

### **HOW TO GET MORE INFORMATION**

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the securities offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information set forth in the registration statement, as permitted by the rules and regulations of the Commission. For further information with respect to us and the securities offered by this prospectus, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document that we have filed as an exhibit to the registration statement are qualified in their entirety by reference to the exhibits for a complete statement of their terms and conditions. The registration statement and other information may be read and copied at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains a web site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

## INDEX TO FINANCIAL STATEMENTS

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#### ***Annual Financial Statements***

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**Item 1. FINANCIAL STATEMENTS**

**Introduction to Interim Financial Statements.**

The interim financial statements included herein have been prepared by Legend International Holdings, Inc. ("Legend International" or the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (The "Commission"). Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in this Prospectus and Registration Statement.

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary to present fairly the financial position of the Company as of June 30, 2008, the results of its operations for the three and six month periods ended June 30, 2008 and June 30, 2007, and the changes in its cash flows for the six month periods ended June 30, 2008 and June 30, 2007, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Foreign Currency Translation**

The functional and reporting currency of the Company is the Australian dollar.

UNLESS OTHERWISE INDICATED, ALL FINANCIAL INFORMATION PRESENTED IS IN AUSTRALIAN DOLLARS.

**LEGEND INTERNATIONAL HOLDINGS, INC.**  
(An Exploration Stage Company)  
Balance Sheet

|  | June 30,<br>2008<br>A\$ | December 31,<br>2007<br>A\$ |
|--|-------------------------|-----------------------------|
| <b>ASSETS</b>  | (Unaudited)             |                             |
| Current Assets:  |                         |                             |
| Cash   | 112,766,052             | 17,088,190                  |
| Receivables  | 268,674                 | 507,264                     |
| Prepayments  | 313,698                 | 110,840                     |
| Total Current Assets   | 113,348,424             | 17,706,294                  |
| Non-Current Assets:  |                         |                             |
| Property and Equipment, net (Note 3)   | 476,034                 | 158,177                     |
| Deposits   | 1,085,500               | 130,000                     |
| Total Non-Current Assets   | 1,561,534               | 288,177                     |
| Total Assets   | 114,909,958             | 17,994,471                  |
| <b>LIABILITIES</b>   |                         |                             |
| Current Liabilities:   |                         |                             |
| Accounts payable and accrued expenses  | 905,101                 | 671,384                     |
| Lease liability  | 57,214                  | 273,740                     |
| Total Current Liabilities  | 962,315                 | 945,124                     |
| Non Current Liabilities:   |                         |                             |
| Reclamation and Remediation Provision  | 32,710                  | 90,000                      |
| Total Non Current Liabilities:   | 32,710                  | 90,000                      |
| Total Liabilities  | 995,025                 | 1,035,124                   |
| Commitments and Contingencies (Note 6)   |                         |                             |
| Stockholders' Equity   |                         |                             |
| Common Stock: US\$.001 par value, 300,000,000 shares authorized<br>220,940,018 shares issued (177,068,825 in 2007) | 269,099                 | 223,039                     |
| Additional Paid-in-Capital   | 137,772,902             | 30,691,681                  |
| Accumulated Other Comprehensive Income   | 38,490                  | 38,490                      |
| Retained Deficit during development period   | (839,463)               | (839,463)                   |
| Retained Deficit during exploration period   | (23,326,095)            | (13,154,400)                |
| Total Stockholders' Equity   | 113,914,933             | 16,959,347                  |
| Total Liabilities and Stockholders' Equity   | 114,909,958             | 17,994,471                  |

The accompanying notes are an integral part of these financial statements.

**LEGEND INTERNATIONAL HOLDINGS, INC.**  
(An Exploration Stage Company)  
Statements of Operations  
(Unaudited)

|   | For the three months<br>ended June 30 |                    | For the six months<br>ended June 30 |                    | January 5,<br>2001<br>(Inception) to<br>June 30,<br>2008 |
|---|---------------------------------------|--------------------|-------------------------------------|--------------------|--|
|   | 2008<br>A\$                           | 2007<br>A\$        | 2008<br>A\$                         | 2007<br>A\$        | A\$  |
| Revenues:   |                                       |                    |                                     |                    |  |
| Sales   | -                                     | -                  | -                                   | -                  | 6,353  |
| less cost of sales  | -                                     | -                  | -                                   | -                  | (1,362)  |
| Gross profit  | -                                     | -                  | -                                   | -                  | 4,991  |
| Other income  |                                       |                    |                                     |                    |  |
| Interest income   | 224,963                               | 3,457              | 349,972                             | 4,403              | 376,030  |
|   | <u>224,963</u>                        | <u>3,457</u>       | <u>349,972</u>                      | <u>4,403</u>       | <u>381,021</u>   |
| Costs and expenses:   |                                       |                    |                                     |                    |  |
| Exploration expenditure   | 1,287,044                             | 946,201            | 2,438,740                           | 1,695,409          | 11,382,125   |
| Legal, accounting and professional  | 162,649                               | 33,636             | 306,324                             | 59,299             | 654,789  |
| Stock based compensation  | 1,085,725                             | 71,762             | 1,958,810                           | 170,947            | 3,105,707  |
| Loss on equipment written off   | -                                     | -                  | -                                   | -                  | 3,570  |
| Interest expense  | 8,836                                 | 6,777              | 18,705                              | 33,006             | 130,836  |
| Administration expenses   | 2,405,452                             | 393,575            | 3,914,913                           | 698,708            | 7,224,987  |
| Total costs and expenses  | <u>(4,949,706)</u>                    | <u>(1,451,111)</u> | <u>(8,637,492)</u>                  | <u>(2,657,369)</u> | <u>(22,502,009)</u>                                      |
| (Loss) from operations  | (4,724,743)                           | (1,447,654)        | (8,287,520)                         | (2,652,966)        | (22,120,988)   |
| Foreign currency exchange<br>gain/(loss)                                      | (1,256,118)                           | (125,964)          | (1,884,175)                         | (156,535)          | (2,044,570)  |
| (Loss) before income taxes  | <u>(5,980,861)</u>                    | <u>(1,573,618)</u> | <u>(10,171,695)</u>                 | <u>(2,809,501)</u> | <u>(24,165,558)</u>                                      |
| Provision for income taxes  | -                                     | -                  | -                                   | -                  | -  |
| Net (Loss)  | <u>(5,980,861)</u>                    | <u>(1,573,618)</u> | <u>(10,171,695)</u>                 | <u>(2,809,501)</u> | <u>(24,165,558)</u>                                      |
| Basic and diluted loss per common<br>shares                                   | <u>A\$(0.03)</u>                      | <u>A\$(0.01)</u>   | <u>A\$(0.06)</u>                    | <u>A\$(0.02)</u>   | <u>A\$(0.45)</u>   |
| Weighted average number of<br>common shares used in per share<br>calculations | <u>190,692,289</u>                    | <u>145,277,520</u> | <u>171,152,461</u>                  | <u>121,863,153</u> | <u>53,718,592</u>  |

The accompanying notes are an integral part of these consolidated financial statements

**LEGEND INTERNATIONAL HOLDINGS, INC.**  
(An Exploration Stage Company)  
Statements of Stockholders' Equity (Deficit)  
for the period ended June 30, 2008

|  | Shares of<br>Common<br>Stock | Par<br>Value<br>A\$ | Additional<br>Paid-In<br>Capital<br>A\$ | Retained<br>(Deficit) During<br>the Exploration<br>Period<br>A\$ | Retained (Deficit)<br>During the<br>Development<br>Period<br>A\$ | Accumulated<br>Other<br>Comprehensive<br>Income<br>A\$ | Stockholders'<br>Equity<br>(Deficit)<br>A\$ |
|--|------------------------------|---------------------|---|--|--|--|---|
| Balance, January 5, 2001   | -                            | -                   | -                                       | -  | -  | -  | -   |
| Shares issued to founder for<br>organisation cost and services<br>at US\$0.05 per shares | 4,297,500                    | 5,550               | 118,896                                 | -  | -  | -  | 124,446                                     |
| Shares Issued for services<br>rendered at US\$0.05 per share                             | 146,250                      | 189                 | 4,046                                   | -  | -  | -  | 4,235                                       |
| Shares Issued for Cash   | 616,500                      | 796                 | 17,056                                  | -  | -  | -  | 17,852                                      |
| Net Loss   | -                            | -                   | -                                       | -  | (131,421)  | -  | (131,421)                                   |
| Balance, December 31, 2001   | 5,060,250                    | 6,535               | 139,998                                 | -  | (131,421)  | -  | 15,112                                      |
| Shares Issued for Cash   | 225,000                      | 291                 | 6,225                                   | -  | -  | -  | 6,516                                       |
| Shares Issued for Officer's<br>Compensation  | 11,250,000                   | 14,529              | 148,359                                 | -  | -  | -  | 162,888                                     |
| Net Loss   | -                            | -                   | -                                       | -  | (182,635)  | -  | (182,635)                                   |
| Balance, December 31, 2002   | 16,535,250                   | 21,355              | 294,582                                 | -  | (314,056)  | -  | 1,881                                       |
| Shares Issued for services<br>rendered at US\$0.022 per share                            | 5,026,500                    | 6,491               | 139,065                                 | -  | -  | -  | 145,556                                     |
| Net Loss   | -                            | -                   | -                                       | -  | (156,965)  | -  | (156,965)                                   |
| Balance, December 31, 2003   | 21,561,750                   | 27,846              | 433,647                                 | -  | (471,021)  | -  | (9,528)                                     |
| Shares Issued for services<br>rendered at US\$0.022 per share                            | 2,004,750                    | 2,589               | 55,464                                  | -  | -  | -  | 58,053                                      |
| Options Issued for services  | -                            | -                   | 160,672                                 | -  | -  | -  | 160,672                                     |
| Loan forgiveness-former major<br>shareholder   | -                            | -                   | 12,144                                  | -  | -  | -  | 12,144                                      |
| Net Loss   | -                            | -                   | -                                       | -  | (234,611)  | -  | (234,611)                                   |
| Balance, December 31, 2004   | 23,566,500                   | 30,435              | 661,927                                 | -  | (705,632)  | -  | (13,270)                                    |
| Shares issued on cashless<br>exercise of options   | 17,085,938                   | 22,066              | (22,066)                                | -  | -  | -  | -   |
| Net Loss   | -                            | -                   | -                                       | -  | (75,508)   | -  | (75,508)                                    |
| Balance, December 31, 2005   | 40,652,438                   | 52,501              | 639,861                                 | -  | (781,140)  | -  | (88,778)                                    |
| Share issued on cashless<br>exercise of options  | 72,281,329                   | 93,336              | (93,336)                                | -  | -  | -  | -   |
| Shares and options issued<br>under settlement agreement                                  | 112,500                      | 144                 | 35,272                                  | -  | -  | -  | 35,416                                      |
| Shares issued for cash   | 12,756,734                   | 16,524              | 3,854,843                               | -  | -  | -  | 3,871,367                                   |
| Cost of share issues   | -                            | -                   | (128,376)                               | -  | -  | -  | (128,376)                                   |
| Amortisation of Options under<br>stock option plan                                       | -                            | -                   | 115,307                                 | -  | -  | -  | 115,307                                     |
| Net unrealized gain on foreign<br>exchange translation                                   | -                            | -                   | -                                       | -  | -  | 38,490   | 38,490                                      |
| Net Loss   | -                            | -                   | -                                       | (4,516,271)  | (58,323)   | -  | (4,574,594)                                 |
| Balance, December 31, 2006   | 125,803,001                  | 162,505             | 4,423,571                               | (4,516,271)  | (839,463)  | 38,490   | (731,168)                                   |

**LEGEND INTERNATIONAL HOLDINGS, INC.**  
(An Exploration Stage Company)  
Statements of Stockholders' Equity (Deficit)  
for the period ended June 30, 2008  
(continued)

|  | Shares of<br>Common<br>Stock | Par<br>Value<br>A\$ | Additional<br>Paid-In<br>Capital<br>A\$ | Retained<br>(Deficit) During<br>the Exploration<br>Period<br>A\$ | Retained (Deficit)<br>During the<br>Development<br>Period<br>A\$ | Accumulated<br>Other<br>Comprehensive<br>income<br>A\$ | Stockholders'<br>Equity<br>(Deficit)<br>A\$ |
|--|------------------------------|---------------------|---|--|--|--|---|
| Shares issued for cash   | 47,886,624                   | 56,690              | 25,684,414                              | -  | -  | -  | 25,741,104                                  |
| Cost of share issues   | -                            | -                   | (1,675,111)                             | -  | -  | -  | (1,675,111)                                 |
| Shares issued for consulting fees  | 2,604,200                    | 2,984               | 1,001,122                               | -  | -  | -  | 1,004,106                                   |
| Shares issued on cashless exercise of options  | 75,000                       | 85                  | (85)                                    | -  | -  | -  | -   |
| Shares issued under registration rights agreement  | 200,000                      | 230                 | 364,575                                 | -  | -  | -  | 364,805                                     |
| Shares issued for part-settlement of the acquisition of rights to exploration licences under agreement | 500,000                      | 545                 | 517,455                                 | -  | -  | -  | 518,000                                     |
| Amortization of options under stock option plan  | -                            | -                   | 375,740                                 | -  | -  | -  | 375,740                                     |
| Net Loss   | -                            | -                   | -                                       | (8,638,129)  | -  | -  | (8,638,129)                                 |
| Balance, December 31, 2007   | 177,068,825                  | 223,039             | 30,691,681                              | (13,154,400)   | (839,463)  | 38,490   | 16,959,347                                  |
| Shares issued for cash   | 42,000,000                   | 44,011              | 109,984,282                             | -  | -  | -  | 110,028,293                                 |
| Cost of share issues   | -                            | -                   | (5,920,448)                             | -  | -  | -  | (5,920,448)                                 |
| Shares issued on cashless exercise of options  | 1,274,584                    | 1,359               | (1,359)                                 | -  | -  | -  | -   |
| Shares issued on exercise of options   | 108,000                      | 113                 | 12,431                                  | -  | -  | -  | 12,544                                      |
| Shares issued for consulting fees  | 30,800                       | 33                  | 147,555                                 | -  | -  | -  | 147,588                                     |
| Shares issued under registration rights agreement  | 457,809                      | 544                 | 899,950                                 | -  | -  | -  | 900,494                                     |
| Amortization of options under stock option plan  | -                            | -                   | 1,958,810                               | -  | -  | -  | 1,958,810                                   |
| Net Loss   | -                            | -                   | -                                       | (10,171,695)   | -  | -  | (4,190,834)                                 |
| Balance, June 30, 2008   | 220,940,018                  | 269,099             | 137,772,902                             | (23,326,095)   | (839,463)  | 38,490   | 113,914,933                                 |

The accompanying notes are integral part of the financial statements.

**LEGEND INTERNATIONAL HOLDINGS, INC.**  
(An Exploration Stage Company)  
Statements of Cash Flows  
(Unaudited)

|  | For the six months<br>ended June 30 | January 5, 2001<br>(Inception) to<br>June 30,,<br>2008 |                     |
|--|-------------------------------------|--|---------------------|
|  | 2008<br><u>A\$</u>                  | 2007<br><u>A\$</u>                                     |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                     |  |                     |
| Net Loss   | <u>(10,171,695)</u>                 | <u>(2,809,501)</u>                                     | <u>(24,165,558)</u> |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: |                                     |  |                     |
| Foreign exchange   | 1,884,175                           | 156,535  | 2,043,227           |
| Shares and Options issued for Stock Based Compensation                                 |                                     |  |                     |
| - Employees  | 1,958,810                           | 170,947  | 3,105,708           |
| - Consultants  | 147,588                             | -  | 531,421             |
| - Exploration Agreement  | -                                   | -  | 518,000             |
| - Registration Payment Arrangements  | 900,494                             | -  | 1,265,299           |
| Exploration expenditure  | 326,526                             | 173,796  | 326,526             |
| Provision for rehabilitation   | (57,290)                            | 90,000   | 32,710              |
| Depreciation   | 30,828                              | 6,549  | 51,798              |
| Accrued interest added to principal  | -                                   | 14,683   | 37,282              |
| Net Change in:   |                                     |  |                     |
| Receivables  | 238,590                             | 20,954   | (319,315)           |
| Prepayments and deposits   | (1,158,358)                         | (182,287)  | (1,399,198)         |
| Accounts Payable and Accrued Expenses  | 17,191                              | 185,094  | 823,604             |
| Net Cash (Used) In Operating Activities  | <u>(5,883,141)</u>                  | <u>(2,173,230)</u>                                     | <u>(17,148,496)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                     |  |                     |
| Write off of Property and Equipment  | -                                   | -  | 3,570               |
| Acquisition of Subsidiary  | (326,526)                           | -  | (326,526)           |
| Purchase of Property, Equipment and Motor Vehicle                                      | (348,685)                           | (95,526)   | (503,250)           |
| Net Cash (Used) In Investing Activities  | <u>(675,211)</u>                    | <u>(95,526)</u>  | <u>(826,206)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                     |  |                     |
| Advances Payable - Affiliates  | -                                   | (1,203,612)  | (26,156)            |
| Repayment of Convertible Debenture   | -                                   | -  | (130,310)           |
| Repayment of Shareholder Advance   | -                                   | -  | (641)               |
| Proceeds from Convertible Debenture Payable  | -                                   | -  | 130,310             |
| Shareholder Advance  | -                                   | -  | 6,621               |
| Proceeds from Issuance of Stock  | 110,040,837                         | 7,631,992  | 139,677,675         |
| Cost of share issues   | (5,920,448)                         | (1,114,527)  | (7,082,573)         |
| Net Borrowing/Repayments from Affiliates   | -                                   | -  | 50,003              |
| Net Cash Provided by Financing Activities  | <u>104,120,389</u>                  | <u>5,313,853</u>                                       | <u>132,624,929</u>  |
| Effect of exchange rate changes on cash  | <u>(1,884,175)</u>                  | <u>-</u>   | <u>(1,884,175)</u>  |
| Net Increase/(Decrease) in Cash  | 95,677,862                          | 3,045,097  | 112,766,052         |
| Cash at Beginning of Period  | <u>17,088,190</u>                   | <u>839,797</u>   | <u>-</u>            |
| Cash at End of Period  | <u>112,766,052</u>                  | <u>3,884,894</u>                                       | <u>112,766,052</u>  |
| <b>Supplemental Disclosures:</b>   |                                     |  |                     |
| Cash paid for interest   | -                                   | 18,335   | 62,196              |
| Cash paid for income taxes   | -                                   | -  | -                   |
| Stock and options issued for services  | 147,588                             | 59,674   | 1,595,523           |
| Accrued interest and stockholder advances charged to paid in capital                   | -                                   | -  | 12,744              |
| Stock issued for exploration agreement   | -                                   | -  | 518,000             |
| Stock issued for registration payment arrangement                                      | 900,494                             | -  | 1,265,299           |
| Equipment obtained through a capital lease   | -                                   | -  | 24,581              |
| Capital lease obligation for exploration costs   | -                                   | 362,462  | 362,462             |
| Interest in relation to capital lease for exploration costs                            | -                                   | 42,313   | 42,313              |
| Fair value of warrants issued in connection with issuance of capital stock             | 1,330,852                           | -  | 1,330,852           |

The accompanying notes are integral part of the financial statements.

## **LEGEND INTERNATIONAL HOLDINGS, INC.**

(An Exploration Stage Company)

Notes to Financial Statements

### **1. ORGANISATION AND BUSINESS**

Legend International Holdings, Inc, ("the Company"), was incorporated under the laws of the State of Delaware on January 5, 2001.

Following a change of management in November 2004, the Company developed a new plan of operations for fiscal 2006, which is to engage in mineral exploration and development activities. The Company's current business plan calls for the identification of mineral properties where it can obtain secure title to exploration, development and mining interests. The Company's preference is to identify large minerals deposits with low operating costs. The Company is prepared to consider the exploration, development and mining of profitable base metal interests. At the beginning of 2006, the Company expanded its areas of interest to include diamond exploration activities and in July 2006, the Company completed the acquisition of certain diamond mining tenements in Northern Australia. Since that time, the Company has identified that those mining tenements in Northern Australia also have potential for uranium and base metals. In November 2007 and February 2008, the Company acquired mining tenements prospective for phosphate in the State of Queensland, Australia.

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has incurred net losses since its inception.

#### Exploration Stage Enterprise

The Company is an exploration stage enterprise. The Company is devoting all of its present efforts in securing and establishing its exploration business through field sampling and drilling programs in the State of Queensland and the Northern Territory of Australia.

### **2. RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and for interim periods within those fiscal years. In February 2008, the FASB staff issued Staff Position No. 157-2 "Effective date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognised or disclosed at fair value in the financial statements on a recurring basis ( at least annually). The provisions of FSP FAS 157-2 are effective for the Company's fiscal year beginning January 1, 2009. The adoption of this interpretation has not and is not expected to have a material impact on the Company's future reported financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115", which permits companies to choose to measure many financial instruments and certain other items at fair value. The provisions of SFAS 159 were adopted January 1, 2008. The Company did not elect the Fair Value Option for any of its financial assets or liabilities and therefore, the adoption of SFAS 159 had no impact on the Company's consolidated financial position, results or operations or cash flows.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), which replaces SFAS 141. SFAS 141(R) requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be

measured at their fair values as of the date of acquisition. SFAS 141(R) also requires that acquisition-related costs and restructuring costs be recognized separately from the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008 and will be effective for business combinations entered into after January 1, 2009. The Company is currently evaluating the potential impact of adopting this statement on the Company's financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of equity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not currently have any minority interests.

In March 2008, the FASB issued FSAB Statement No. 161 "Disclosure about Derivative Instruments and Hedging Activities-an amendment of FASB statements No. 133 ("SFAS 161") which provides revised guidance for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FAS 133, and how derivative instruments and the related hedged items affect and entity's financial position, financial performance and cash flows. FAS 161 is effective for the Company's fiscal year beginning January 1,2009. The Company does not currently have any derivative instruments and is not involved in any hedging activities.

In May 2008, the FASB issued SFAS No. 162 "The Hierarchy of Generally Acceptable Accounting Principles" ("SFAS 162"). SFAS 162 identifies the source of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the United States. This statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". Although the Company will continue to evaluate the application of SFAS 162, the Company does not currently believe the adoption of SFAS 162 will have a material impact on its financial statements.

### 3. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is computed over a period covering the estimated useful life of the applicable property and equipment.

|                        | Depreciable<br>Life<br>(in years) | At June 30, 2008 |                             |                   | At December 31, 2007 |                             |                   |
|------------------------|-----------------------------------|------------------|-----------------------------|-------------------|----------------------|-----------------------------|-------------------|
|                        |                                   | Cost             | Accumulated<br>Depreciation | Net Book<br>Value | Cost                 | Accumulated<br>Depreciation | Net Book<br>Value |
|                        |                                   | A\$              | A\$                         | A\$               | A\$                  | A\$                         | A\$               |
| Leasehold Improvements | 1-2                               | 16,732           | (960)                       | 15,772            | 16,732               | (105)                       | 16,627            |
| Motor Vehicles         | 5                                 | 237,042          | (28,247)                    | 208,795           | 104,782              | (13,114)                    | 91,668            |
| Equipment              | 1-10                              | 274,058          | (22,591)                    | 251,467           | 57,633               | (7,751)                     | 49,882            |
|                        |                                   | <u>527,832</u>   | <u>(51,798)</u>             | <u>476,034</u>    | <u>154,566</u>       | <u>(20,970)</u>             | <u>158,177</u>    |

The depreciation expense for the six months ended June 30, 2008 amounted to A\$30,828 and the six months ended June 30, 2007 A\$6,549.

### 4. STOCKHOLDERS EQUITY

#### Common Stock

In January 2001, 4,297,500 common shares were issued to the Company's founder for organization cost valued at A\$124,446 (US\$95,500), and 146,250 common shares were issued to a related party in exchange for consulting fee valued at A\$4,235 (US\$3,250).

In March 2002, 11,250,000 common shares were issued to the Company's founder in exchange for present and future services valued at A\$162,888 (US\$125,000).

In April 2002, the Company closed its offering under its registration statement filed with the United States Securities and Exchange Commission to sell up to 4,500,000 shares of its common

stock at US\$0.022 per share, which became effective on April 11, 2001. The Company sold 841,500 shares (616,500 shares in 2001 and a further 225,000 shares in 2002) of its common stock under the offering.

In 2003, a total of 5,026,500 common shares were issued to the Company's sole officer and director for services valued at A\$145,556 (US\$111,700) or A\$0.029 (US\$0.022) per share.

In 2004, a total of 2,004,750 common shares were issued to the Company's former sole officer and director for services valued at A\$58,053 (US\$44,550) or A\$0.029 (US\$0.022) per share.

In December 2004, the Company issued to Renika Pty Limited ("Renika"), a company associated with Mr J I Gutnick, 20,250,000 options to be converted into 20,250,000 shares of common stock, at an exercise price of US\$0.022 and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black Scholes valuation of these options using a A\$0.029 (US\$0.022) exercise price, US\$0.022 market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. The 20,250,000 options were valued at A\$160,672 (US\$123,300) or A\$0.008 (US\$0.006) each. The stock options were issued for services rendered, to be rendered and for agreeing to provide financial assistance to the Company (not the actual provision of financial assistance). The issue of the stock options was not contingent upon any further services or events. The stock options are not forfeitable if the services or financial assistance are not provided. Accordingly, the value of the stock options were expensed during 2004.

In September 2005, Renika exercised the 20,250,000 options using the cashless exercise feature and were issued 17,085,937 shares of common stock.

Effective as of December 12, 2005, the Board of Directors of Company approved the distribution to all stockholders for no consideration of an aggregate of 36,135,500 non-transferable options, each of which is exercisable to purchase one share of common stock of the Company at an exercise price of US\$0.25 cents per share with a latest exercise date of December 31, 2012. The options were issued on a pro-rata basis to all stockholders of record on December 31, 2005 on the basis of two (2) options for every one (1) share of common stock owned by a stockholder on the record date. The options may not be exercised until the shares underlying the options are registered under federal and state securities laws.

At December 31, 2005 the Company had outstanding 36,135,500 options and as at December 31, 2006, the Company had outstanding 1,388,280 options, each of which is exercisable to purchase one share of common stock at US\$0.25 per share. The options cannot be exercised, other than using the cashless exercise feature, until the Company registers the shares of common stock to be issued upon exercise of the options in accordance with the Securities Act of 1933, as amended and any applicable state securities laws. The only exception is in the case of a cashless exercise.

Effective July 21, 2006, Legend issued 71,730,079 shares of common stock to Renika Pty Ltd ("Renika"), a company associated with Mr. J I Gutnick, President of Legend, following the cashless exercise of 34,778,220 options. The shares of common stock issued are restricted shares.

Between September 19, 2006 and November 17, 2006, Legend issued 11,703,728 shares of common stock at a placement price of US\$0.22 per share raising A\$3,384,709. The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended ("The Act") under Section 4(2) of the Act.

Effective November 30, 2006, Legend issued a further 112,500 shares of common stock and 50,000 options with an exercise price of A\$0.25 per option and a latest exercise date of December 12, 2012 for no consideration to settle outstanding matters with an external party.

Effective December 31, 2006, Legend issued a further 1,053,000 shares of common stock at a placement price of US\$0.33 raising A\$445,705 (US\$351,000). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended ("the Act") under Section 4 (2) of the Act.

In December 2006, 19,000 options issued with no exercise price were exercised and the Company issued 24,750 shares of common stock.

In December 2006, 351,000 options were exercised using the cashless exercise feature and the Company issued 526,500 shares of common stock.

Between January 1, 2007 and September 30, 2007, Legend issued a further 29,136,624 shares of common stock at a placement price of US\$0.25 raising A\$8,816,411 (US\$7,226,906). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933 as amended ("The Act") under Section 4(2) of the Act.

Effective June 15, 2007, Legend issued a further 200,000 shares of common stock for consulting fees amounting to A\$59,074 (US\$50,000).

Between July 1, 2007 and September 30, 2007, Legend issued a further 2,150,200 shares of common stock for consulting fees amounting to A\$614,469 (US\$537,550).

On December 12, 2007, Legend issued a further 18,750,000 shares of common stock at a placement price of US\$0.80 per share raising A\$16,924,292 (US\$15,000,000). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933 as amended ("The Act") under Section 4(2) of the Act.

Between October 1, 2007 and December 31, 2007, Legend issued a further 500,000 shares of common stock for part settlement of acquisition of exploration permits amounting to A\$518,000 (US\$475,000).

Between October 1, 2007 and December 31, 2007, Legend issued a further 254,000 shares for consulting fees amounting to A\$330,564 (US\$289,420).

Between October 1, 2007 and December 31, 2007, Legend issued a further 200,000 shares of common stock as a result of delays in lodging a registration statement amounting to A\$364,805 (US\$318,000).

Between January 1, 2008 and June 30, 2008, Legend issued a further 457,809 shares of common stock as a result of delays in lodging a registration statement amounting to A\$900,494 (US\$757,015).

On June 3, 2008, Legend issued 42,000,000 shares of common stock at a placement price of US\$2.50 per share raising A\$110,028,293 (US\$105,000,000). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933 as amended ("The Act") under Section 4(2) of the Act. The direct costs of the offering totalled approximately A\$5,920,448. As additional consideration, the Company issued to the agents 840,000 warrants to purchase common stock with an exercise price of US\$2.50 per warrant. The warrant are exercisable at any time up to June 3, 2010.

Between April 1, 2008 and June 30, 2008, 1,332,000 options were exercised using the cashless exercise feature and the Company issued 1,274,584 shares of common stock.

Between April 1, 2008 and June 30, 2008, 108,000 options were exercised for US\$0.111, total amount received A\$12,544 (US\$11,988.00) and the Company issued 108,000 shares of common stock.

Between April 1, 2008 and June 30, 2008, Legend issued a further 30,800 shares for consulting fees amounting to A\$147,588 (US\$138,600).

#### Share Bonus Issue

Effective November 17, 2006, Legend issued one (1) new bonus share of common stock for every two (2) shares of common stock outstanding on the record at that date. The issue of the

new bonus shares of common stock were on a pro-rate basis to all shareholders. As a result, the Company issued 27,599,722 shares of its common stock.

Effective December 31, 2006, Legend issued one (1) new bonus share of common stock for every two (2) shares of common stock outstanding on the record at that date. The issue of the new bonus shares of common stock were on a pro-rata basis to all shareholders. As a result, the Company issued 41,934,337 shares of its common stock.

The Company has accounted for these two bonus issues as a stock split and accordingly, all share and per share data has been retroactively restated.

#### Issue of Options under Equity Incentive Plan

- (i) Effective September 19, 2006, the Company issued 8,100,000 options over shares of common stock to Directors, Executives and Consultants under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00 for the President and Chief Executive Officer and one other participant; and for all other participants, US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is September 19, 2016.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 8,100,000 options using the Binomial valuation method using the following inputs:

|                        |               |               |               |               |               |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Grant date             | Sept 19, 2006 |
| Grant date share price | US\$0.222     | US\$0.222     | US\$0.222     | US\$0.222     | US\$0.222     | US\$0.222     |
| Vesting date           | Sept 19, 2007 | Sept 19, 2007 | Sept 19, 2008 | Sept 19, 2008 | Sept 19, 2009 | Sept 19, 2009 |
| Expected life in years | 5.50          | 5.50          | 6.00          | 6.00          | 6.50          | 6.50          |
| Risk-free rate         | 4.69%         | 4.69%         | 4.69%         | 4.69%         | 4.69%         | 4.69%         |
| Volatility             | 60%           | 60%           | 60%           | 60%           | 60%           | 60%           |
| Exercise price         | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      |
| Call option value      | US\$.09       | US\$.05       | US\$.10       | US\$.06       | US\$.10       | US\$.06       |

The Company adopted revised SFAS No.123, Share-Based payment, which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments.

|                                      | <u>Options</u> | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|--------------------------------------|----------------|--|---|
| Outstanding at January 1, 2006       | -              | -  | -   |
| Granted                              | 8,100,000      | 0.444-1.00                               | 0.69  |
| Forfeited                            | -              | -  | -   |
| Outstanding at December 31, 2006     | 8,100,000      | 0.444-1.00                               | 0.69  |
| Granted                              | -              | -  | -   |
| Forfeited                            | (1,800,000)    | -  | -   |
| Outstanding at December 31, 2007     | 6,525,000      | 0.444-1.00                               | 0.69  |
| Outstanding at June 30, 2008         | 6,300,000      | 0.444-1.00                               | 0.69  |
| Options exercisable at June 30, 2008 | 2,099,988      | 0.444-1.00                               | 0.69  |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2006 was US\$0.07 and the weighted average remaining contractual life of those options is 8¼ years.

The remaining value of the outstanding options equates to A\$104,486 (US\$78,671) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$65,269 (US\$47,899), including adjustment for forfeited options.

- (ii) Effective May 16, 2007, the Company issued 862,500 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is May 16, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 862,500 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Grant date             | May 16, 2007 |
| Grant date share price | US\$0.25     | US\$0.25     | US\$0.25     | US\$0.25     | US\$0.25     | US\$0.25     |
| Vesting date           | May 16, 2008 | May 16, 2008 | May 16, 2009 | May 16, 2009 | May 16, 2010 | May 16, 2010 |
| Expected life in years | 5.50         | 5.50         | 6.00         | 6.00         | 6.50         | 6.50         |
| Risk-free rate         | 4.92%        | 4.92%        | 4.92%        | 4.92%        | 4.92%        | 4.92%        |
| Volatility             | 60%          | 60%          | 60%          | 60%          | 60%          | 60%          |
| Exercise price         | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     |
| Call option value      | US\$0.1111   | US\$0.064    | US\$0.117    | US\$0.072    | US\$0.124    | US\$0.079    |

|                                      | Options   | Option Price Per Share<br>US\$ | Weighted Average Exercise Price<br>US\$ |
|--------------------------------------|-----------|--------------------------------|---|
| Outstanding at January 1, 2007       | -         | -                              | -                                       |
| Granted                              | 862,500   | 0.444-1.00                     | 0.69                                    |
| Forfeited                            | (187,500) | -                              | -                                       |
| Outstanding at December 31, 2007     | 675,000   | 0.444-1.00                     | 0.69                                    |
| Forfeited                            | (300,000) | -                              | -                                       |
| Outstanding at June 30, 2008         | 375,000   | 0.444-1.00                     | 0.69                                    |
| Options exercisable at June 30, 2008 | 125,000   | 0.444-1.00                     | 0.69                                    |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.0945 and the weighted average remaining contractual life of those options is 9 years. The forfeiture rate of 56.52% is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The remaining value of the outstanding options including employee retention factor equates to A\$15,713 (US\$13,073) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$10,952 (US\$9,112).

- (iii) Effective September 10, 2007, the Company issued 300,000 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is September 10, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 300,000 options using the Binomial valuation method using the following inputs:

|                        |               |               |               |               |               |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Grant date             | Sept 10, 2007 |
| Grant date share price | US\$1.25      | US\$1.25      | US\$1.25      | US\$1.25      | US\$1.25      | US\$1.25      |
| Vesting date           | Sept 10, 2008 | Sept 10, 2008 | Sept 10, 2009 | Sept 10, 2009 | Sept 10, 2010 | Sept 10, 2010 |
| Expected life in years | 5.50          | 5.50          | 6.00          | 6.00          | 6.50          | 6.50          |
| Risk-free rate         | 4.637%        | 4.637%        | 4.637%        | 4.637%        | 4.637%        | 4.637%        |
| Volatility             | 60%           | 60%           | 60%           | 60%           | 60%           | 60%           |
| Exercise price         | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      |

|                   |           |           |           |           |           |           |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Call option value | US\$0.098 | US\$0.079 | US\$0.100 | US\$0.081 | US\$0.101 | US\$0.083 |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|

|                                  | <u>Options</u> | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|----------------------------------|----------------|--|---|
| Outstanding at January 1, 2007   | -              | -  | -   |
| Granted                          | 300,000        | 0.444-1.00                               | 0.69  |
| Forfeited                        | -              | -  | -   |
| Outstanding at December 31, 2007 | 300,000        | 0.444-1.00                               | 0.69  |
| Outstanding at June 30, 2008     | 300,000        | 0.444-1.00                               | 0.69  |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.9033 and the weighted average remaining contractual life of those options is 9¼ years. No options are currently exercisable. The forfeiture rate of 50% in the third year is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The remaining value of the outstanding options including employee retention factor equates to A\$127,305 (US\$105,294) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$89,864 (US\$73,520).

- (iv) Effective December 19, 2007, the Company issued 300,000 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is December 19, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 300,000 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Grant date             | Dec 19, 2007 |
| Grant date share price | US\$0.95     | US\$0.95     | US\$0.95     | US\$0.95     | US\$0.95     | US\$0.95     |
| Vesting date           | Dec 19, 2008 | Dec 19, 2008 | Dec 19, 2009 | Dec 19, 2009 | Dec 19, 2010 | Dec 19, 2010 |
| Expected life in years | 5.50         | 5.50         | 6.00         | 6.00         | 6.50         | 6.50         |
| Risk-free rate         | 4.92%        | 4.92%        | 4.92%        | 4.92%        | 4.92%        | 4.92%        |
| Volatility             | 60%          | 60%          | 60%          | 60%          | 60%          | 60%          |
| Exercise price         | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     |
| Call option value      | US\$0.70     | US\$0.54     | US\$0.71     | US\$0.56     | US\$0.72     | US\$0.58     |

|                                  | <u>Options</u> | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|----------------------------------|----------------|--|---|
| Outstanding at January 1, 2007   | -              | -  | -   |
| Granted                          | 300,000        | 0.444-1.00                               | 0.69  |
| Forfeited                        | -              | -  | -   |
| Outstanding at December 31, 2007 | 300,000        | 0.444-1.00                               | 0.69  |
| Outstanding at June 30, 2008     | 300,000        | 0.444-1.00                               | 0.69  |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.6350 and the weighted average remaining contractual life of those options is 9½ years. No options are currently exercisable. The forfeiture rate of 50% in the third year is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The remaining value of the outstanding options including employee retention factor equates to A\$119,218 (US\$102,531) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$60,532 (US\$52,037).

- (v) Effective December 28, 2007, the Company issued 4,787,500 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00. The latest exercise date for the options is December 28, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 4,787,500 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |
|------------------------|--------------|--------------|--------------|
| Grant date             | Dec 28, 2007 | Dec 28, 2007 | Dec 28, 2007 |
| Grant date share price | US\$1.09     | US\$1.09     | US\$1.09     |
| Vesting date           | Dec 28, 2008 | Dec 28, 2009 | Dec 28, 2010 |
| Expected life in years | 5.50         | 6.00         | 6.50         |
| Risk-free rate         | 4.488%       | 4.488%       | 4.488%       |
| Volatility             | 60%          | 60%          | 60%          |
| Exercise price         | US\$1.00     | US\$1.00     | US\$1.00     |
| Call option value      | US\$0.65     | US\$0.67     | US\$0.69     |

|                                  | <u>Options</u> | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|----------------------------------|----------------|--|---|
| Outstanding at January 1, 2007   | -              | -  | -   |
| Granted                          | 4,787,500      | 1.00                                     | 1.00  |
| Forfeited                        | -              | -  | -   |
| Outstanding at December 31, 2007 | 4,787,500      | 1.00                                     | 1.00  |
| Outstanding at June 30, 2008     | 4,787,500      | 1.00                                     | 1.00  |

The range of exercise price is US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.67 and the weighted average remaining contractual life of those options is 9½ years. No options are currently exercisable. The forfeiture rate of 42.85% in the third year is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The remaining value of the outstanding options including employee retention factor equates to A\$2,313,106 (US\$2,024,199) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$1,054,415 (US\$922,718).

- (vi) Effective February 7, 2008, the Company issued 5,000,000 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00. The latest exercise date for the options is February 7, 2018.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 5,000,000 options using the Binomial valuation method using the following inputs:

|                        |             |             |             |
|------------------------|-------------|-------------|-------------|
| Grant date             | Feb 7, 2008 | Feb 7, 2008 | Feb 7, 2008 |
| Grant date share price | US\$0.99    | US\$0.99    | US\$0.99    |
| Vesting date           | Feb 7, 2009 | Feb 7, 2010 | Feb 7, 2011 |
| Expected life in years | 5.50        | 6.00        | 6.50        |
| Risk-free rate         | 4.387%      | 4.387%      | 4.387%      |
| Volatility             | 60%         | 60%         | 60%         |
| Exercise price         | US\$2.00    | US\$2.00    | US\$2.00    |
| Call option value      | US\$0.40    | US\$0.43    | US\$0.46    |

|                                | <u>Options</u>   | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|--------------------------------|------------------|--|---|
| Outstanding at January 1, 2008 | -                | -  | -   |
| Granted                        | 5,000,000        | 2.00                                     | 2.00  |
| Forfeited                      | -                | -  | -   |
| Outstanding at June 30, 2008   | <u>5,000,000</u> | <u>2.00</u>                              | <u>2.00</u>                                       |

The range of exercise price is US\$2.00 per option. The weighted average per option fair value of options granted during 2007 was US\$2.00 and the weighted average remaining contractual life of those options is 9¾ years. No options are currently exercisable. The options were issued to the Company's CEO and therefore the Company applied a zero forfeiture rate.

The remaining value of the outstanding options including employee retention factor equates to A\$1,836,214 (US\$1,645,799) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$562,537 (US\$504,202).

- (vii) Effective February 19, 2008, the Company issued 400,000 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00. The latest exercise date for the options is February 19, 2018.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 400,000 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |
|------------------------|--------------|--------------|--------------|
| Grant date             | Feb 19, 2008 | Feb 19, 2008 | Feb 19, 2008 |
| Grant date share price | US\$1.04     | US\$1.04     | US\$1.04     |
| Vesting date           | Feb 19, 2009 | Feb 19, 2010 | Feb 19, 2011 |
| Expected life in years | 5.50         | 6.00         | 6.50         |
| Risk-free rate         | 4.422%       | 4.422%       | 4.422%       |
| Volatility             | 60%          | 60%          | 60%          |
| Exercise price         | US\$1.00     | US\$1.00     | US\$1.00     |
| Call option value      | US\$0.61     | US\$0.63     | US\$0.65     |

|                                | <u>Options</u> | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|--------------------------------|----------------|--|---|
| Outstanding at January 1, 2008 | -              | -  | -   |
| Granted                        | 400,000        | 1.00                                     | 1.00  |
| Forfeited                      | -              | -  | -   |
| Outstanding at June 30, 2008   | <u>400,000</u> | <u>1.00</u>                              | <u>1.00</u>                                       |

The range of exercise price is US\$1.00 per option. The weighted average per option fair value of options granted during 2008 was US\$1.00 and the weighted average remaining contractual life of those options is 9¾ years. No options are currently exercisable. The options were issued to one individual and in that case, the Company applied a zero forfeiture rate.

The remaining value of the outstanding options equates to A\$216,235 (US\$196,644) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$60,870 (US\$55,355).

- (viii) Effective May 29, 2008, the Company issued 362,500 options over shares of common stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest: 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00. The latest exercise date for the options is May 29, 2018.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 362,500 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |
|------------------------|--------------|--------------|--------------|
| Grant date             | May 29, 2008 | May 29, 2008 | May 29, 2008 |
| Grant date share price | US\$3.31     | US\$3.31     | US\$3.31     |
| Vesting date           | May 29, 2009 | May 29, 2010 | May 29, 2011 |
| Expected life in years | 5.50         | 6.00         | 6.50         |
| Risk-free rate         | 4.077%       | 4.077%       | 4.077%       |
| Volatility             | 60%          | 60%          | 60%          |
| Exercise price         | US\$1.00     | US\$1.00     | US\$1.00     |
| Call option value      | US\$2.67     | US\$2.70     | US\$2.72     |

|                                | <u>Options</u> | Option Price Per<br>Share<br><u>US\$</u> | Weighted Average<br>Exercise Price<br><u>US\$</u> |
|--------------------------------|----------------|--|---|
| Outstanding at January 1, 2008 | -              | -  | -   |
| Granted                        | 362,500        | 1.00                                     | 1.00  |
| Forfeited                      | -              | -  | -   |
| Outstanding at June 30, 2008   | <u>362,500</u> | <u>1.00</u>                              | <u>1.00</u>                                       |

The range of exercise price is US\$1.00 per option. The share price at grant date was and the fair value adopted was the closing market price as quoted on the OTCBB (US) as at valuation date of US\$3.31 after considering the share price between January and March 2008 of US\$0.95 to US\$4.46. The weighted average remaining contractual life of those options is 10 years. No options are currently exercisable. The options were issued to two individuals and in that case, the Company applied a zero forfeiture rate.

The remaining value of the outstanding options equates to A\$964,008 (US\$925,351) and is being amortised over the vesting periods.

For the six months ended June 30, 2008, the amortization amounted to A\$54,371 (US\$52,190).

As at June 30, 2008, 4,000,897 options over shares were available for future grants under the Stock Option Plan.

## 5. AFFILIATE TRANSACTIONS

In December 2004, the Company issued to Renika, a company associated with Mr J I Gutnick, 20,250,000 options to be converted into 20,250,000 shares of common stock, at an exercise price of 5 cents and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black and Scholes valuation of these options using a 2.22 cent exercise price, 2.22 cent market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. The Company valued the 20,250,000 options at A\$160,672 (US\$123,300) or A\$0.0178 (US\$0.0137) each. In September 2005, Renika exercised the 20,250,000 options using the cashless exercise feature and were issued 17,085,937 shares of common stock.

In December 2004, the Company entered into an agreement with AXIS Consultants Pty Ltd to provide geological, management and administration services to the Company. AXIS is affiliated through common management. The Company is one of five affiliated companies of which three are Australian public companies listed on Australian Stock Exchange. Each of the companies has some common Directors, officers and shareholders. In addition, each of the companies is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. A number of arrangements and transactions have been entered into from time to time between such companies. It has been the intention of the affiliated companies and respective Boards of Directors that each of such arrangements or transactions should accommodate the respective interest of the relevant affiliated companies in a manner which is fair to all parties and equitable to the shareholders of each. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS.

AXIS is a company owned by its public companies (including Legend) and any profits generated by AXIS are returned to its shareholders in the form of dividends.

AXIS is paid by each company for the costs incurred by it in carrying out the administration function for each such company. Pursuant to the Service Agreement, AXIS performs such functions as payroll, maintaining employee records required by law and by usual accounting procedures, providing insurance, legal, human resources, company secretarial, land management, certain exploration and mining support, financial, accounting advice and services. AXIS procures items of equipment necessary in the conduct of the business of the Company. AXIS also provides for the Company various services, including but not limited to the making available of office supplies, office facilities and any other services as may be required from time to time by the Company as and when requested by the Company.

The Company is required to reimburse AXIS for any direct costs incurred by AXIS for the Company. In addition, the Company is required to pay a proportion of AXIS's overhead cost based on AXIS's management estimate of our utilisation of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and overhead costs. Amounts invoiced by AXIS are required to be paid by us. The Company is also not permitted to obtain from sources other than AXIS, and we are not permitted to perform or provide ourselves, the services contemplated by the Service Agreement, unless we first requests AXIS to provide the service and AXIS fails to provide the service within one month.

The Service Agreement may be terminated by AXIS or us upon 60 days prior notice. If the Service Agreement is terminated by AXIS, the Company would be required to independently provide, or to seek an alternative source of providing, the services currently provided by AXIS. There can be no assurance that the Company could independently provide or find a third party to provide these services on a cost-effective basis or that any transition from receiving services under the Service Agreement will not have a material adverse effect on us. The Company's inability to provide such services or to find a third party to provide such services may have a material adverse effect on our operations.

In accordance with the Service Agreement AXIS provides the Company with the services of the Company's Chief Executive Officer, Chief Financial Officer, geologists and clerical employees, as well as office facilities, equipment, administrative and clerical services. We pay AXIS for the actual costs of such facilities plus a maximum service fee of 15%.

During the six months ended June 30, 2007, AXIS charged the Company A\$399,883 for management and administration services, and A\$380,562 for exploration services and charged interest of A\$14,683 on the outstanding balance and the Company repaid A\$1,048,643. AXIS charged interest at a rate of 10.10% for the six months ended June 30, 2007. The amount owed to AXIS at June 30, 2007 was A\$66,588.

During the six months ended June 30, 2008, AXIS charged the Company A\$2,396,508 for management and administration services, and A\$696,744 for exploration services. The Company paid A\$4,247,950 including an advance for July 2008 charges and ongoing operations. The Company charged AXIS interest of A\$27,766 at a rate between 10.80% and 11.60% for the six months ending June 30, 2008. The amount owed by AXIS at June 30, 2008 was A\$1,175,522

Effective as of March 3, 2006, Legend entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company acquired certain diamond mining tenements in Northern Australia from Astro. The consideration payable by Legend to Astro was A\$1.5 million and Legend was also required to pay to Astro any costs incurred on the tenements after February 1, 2006. Astro provided commercial warranties which are usual for a transaction of this nature in favour of Legend. Under Australian law, Astro was required to provide an independent experts report to shareholders for this transaction. In order to prepare the independent experts report, a mineral valuation was prepared on behalf of Astro which indicated that the preferred value for the tenements that are the subject of the transaction was A\$1.5 million. This formed the basis of the consideration agreed by the parties. The President and Chief Executive Officer of the Company, Mr. J. I. Gutnick, was Chairman and Managing Director of Astro and Dr DS Tyrwhitt, an independent Director of the Company is also a Director of Astro. The tenements are located in the Northern Territory of Australia and are prospective for all minerals. Astro incurred costs on the

mining tenements from February 1, 2006 which at settlement Legend was required to pay. However, Astro had not quantified the amount at the date of settlement and it was only finally quantified in November 2006. The consideration and all related acquisition costs, costs incurred by Astro since February 1, 2006 and exploration expenditure incurred by the Company is shown in the Statement of Operations as Exploration Expenditure.

## 6. COMMITMENTS

During December 2006, the Company entered into an operating lease agreement for a motor vehicle which expires in 2008. The lease agreement has a monthly repayment amount of A\$1,123. The future minimum lease repayments under a non-cancellable lease at June 30, 2008, were A\$5,480.

During July 2007, the Company entered into a sublease agreement for the rental of office premises which expires in 2008. The total rental payment for 2008 is A\$98,617, outstanding as at June 30, 2008 A\$53,267.

During September 2007, the Company entered into a commercial hire purchase agreement for proposed on-site accommodation units and the final repayment of A\$174,280 was paid in June 2008.

During April 2008, the Company entered into a finance lease agreement for a motor vehicle which expires in 2012. The lease agreement has a monthly repayment amount of A\$1,050. The future minimum loan repayments under a non-cancellable lease at June 30, 2008 were A\$51,734

During June 2008, the Company entered into an operating lease agreement for a motor vehicle which expires in 2011. The lease agreement has a monthly repayment amount of A\$5,318. The future minimum loan repayments under a non-cancellable lease at June 30, 2008 were A\$196,657.

During July 2008, the Company entered into an agreement for an aircraft maintenance and safety upgrade program for the Lear Jet 35 (See footnote 8 for purchase details) with an estimated completion date of August 31, 2008 and cost of A\$250,000.

The Company has filed with the Securities and Exchange Commission ("SEC") a registration statement covering the resale of the shares of Common Stock within forty-five (45) calendar days after the closing date of the BMO Offering, which was subsequently extended to August 1, 2008 (the "Filing Deadline"). The Company has agreed to use its best efforts to cause such registration statement to become effective as soon as possible thereafter, and within the earlier of: (i) one hundred twenty (120) calendar days after the closing date or (ii) five (5) calendar days of the SEC clearance to request acceleration of effectiveness (the "Effectiveness Deadline"). The Company agreed that in the event that the registration statement is not filed with the SEC on or before the Filing Deadline, or such registration statement is not declared effective by the SEC on or before the Effectiveness Deadline or if the effectiveness thereafter lapses (except for certain permitted grace periods) or if the Company fails to file certain SEC reports on a timely basis, the Company shall on the first day of each month thereafter until the date that the Company is in compliance with the foregoing requirements issue to the purchasers as liquidated damages and not as a penalty for such failure (the "Liquidated Damages"): shares of common stock equal to 1.2% of the shares purchased in the BMO Offering that have not been sold or cannot be sold without restriction under Rule 144. Management is in discussion with the placement holders and at this time does not believe there is exposure to any penalty liability.

In connection with the BMO Offering, the Company agreed not to issue any additional shares of Common Stock (other than pursuant to existing rights) for a period of 120 days following the closing without the consent of BMO, which shall not be unreasonably withheld. The Company also agreed to appoint two additional directors and a chief operating officer with the approval of BMO and to use its reasonable best efforts to list its shares of Common Stock on the American Stock Exchange within six months following the closing date.

## Exploration

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals, and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective. Should the company wish to preserve interests in its current tenements the amount which may be required to be expended is as follows:

|   | 2008<br>A\$      |
|---|------------------|
| Not later than one year                                   | 1,435,000        |
| Later than one year but not later than five years         | 1,080,000        |
| Later than five years but not later than twenty one years | <u>-</u>         |
|   | <u>2,515,000</u> |

## 7. ACQUISITIONS/INVESTMENTS

On February 27, 2008, the Company entered into a Share Sale Agreement whereby the Company agreed to purchase all of the issued and outstanding shares of Teutonic Minerals Pty Ltd. As a result, Teutonic became a subsidiary of the Company from that date. Teutonic holds an application for a mineral licence over phosphate in the Georgina Basin in the State of Queensland, Australia. The consideration payable to the vendors was A\$300,000, and the Company granted a 1% gross revenue royalty from production from the mineral licence and incurred legal costs of A\$26,526.

The mineral licence application held by Teutonic was withdrawn on March 17, 2008 and replaced by a mineral application lodged by the Company. Teutonic had no other assets or liabilities.

As at June 30, 2008 the net assets and liabilities acquired by the Company have no value. The consideration and legal costs of A\$326,526 paid by the Company are included as exploration expenditure.

## 8. SUBSEQUENT EVENTS

Effective July 14, 2008, the Company entered into a Shares Option Agreement with the Indian Farmers Fertilizer Cooperative Limited ("IFFCO").

Under the Share Options Agreement, IFFCO received options to purchase 30 million shares of Common Stock of the Company on the following terms:

- a. 5,000,000 options, at an exercise price of \$2.50 per share and expiring 60 days from July 11, 2008;
- b. 8,000,000 options, at an exercise price of \$3.00 per share and expiring 12 months from July 11, 2008;
- c. 8,000,000 options, at an exercise price of \$3.50 per share and expiring 18 months from July 11, 2008;
- d. 9,000,000 options, at an exercise price of \$4.00 per share and expiring 24 months from July 11, 2008.

The total proceeds amount to \$100.5 million, and when exercised will be utilized to fund expenditure related to the Company's phosphate project.

The Share Options Agreement also gives IFFCO a preemptive right to acquire its pro rata share of future issuances of Common Stock by the Company, with certain exceptions.

Pursuant to the Share Options Agreement, the parties agreed to enter into a long-term rock off-take agreement ("ROTA"), which shall be separately negotiated but which shall be based on the following principles:

- IFFCO shall off take on a long term and the Company shall deliver to IFFCO to offtake directly or through its Affiliates 4 million tonnes of concentrated rock phosphate produced by the Company every year.
- The ROTA shall be based on, among others, the following principles.
  - The concentrated rock phosphate should conform to specifications reasonably acceptable to IFFCO, such specifications shall be agreed to between the Company and IFFCO in the ROTA.
  - The supplies are FOB at one or more agreed ports in Australia.
  - The Price of the concentrate rock phosphate shall be at a discount of at least 5% to the Benchmark Price of rock.
  - At the Company's option however,
    - The ROTA can have provisions for compensation to the Company in case IFFCO does not lift the contracted quantities and to IFFCO if the Company is unable to supply the contracted quantities.
    - In case the Benchmark Price falls below a value that reduces the return on investment of the project below an agreed amount, IFFCO can convert the entire discount into a subordinated loan at a nominal interest to be repaid in years when the market price is good. The details of this mechanism shall be agreed in the ROTA.
    - The minimum quantity supplied below which compensation claims can arise shall be 90% of the guaranteed quantities. Quantities below such minimum but not below 70% of the contracted quantity, shall be rolled over to the following two years without any compensation, provided the Company does not sell the deficient quantity in the spot market.  
  
 In case the Benchmark Price becomes such as it materially adversely affects the financial viability of either Party, the Parties will work together to mitigate the situation.  
  
 in which case the discount shall equal 10%.
  - IFFCO shall provide no other support to the Company under the ROTA if the discount is 5%.
  - The benchmark Price (the "Benchmark Price") shall be derived based on the price of equivalent quality of rock imported into India by IFFCO and other large importers. For this purpose only those buyers who import more than 350,000 tonnes per year will be considered. The Parties shall mutually decide transparent indicies and adjustment formulas for different rock specifications for this purpose.
  - In case the agreed indicies are not available, the Benchmark Price shall be derived based on the international market price of phosphoric acid delivered in India less cost of sulphur, fixed costs and other variable costs of phosphoric acid production, cost of transportation of rock from Australia to India and reasonable return on the production of phosphoric acid, divided by the specific consumption of rock of the specifications agreed in the ROTA. The details of this pricing structure shall be agreed in the ROTA.
- IFFCO shall be the marketing agent of the Company and act on the instructions of the Company in relation to the 20% of annual production that the Company may sell yearly on the spot market after the Company has fulfilled its annual obligations under its long-term supply agreement with IFFCO. IFFCO shall conduct these transactions on behalf of the Company in the spot market on an arm's length basis.

- For so long as IFFCO is a shareholder in the Company, either Party shall have a right of first refusal to participate with the other Party in the production, sale, marketing, distribution or in any other manner making available any fertilizer or related product in Australia (e.g., urea plant or triple super phosphate) on terms that shall be agreed to between the Company and IFFCO.
- IFFCO shall facilitate the Company in procuring financing for the development and construction of the Company's phosphate mines and related infrastructure (the "Project"), including introducing the Company to sources of project financing.
- IFFCO shall also assist the Company by providing technical and personnel assistance on an arm's length basis.
- The Parties agreed to use their reasonable best efforts to enter into a ROTA within 9 months following the closing. Unless mutually agreed, neither Party shall be obliged to enter into a ROTA if the Parties have not been able to execute a ROTA within 24 months of the closing and the Party seeking not to enter into the ROTA is not in breach of this Agreement. IFFCO shall also not be obliged to off take rock if the deliveries of the contracted quantities for the first year of operations, agreed in the ROTA, do not commence within 5 years of the Closing Date.

In connection with the execution of the Shares Option Agreement, IFFCO entered into a Shareholders Agreement with Joseph Gutnick, the Company's Chairman of the Board, President and Chief Executive Officer pursuant to which IFFCO purchased 15 million shares of Common Stock from an affiliate of Mr. Gutnick at \$1.87 per share. The parties agreed to vote in favor of the election of their respective Board nominees, including four nominees selected by Mr. Gutnick and two by IFFCO, subject to adjustment based upon their proportionate share ownership. The parties granted each other certain rights of first refusal and tag-along rights with respect to future sale of shares by each other and their respective affiliates. In addition, the parties agreed to vote by mutual agreement with respect to certain material actions requiring stockholder approval.

In connection with the execution of the Shares Option Agreement and the Shareholders' Agreement, the Company agreed to increase the size of its Board of Directors from two members to six within 30 days following the closing and to appoint two nominees of IFFCO to the Company's Board of Directors, including the Managing Director of IFFCO, Dr. Awasthi and two additional nominees to be selected by Mr. Gutnick. Mr. Gutnick's nominees are subject to the approval of BMO Nesbitt Burns in accordance with that certain Agency Agreement dated as of June 3, 2008. The Company also agreed to amend its Bylaws to require that certain material actions by the Company shall require the unanimous approval of the Board of Directors.

On July 11, 2008, the Company issued to Dr DS Tyrwhitt, 1,000,000 options under the 2006 Incentive Stock Option Plan. The options have a strike price of US\$3.48 and a latest exercise price of July 11, 2018. The options vest 1/3rd in 12 months from the date of issue, 1/3rd in 24 months from the date of issue and 1/3rd in 36 months from the date of issue. The Company is currently having an external consultant value the options.

On July 11, 2008, the Company issued 318,960 shares following the exercise of 318,960 options.

On August 4, 2008, the Company issued to eligible participants 750,000 options under the 2006 Incentive Stock Option Plan. The options have a strike price of US\$2.56 and a latest exercise price of August 4, 2018. The options vest 1/3rd in 12 months from the date of issue, 1/3rd in 24 months from the date of issue and 1/3rd in 36 months from the date of issue. The Company is currently having an external consultant value the options.

In August, 2008, it is anticipated the Company will settle the purchase of a Lear Jet 35 for A\$1,100,000 from AXIS Consultants Pty Ltd. The jet has been chartered for approximately 12 months for use in its field activities.

On August 6, 2008, the Company was notified by IFFCO that it was exercising the first tranche of options, being 5,000,000 options in Legend at a strike price of US\$2.50 pursuant to the Share Options Agreement entered into on July 16, 2008. The options exercise will provide an additional US\$12.5 million of gross funding for the Company (US\$12.3 million net of transactional

costs, funds received August 8, 2008) and will increase IFFCO's stake in Legend from 6.78% to 8.84%. IFFCO still retains a further 25,000,000 options in Legend at strike prices from US\$3.00 to US\$4.00.

Effective as of August 7, 2008, the Company filed a Registration Statement on Form S-1/A with the Securities and Exchange Commission to register the 42,000,000 shares of common stock and 840,000 shares issuable upon exercise of options that were issued in the BMO private placement offering in June 2008. The Form S-1 was filed pursuant to a registration rights agreement.

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)

Financial Statements

December 31, 2007 and 2006

(with Report of Independent Registered Public Accounting Firm)

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Legend International Holdings, Inc

We have audited the accompanying balance sheet of Legend International Holdings, Inc (An Exploration Stage Company) as of December 31, 2007, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2007 and 2006 and the cumulative amounts from inception, January 5, 2001 through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legend International Holdings, Inc. at December 31, 2007, and the results of its operations and its cash flows for the periods indicated above in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As described in note 1, at December 31, 2007 the Company had not yet commenced revenue producing operations and had a retained deficit of A\$13,993,863. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's plans in regard to these matters are also discussed in note 1.

New York, NY  
March 13, 2008

PKF  
Certified Public Accountants  
A Professional Corporation

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)  
Balance Sheet  
December 31, 2007

**ASSETS**

|                             | <u>2007</u>       | <u>Convenience</u><br><u>Translation</u> |
|-----------------------------|-------------------|--|
|                             | <u>A\$</u>        | <u>2007</u><br><u>US\$</u>               |
| Current Assets:             |                   |  |
| Cash                        | 17,088,190        | 14,981,216                               |
| Receivables                 | 507,264           | 444,718                                  |
| Prepayments                 | 110,840           | 97,174                                   |
| Total Current Assets        | <u>17,706,294</u> | <u>15,523,108</u>                        |
| Non-Current Assets:         |                   |  |
| Property and Equipment, net | 158,177           | 138,674                                  |
| Deposits (note 10)          | 130,000           | 113,971                                  |
| Total Non-Current Assets    | <u>288,177</u>    | <u>252,645</u>                           |
| Total Assets                | <u>17,994,471</u> | <u>15,775,753</u>                        |

**LIABILITIES**

|   |                   |                   |
|---|-------------------|-------------------|
| Current Liabilities:                              |                   |                   |
| Accounts payable and accrued expenses             | 671,384           | 588,602           |
| Lease liability                                   | 273,740           | 239,988           |
| Total Current Liabilities                         | <u>945,124</u>    | <u>828,590</u>    |
| Non Current Liabilities:                          |                   |                   |
| Reclamation and Remediation Provision (note 9)    | 90,000            | 78,903            |
| Total Non Current Liabilities                     | <u>90,000</u>     | <u>78,903</u>     |
| Total Liabilities                                 | <u>1,035,124</u>  | <u>907,493</u>    |
| Commitments and Contingencies (Notes 8, 9 and 10) |                   |                   |
| Stockholders' Equity                              |                   |                   |
| Common stock: US\$.001 par value                  |                   |                   |
| 300,000,000 shares authorised                     |                   |                   |
| 177,068,825 shares issued                         | 223,039           | 195,538           |
| Additional Paid-in-Capital                        | 30,691,681        | 26,907,397        |
| Other Comprehensive Gain                          | 38,490            | 33,744            |
| Retained Deficit during development period        | (839,463)         | (735,957)         |
| Retained Deficit during exploration period        | (13,154,400)      | (11,532,462)      |
| Total Stockholders' Equity                        | <u>16,959,347</u> | <u>14,868,260</u> |
| Total Liabilities and Stockholders' Equity        | <u>17,994,471</u> | <u>15,775,753</u> |

The accompanying notes are integral part of the financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)  
Statements of Operations

|   | For the years Ended<br>December 31 |             | Convenience<br>Translation | January 5,<br>2001<br>(Inception) to<br>December 31,<br>2007 |
|---|------------------------------------|-------------|----------------------------|--|
|   | 2006<br>A\$                        | 2007<br>A\$ | 2007<br>US\$               | 2007<br>A\$  |
| Revenues:   |                                    |             |                            |  |
| Sales   | -                                  | -           | -                          | 6,353  |
| less cost of sales  | -                                  | -           | -                          | (1,362)  |
| Gross profit  | -                                  | -           | -                          | 4,991  |
| Other income  |                                    |             |                            |  |
| Interest income – related entity  | -                                  | -           | -                          | -  |
| Interest income – other   | 1,930                              | 22,183      | 19,448                     | 26,058   |
|   | 1,930                              | 22,183      | 19,448                     | 31,049   |
| Costs and expenses:   |                                    |             |                            |  |
| Legal, professional and accounting                                      | 89,351                             | 213,063     | 186,792                    | 348,460  |
| Exploration expenditure   | 3,811,385                          | 5,132,000   | 4,499,224                  | 8,943,385  |
| Stock based compensation  | 115,307                            | 375,740     | 329,411                    | 1,146,897  |
| Interest expense  | 41,371                             | 62,196      | 54,528                     | 112,131  |
| Loss on equipment written off   | -                                  | 3,570       | 3,130                      | 3,570  |
| Administration expenses   | 479,093                            | 2,753,365   | 2,413,875                  | 3,310,074  |
| Total expenses  | (4,536,507)                        | (8,539,934) | (7,486,960)                | (13,864,517)   |
| (Loss) from operations  | (4,534,577)                        | (8,517,751) | (7,467,512)                | (13,833,468)   |
| Foreign currency exchange gain/(loss)                                   | (40,017)                           | (120,378)   | (105,535)                  | (160,395)  |
| (Loss) before income taxes  | (4,574,594)                        | (8,638,129) | (7,573,047)                | (13,993,863)   |
| Provision for income taxes  | -                                  | -           | -                          | -  |
| Net (loss)  | (4,574,594)                        | (8,638,129) | (7,573,047)                | (13,993,863)   |
| Basic and diluted loss per common shares                                | (0.06)                             | (0.06)      | (0.05)                     | (0.31)   |
| Weighted average number of common shares used in per share calculations | 75,229,664                         | 146,739,872 | 146,739,872                | 44,441,012   |

The accompanying notes are integral part of the financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)  
Statements of Stockholders' Equity (Deficit)  
for the period ended December 31, 2007

|  | Common Stock |                  |   |  |  |                                       |   |
|--|--------------|------------------|---|--|--|---------------------------------------|---|
|  | Shares       | Par Value<br>A\$ | Additional<br>Paid-In<br>Capital<br>A\$ | Retained<br>(Deficit) During<br>the Exploration<br>Period<br>A\$ | Retained (Deficit)<br>During the<br>Development<br>Period<br>A\$ | Other<br>Comprehensive<br>Gain<br>A\$ | Stockholders'<br>Equity<br>(Deficit)<br>A\$ |
| Balance, January 5, 2001   | -            | -                | -                                       | -  | -  | -                                     | -   |
| Shares issued to founder for<br>organisation cost and services<br>at US\$0.05 per shares | 4,297,500    | 5,550            | 118,896                                 | -  | -  | -                                     | 124,446                                     |
| Shares Issued for services<br>rendered at US\$0.05 per share                             | 146,250      | 189              | 4,046                                   | -  | -  | -                                     | 4,235                                       |
| Shares Issued for Cash   | 616,500      | 796              | 17,056                                  | -  | -  | -                                     | 17,852                                      |
| Net Loss   | -            | -                | -                                       | -  | (131,421)  | -                                     | (131,421)                                   |
| Balance, December 31, 2001   | 5,060,250    | 6,535            | 139,998                                 | -  | (131,421)  | -                                     | 15,112                                      |
| Shares Issued for Cash   | 225,000      | 291              | 6,225                                   | -  | -  | -                                     | 6,516                                       |
| Shares Issued for Officer's<br>Compensation  | 11,250,000   | 14,529           | 148,359                                 | -  | -  | -                                     | 162,888                                     |
| Net Loss   | -            | -                | -                                       | -  | (182,635)  | -                                     | (182,635)                                   |
| Balance, December 31, 2002   | 16,535,250   | 21,355           | 294,582                                 | -  | (314,056)  | -                                     | 1,881                                       |
| Shares Issued for services<br>rendered at US\$0.022 per share                            | 5,026,500    | 6,491            | 139,065                                 | -  | -  | -                                     | 145,556                                     |
| Net Loss   | -            | -                | -                                       | -  | (156,965)  | -                                     | (156,965)                                   |
| Balance, December 31, 2003   | 21,561,750   | 27,846           | 433,647                                 | -  | (471,021)  | -                                     | (9,528)                                     |
| Shares Issued for services<br>rendered at US\$0.022 per share                            | 2,004,750    | 2,589            | 55,464                                  | -  | -  | -                                     | 58,053                                      |
| Options Issued for services  | -            | -                | 160,672                                 | -  | -  | -                                     | 160,672                                     |
| Loan forgiveness-former major<br>shareholder   | -            | -                | 12,144                                  | -  | -  | -                                     | 12,144                                      |
| Net Loss   | -            | -                | -                                       | -  | (234,611)  | -                                     | (234,611)                                   |
| Balance, December 31, 2004   | 23,566,500   | 30,435           | 661,927                                 | -  | (705,632)  | -                                     | (13,270)                                    |
| Shares issued on cashless<br>exercise of options   | 17,085,938   | 22,066           | (22,066)                                | -  | -  | -                                     | -   |
| Net Loss   | -            | -                | -                                       | -  | (75,508)   | -                                     | (75,508)                                    |
| Balance, December 31, 2005   | 40,652,438   | 52,501           | 639,861                                 | -  | (781,140)  | -                                     | (88,778)                                    |
| Share issued on cashless<br>exercise of options  | 72,281,329   | 93,336           | (93,336)                                | -  | -  | -                                     | -   |
| Shares and options issued<br>under settlement agreement                                  | 112,500      | 144              | 35,272                                  | -  | -  | -                                     | 35,416                                      |
| Shares issued for cash   | 12,756,734   | 16,524           | 3,854,843                               | -  | -  | -                                     | 3,871,367                                   |
| Cost of share issues   | -            | -                | (128,376)                               | -  | -  | -                                     | (128,376)                                   |
| Amortisation of Options under<br>stock option plan                                       | -            | -                | 115,307                                 | -  | -  | -                                     | 115,307                                     |
| Net unrealized gain on foreign<br>exchange translation                                   | -            | -                | -                                       | -  | -  | 38,490                                | 38,490                                      |
| Net Loss   | -            | -                | -                                       | (4,516,271)  | (58,323)   | -                                     | (4,574,594)                                 |
| Balance, December 31, 2006   | 125,803,001  | 162,505          | 4,423,571                               | (4,516,271)  | (839,463)  | 38,490                                | (731,168)                                   |

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)  
Statements of Stockholders' Equity (Deficit)  
for the period ended December 31, 2007  
(continued)

Common Stock

|  | Shares      | Par Value<br>A\$ | Additional<br>Paid-In<br>Capital<br>A\$ | Retained<br>(Deficit) During<br>the Exploration<br>Period<br>A\$ | Retained (Deficit)<br>During the<br>Development<br>Period<br>A\$ | Other<br>Comprehensive<br>Gain<br>A\$ | Stockholders'<br>Equity<br>(Deficit)<br>A\$ |
|--|-------------|------------------|---|--|--|---------------------------------------|---|
| Shares issued for cash   | 47,886,624  | 56,690           | 25,684,414                              | -  | -  | -                                     | 25,741,104                                  |
| Cost of share issues   | -           | -                | (1,675,111)                             | -  | -  | -                                     | (1,675,111)                                 |
| Shares issued for consulting fees  | 2,604,200   | 2,984            | 1,001,122                               | -  | -  | -                                     | 1,004,106                                   |
| Shares issued on cashless exercise of options  | 75,000      | 85               | (85)                                    | -  | -  | -                                     | -   |
| Shares issued as a result of delay in lodgement of registration statement                              | 200,000     | 230              | 364,575                                 | -  | -  | -                                     | 364,805                                     |
| Shares issued for part-settlement of the acquisition of rights to exploration licences under agreement | 500,000     | 545              | 517,455                                 | -  | -  | -                                     | 518,000                                     |
| Amortization of options under stock option plan  | -           | -                | 375,740                                 | -  | -  | -                                     | 375,740                                     |
| Net Loss   | -           | -                | -                                       | (8,638,129)  | -  | -                                     | (8,638,129)                                 |
| Balance, December 31, 2007   | 177,068,825 | 223,039          | 30,691,681                              | (13,154,400)   | (839,463)  | 38,490                                | 16,959,347                                  |

The accompanying notes are integral part of the financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)  
Statements of Cash Flows

|  | For the years Ended December<br>31 |                    | Convenience<br>Translation | January 5, 2001<br>(Inception) to<br>December 31,<br>2007 |
|--|------------------------------------|--------------------|----------------------------|---|
|  | 2006<br>A\$                        | 2007<br>A\$        | 2007<br>US\$               | 2007<br>A\$   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                    |                    |                            |   |
| Net Loss   | (4,574,594)                        | (8,638,129)        | (7,573,048)                | (13,993,863)  |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: |                                    |                    |                            |   |
| Foreign exchange   | 40,017                             | 120,378            | 105,535                    | 159,052   |
| Shares and Options issued for Stock Based Compensation                                 |                                    |                    |                            |   |
| - Employees  | 115,307                            | 375,740            | 329,411                    | 1,146,898   |
| - Consultants  | -                                  | 383,833            | 336,507                    | 383,833   |
| - Exploration Agreement  | -                                  | 518,000            | 454,131                    | 518,000   |
| - Registration Payment Arrangements  | -                                  | 364,805            | 319,825                    | 364,805   |
| Provision for rehabilitation   | -                                  | 90,000             | 78,903                     | 90,000  |
| Depreciation   | 1,021                              | 19,949             | 17,489                     | 20,970  |
| Accrued interest added to principal  | 34,800                             | -                  | -                          | 37,282  |
| Net Change in:   |                                    |                    |                            |   |
| Receivables  | (169,271)                          | (388,634)          | (340,716)                  | (557,905)   |
| Prepayments and deposits   | (104,559)                          | (136,281)          | (119,477)                  | (240,840)   |
| Accounts Payable and Accrued Expenses  | 532,144                            | 241,601            | 211,812                    | 806,413   |
| Net Cash (Used) In Operating Activities  | <u>(4,125,135)</u>                 | <u>(7,048,738)</u> | <u>(6,179,628)</u>         | <u>(11,265,355)</u>                                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                    |                    |                            |   |
| Write off of Property and Equipment  | -                                  | 3,570              | 3,130                      | 3,570   |
| Purchase of Property, Equipment and Motor Vehicle                                      | (12,273)                           | (142,292)          | (124,748)                  | (154,565)   |
| Net Cash (Used) In Investing Activities  | <u>(12,273)</u>                    | <u>(138,722)</u>   | <u>(121,618)</u>           | <u>(150,995)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                    |                    |                            |   |
| Advances Payable - Affiliates  | 1,245,345                          | (1,271,501)        | (1,114,725)                | (26,156)  |
| Repayment of Convertible Debenture   | -                                  | -                  | -                          | (130,310)   |
| Repayment of Shareholder Advance   | -                                  | -                  | -                          | (641)   |
| Proceeds from Convertible Debenture Payable  | -                                  | -                  | -                          | 130,310   |
| Shareholder Advance  | -                                  | -                  | -                          | 6,621   |
| Proceeds from Issuance of Stock  | 3,871,367                          | 25,741,103         | 22,567,225                 | 29,636,838  |
| Cost of share issues   | (128,376)                          | (1,033,749)        | (906,288)                  | (1,162,125)   |
| Net Borrowing/Repayments from Affiliates   | (11,131)                           | -                  | -                          | 50,003  |
| Net Cash Provided for financing activities   | <u>4,977,205</u>                   | <u>23,435,853</u>  | <u>20,546,212</u>          | <u>28,504,540</u>   |
| Net Increase in Cash   | 839,797                            | 16,248,393         | 14,244,966                 | 17,088,190  |
| Cash at Beginning of Period  | -                                  | 839,797            | 736,250                    | -   |
| Cash at End of Period  | <u>839,797</u>                     | <u>17,088,190</u>  | <u>14,981,216</u>          | <u>17,088,190</u>   |
| Supplemental Disclosures:  |                                    |                    |                            |   |
| Cash paid for interest   | -                                  | 62,196             | 54,527                     | 62,196  |
| Cash paid for income taxes   | -                                  | -                  | -                          | -   |
| Stock and options issued for services  | 150,723                            | 641,361            | 562,281                    | 1,447,935   |
| Accrued interest and stockholder advances charged to paid in capital                   | -                                  | 12,744             | 11,172                     | 12,744  |
| Stock issued for exploration agreement   | -                                  | 518,000            | 454,131                    | 518,000   |
| Stock issued for registration payment arrangement                                      | -                                  | 364,805            | 319,825                    | 364,805   |
| Equipment obtained through a capital lease   | -                                  | 24,581             | 21,550                     | 24,581  |
| Capital lease obligation for exploration costs   | -                                  | 362,462            | 317,770                    | 362,462   |
| Interest in relation to capital lease for exploration costs                            | -                                  | 42,313             | 37,096                     | 42,313  |

The accompanying notes are integral part of the financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.  
(An Exploration Stage Company)  
Notes to Financial Statements

## 1. ORGANISATION AND BUSINESS

Legend International Holdings, Inc. ("the Company"), was incorporated under the laws of the State of Delaware on January 5, 2001.

The Company has never generated any significant revenues from operations and is still considered an exploration stage company. The Company was initially formed to engage in the business of selling compatible inkjet cartridges and refill kits on the Internet for the consumer printer market. In March 2003, management of the Company decided to engage in the business of building and acquiring controlling or other interests in one or more companies engaged in the contract sales and distribution of specialty medical products, and raise additional capital for this purpose. Neither business was successful and operations of both were eventually discontinued. During fiscal 2004, management of the Company developed a plan of operations to acquire income-producing real property. The Company did not acquire any properties pursuant to such plan.

Following a change of management in November 2004, the Company developed a new plan of operations for fiscal 2006, which is to engage in mineral exploration and development activities. The Company's current business plan calls for the identification of mineral properties where it can obtain secure title to exploration, development and mining interests. The Company's preference is to identify large minerals deposits with low operating costs. The Company is prepared to consider the exploration, development and mining of profitable base metal interests. At the beginning of 2006, the Company expanded its areas of interest to include diamond exploration activities and in July 2006, the Company completed the acquisition of certain diamond mining tenements in Northern Australia. Since that time, the Company has identified that those mining tenements in Northern Australia also have potential for uranium and base metals. In November 2007, the Company acquired mining tenements prospective for phosphate in the State of Queensland, Australia.

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has incurred net losses since its inception.

### Exploration Stage Enterprise

The Company is an exploration stage enterprise. The Company is devoting all of its present efforts in securing and establishing its exploration business through field sampling and drilling programs in the State of Queensland and the Northern Territory of Australia.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (FIN 48), which provides clarification related to the process associated with accounting for uncertain tax positions recognized in consolidated financial statements. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance related to, among other things, classification, accounting for interest and penalties associated with tax positions, and disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement did not have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and for interim periods within those fiscal

years. The adoption of this interpretation is not expected to have a material impact on the Company's future reported financial position or results of operations.

In February 2007 the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115", which permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of this interpretation is not expected to have a material impact on the Company's future reported financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), which replaces SFAS 141. SFAS 141(R) requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be measured at their fair values as of the date of acquisition. SFAS 141(R) also requires that acquisition-related costs and restructuring costs be recognized separately from the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008 and will be effective for business combinations entered into after January 1, 2009. The Company is currently evaluating the potential impact of adopting this statement on the Company's financial position, results of operations or cashflows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51" ("SFAS 160"). SFAS 160 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of equity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not currently have any minority interests.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Exploration Expenditure

Exploration expenditure consisting of acquisition cost and related expenditure, prospecting and exploration costs are written off into operations as incurred.

#### Functional and Reporting Currency

Prior to July 31, 2006, the Company's functional currency was the US dollar. However, as a result of the purchase of diamond mining tenements in Northern Australia in July 2006, the Company's 2006 revenue and expenses will be primarily denominated in Australian dollars (A\$). Statement of Financial Accounting Standards ("SFAS") No. 52, Foreign Currency Translation, states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. Accordingly the Company determined that from August 1, 2006 the functional currency of the Company is the Australian dollar. Assets, liabilities and equity were translated at the rate of exchange at July 31, 2006. Revenue and expenses were translated at actual rates. Translation gains and losses were included as part of accumulated other comprehensive gain.

Restatement of comparative numbers was made for the change in functional and reporting currency. The change was adopted prospectively beginning July 31, 2006 in accordance with SFAS No. 52.

#### Stock Options

For the issuances of stock options, the Company follows the fair value provisions of Financial Accounting Standards No. 123(R) "Share Based Payments". SFAS 123(R) requires the company to measure the cost of employee services received in exchange for an award of equity instruments based on grant date fair value. The cost will be recognised over the period during which an employee is required to provide service in exchange for the award – usually the vesting period. In the case where there is no required service period, the fair value of the equity instruments is expensed immediately.

#### Loss per Common Share

Basic loss per share is computed on the basis of the weighted average number of common shares outstanding during each year. Diluted loss per share is not presented as the effect of Common Stock equivalents would be anti dilutive.

#### Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The translation gains and losses from the change to functional currency of the Company from August 1, 2006 are included as part of the accumulated other comprehensive loss. Comprehensive loss for the years ended December 31, 2007 and 2006 amounted to A\$8,636,129 and A\$4,536,104 respectively.

#### Property and Equipment

Property and equipment is stated at cost. Depreciation is computed over a period covering the estimated useful life of the applicable property and equipment.

|                        | Depreciable Life<br>(in years) | At December 31, 2007 |                                    |                          | At December 31, 2006 |                                    |                          |
|------------------------|--------------------------------|----------------------|------------------------------------|--------------------------|----------------------|------------------------------------|--------------------------|
|                        |                                | Cost<br>A\$          | Accumulated<br>Depreciation<br>A\$ | Net Book<br>Value<br>A\$ | Cost<br>A\$          | Accumulated<br>Depreciation<br>A\$ | Net Book<br>Value<br>A\$ |
| Leasehold Improvements | 1-2                            | 16,732               | (105)                              | 16,627                   | -                    | -                                  | -                        |
| Motor Vehicles         | 5                              | 104,782              | (13,114)                           | 91,668                   | 26,332               | (402)                              | 25,930                   |
| Equipment              | 1-5                            | 57,633               | (7,751)                            | 49,882                   | 10,523               | (619)                              | 9,904                    |
|                        |                                | 179,147              | (20,970)                           | 158,177                  | 36,855               | (1,021)                            | 35,834                   |

The depreciation expense for the year ended December 31, 2007 amounted to A\$19,949 (US\$17,489) and the year ended December 31, 2006 A\$1,021.

#### Cash

Cash consists of all cash balances and highly liquid investments with an original maturity of three months or less. Because of the short maturity of these investments, the carrying amounts approximate their fair value.

#### Federal Income Tax

The Company has adopted the provisions of Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes. The Company accounts for income taxes pursuant to the provisions of the Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes", which requires an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. For the period presented, there was no taxable income. There are no deferred income taxes resulting from temporary differences in reporting certain income and expense items for income tax and financial accounting purposes. Legend, at this time, is not aware of any net operating losses which are expected to be realised.

#### Foreign Currency Translation

The Company's functional and reporting currency is the Australian dollar. Expenses incurred in a currency other than the reporting currency, Australian dollars are translated at the date invoiced. Assets and liabilities are re-valued at the period end exchange rate where appropriate. Foreign currency exchange loss in 2007 amounted to A\$120,378 (US\$105,535), (2006 A\$40,017).

#### Goods and Services Tax ("GST")

Revenues, expenses and assets generated in Australia are subject to Australian GST which requires the supplier to add a 10% GST to predominately all expenses and the cost of assets and for the Company to include a 10% GST to the selling price of a product. Revenues, expenses and assets

are recognized net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the assets or as part of the expense item as applicable, and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority

#### Reclamation and Remediation Obligations (Asset Retirement Obligations)

Reclamation costs are allocated to expense over the life of the exploration activity and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and remediation costs. The asset retirement obligation is based on when the spending for an existing environmental disturbance will occur. The Company reviews, on at least an annual basis, the asset retirement obligation at each exploration site.

Future remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred. Such cost estimates include, where applicable, plugging of drillholes, removal of consumables and ripping of drill pads and tracks. Changes in estimates are reflected in earnings in the period an estimate is revised.

Accounting for reclamation and remediation obligations requires management to make estimates unique to each exploration operation of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Any such increases in future costs could materially impact the amounts charged to earnings for reclamation and remediation.

#### Financial Instruments

The Company's cash, receivables, payables, short and long term borrowings represent financial instruments whose carrying amounts reasonably approximate their fair value.

#### Concentrations of credit risk

The Company monitors its position with, and the credit quality of, the financial institution it invests with. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

#### Convenience Translation to US\$

The consolidated financial statements as of and for the year ended December 31, 2007 have been translated into United States dollars using the rate of exchange of the United States dollar at December 31, 2007 (A\$1.00=US\$0.8767). The translation was made solely for the convenience of readers in the United States.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Comparative Figures

Where necessary, comparative figures have been restated to be consistent with current year presentation.

Prior to July 31, 2006, the Company's functional currency was the US dollar. However, as a result of the purchase of diamond mining tenements in Northern Australia in July 2006, the

Company's 2006 revenue and expenses are primarily denominated in Australian dollars (A\$). Statement of Financial Accounting Standards ("SFAS") No. 52, Foreign Currency Translation, states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. Accordingly the Company determined that from August 1, 2006 the functional currency of the Company is the Australian dollar. Assets, liabilities and equity were translated at the rate of exchange at July 31, 2006. Revenue and expenses were translated at actual rates. Translation gains and losses were included as part of accumulated other comprehensive gain.

#### **4. STOCKHOLDERS EQUITY**

##### **Common Stock**

In January 2001, 4,297,500 common shares were issued to the Company's founder for organization cost valued at A\$124,446 (US\$95,500), and 146,250 common shares were issued to a related party in exchange for consulting fee valued at A\$4,235 (US\$3,250).

In March 2002, 11,250,000 common shares were issued to the Company's founder in exchange for present and future services valued at A\$162,888 (US\$125,000).

In April 2002, the Company closed its offering under its registration statement filed with the United States Securities and Exchange Commission to sell up to 4,500,000 shares of its Common Stock at US\$0.022 per share, which became effective on April 11, 2001. The Company sold 841,500 shares (616,500 shares in 2001 and a further 225,000 shares in 2002) of its Common Stock under the offering.

In 2003, a total of 5,026,500 common shares were issued to the Company's sole officer and director for services valued at A\$145,556 (US\$111,700) or A\$0.029 (US\$0.022) per share.

In 2004, a total of 2,004,750 common shares were issued to the Company's former sole officer and director for services valued at A\$58,053 (US\$44,550) or A\$0.029 (US\$0.022) per share.

In December 2004, the Company issued to Renika Pty Limited ("Renika"), a company associated with Mr J I Gutnick, 20,250,000 options to be converted into 20,250,000 shares of Common Stock, at an exercise price of US\$0.022 and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black Scholes valuation of these options using a A\$0.029 (US\$0.022) exercise price, US\$0.022 market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. The 20,250,000 options were valued at A\$160,672 (US\$123,300) or A\$0.008 (US\$0.006) each. The stock options were issued for services rendered, to be rendered and for agreeing to provide financial assistance to the Company (not the actual provision of financial assistance). The issue of the stock options was not contingent upon any further services or events. The stock options are not forfeitable if the services or financial assistance are not provided. Accordingly, the value of the stock options were expensed during 2004.

In September 2005, Renika exercised the 20,250,000 options using the cashless exercise feature and were issued 17,085,937 shares of Common Stock.

Effective as of December 12, 2005, the Board of Directors of Company approved the distribution to all stockholders for no consideration of an aggregate of 36,135,500 non-transferable options, each of which is exercisable to purchase one share of Common Stock of the Company at an exercise price of US\$0.25 cents per share with a latest exercise date of December 31, 2012. The options were issued on a pro-rata basis to all stockholders of record on December 31, 2005 on the basis of two (2) options for every one (1) share of Common Stock owned by a stockholder on the record date. The options may not be exercised until the shares underlying the options are registered under federal and state securities laws.

At December 31, 2005 the Company had outstanding 36,135,500 options and as at December 31, 2006, the Company had outstanding 1,388,280 options, each of which is exercisable to purchase one share of Common Stock at US\$0.25 per share. The options cannot be exercised, other than using the cashless exercise feature, until the Company registers the shares of Common Stock to be issued upon exercise of the options in accordance with the Securities Act of 1933, as amended and any applicable state securities laws. The only exception is in the case of a cashless exercise.

Effective July 21, 2006, Legend issued 71,730,079 shares of Common Stock to Renika Pty Ltd ("Renika"), a company associated with Mr. J I Gutnick, President of Legend, following the cashless exercise of 34,778,220 options. The shares of Common Stock issued are restricted shares.

Between September 19, 2006 and November 17, 2006, Legend issued 11,703,728 shares of Common Stock at a placement price of US\$0.22 per share raising A\$3,425,662. The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended ("The Act") under Section 4(2) of the Act.

Effective November 30, 2006, Legend issued a further 112,500 shares of Common Stock and 50,000 options with an exercise price of A\$0.25 per option and a latest exercise date of December 12, 2012 for no consideration to settle outstanding matters with an external party. The Company has valued these shares and options at A\$35,416.

Effective December 31, 2006, Legend issued a further 1,053,000 shares of Common Stock at a placement price of US\$0.33 raising A\$445,705 (US\$351,000). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended ("the Act") under Section 4 (2) of the Act.

In December 2006, 19,000 options issued with no exercise price were exercised and the Company issued 24,750 shares of Common Stock.

In December 2006, 351,000 options were exercised using the cashless exercise feature and the Company issued 526,500 shares of Common Stock.

Between January 1, 2007 and September 30, 2007, Legend issued a further 29,136,624 shares of Common Stock raising A\$8,816,411 (US\$7,226,906). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933 as amended ("The Act") under Section 4(2) of the Act.

Effective June 15, 2007, Legend issued a further 200,000 shares of Common Stock for consulting fees amounting to A\$59,074 (US\$50,000).

Between July 1, 2007 and September 30, 2007, Legend issued a further 2,150,200 shares of Common Stock for consulting fees amounting to A\$614,469 (US\$537,550).

On December 12, 2007, Legend issued a further 18,750,000 shares of Common Stock at a placement price of US\$0.80 per share raising A\$16,924,292 (US\$15,000,000). The securities were issued pursuant to a private placement and are issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933 as amended ("The Act") under Section 4(2) of the Act.

Between October 1, 2007 and December 31, 2007, Legend issued a further 500,000 shares of Common Stock for part settlement of acquisition of exploration permits amounting to A\$518,000 (US\$475,000).

Between October 1, 2007 and December 31, 2007, Legend issued a further 254,000 shares for consulting fees amounting to A\$330,564 (US\$289,420).

Between October 1, 2007 and December 31, 2007, Legend issued a further 200,000 shares of Common Stock as a result of delays in lodging a registration statement amounting to A\$364,805 (US\$318,000)

#### Share Bonus Issue

Effective November 17, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new bonus shares of Common Stock were on a pro-rate basis to all shareholders. As a result, the Company issued 27,599,722 shares of its Common Stock.

Effective December 31, 2006, Legend issued one (1) new bonus share of Common Stock for every two (2) shares of Common Stock outstanding on the record at that date. The issue of the new

bonus shares of Common Stock were on a pro-rata basis to all shareholders. As a result, the Company issued 41,934,337 shares of its Common Stock.

The Company has accounted for these two bonus issues as a stock split and accordingly, all share and per share data has been retroactively restated.

#### Issue of Options under Equity Incentive Plan

- (i) Effective September 19, 2006, the Company issued 8,100,000 options over shares of Common Stock to Directors, Executives and Consultants under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00 for the President and Chief Executive Officer and one other participant; and for all other participants, US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is September 19, 2016.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 8,100,000 options using the Binomial valuation method using the following inputs:

|                        |               |               |               |               |               |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Grant date             | Sept 19, 2006 |
| Grant date share price | US\$0.222     | US\$0.222     | US\$0.222     | US\$0.222     | US\$0.222     | US\$0.222     |
| Vesting date           | Sept 19, 2007 | Sept 19, 2007 | Sept 19, 2008 | Sept 19, 2008 | Sept 19, 2009 | Sept 19, 2009 |
| Expected life in years | 5.50          | 5.50          | 6.00          | 6.00          | 6.50          | 6.50          |
| Risk-free rate         | 4.69%         | 4.69%         | 4.69%         | 4.69%         | 4.69%         | 4.69%         |
| Volatility             | 60%           | 60%           | 60%           | 60%           | 60%           | 60%           |
| Exercise price         | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      |
| Call option value      | US\$0.09      | US\$0.05      | US\$0.10      | US\$0.06      | US\$0.10      | US\$0.06      |

The Company adopted revised SFAS No.123, Share-Based payment, which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments.

|                                  | Options     | Option Price Per Share<br>US\$ | Weighted Average Exercise Price<br>US\$ |
|----------------------------------|-------------|--------------------------------|---|
| Outstanding at January 1, 2006   | -           | -                              | -                                       |
| Granted                          | 8,100,000   | 0.444-1.00                     | 0.69                                    |
| Forfeited                        | -           | -                              | -                                       |
| Outstanding at December 31, 2006 | 8,100,000   | 0.444-1.00                     | 0.69                                    |
| Granted                          | -           | -                              | -                                       |
| Forfeited                        | (1,575,000) | -                              | -                                       |
| Outstanding at December 31, 2007 | 6,525,000   | 0.444-1.00                     | 0.69                                    |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2006 was US\$0.07 and the weighted average remaining contractual life of those options is 8¾ years. No options are currently exercisable.

The total value of the outstanding unvested options equates to A\$192,979 (US\$177,513) and is being amortised over the vesting periods.

For 2007, the amortization amounted to A\$281,844 (US\$259,345).

- (ii) Effective May 16, 2007, the Company issued 862,500 options over shares of Common Stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is May 16, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 862,500 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Grant date             | May 16, 2007 |
| Grant date share price | US\$0.25     | US\$0.25     | US\$0.25     | US\$0.25     | US\$0.25     | US\$0.25     |
| Vesting date           | May 16, 2008 | May 16, 2008 | May 16, 2009 | May 16, 2009 | May 16, 2010 | May 16, 2010 |
| Expected life in years | 5.50         | 5.50         | 6.00         | 6.00         | 6.50         | 6.50         |
| Risk-free rate         | 4.92%        | 4.92%        | 4.92%        | 4.92%        | 4.92%        | 4.92%        |
| Volatility             | 60%          | 60%          | 60%          | 60%          | 60%          | 60%          |
| Exercise price         | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     |
| Call option value      | US\$0.1111   | US\$0.064    | US\$0.117    | US\$0.072    | US\$0.124    | US\$0.079    |

|                                  | Options   | Option Price Per Share<br>US\$ | Weighted Average Exercise Price<br>US\$ |
|----------------------------------|-----------|--------------------------------|---|
| Outstanding at January 1, 2007   | -         | -                              | -                                       |
| Granted                          | 862,500   | 0.444-1.00                     | 0.69                                    |
| Forfeited                        | (187,500) | -                              | -                                       |
| Outstanding at December 31, 2007 | 675,000   | 0.444-1.00                     | 0.69                                    |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.0945 and the weighted average remaining contractual life of those options is 9½ years. No options are currently exercisable. The forfeiture rate of 56.52% is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The total value of the outstanding unvested options including employee retention factor equates to A\$26,665 (US\$22,185) and is being amortised over the vesting periods.

For 2007, the amortization amounted to A\$15,928 (US\$13,964).

- (iii) Effective September 10, 2007, the Company issued 300,000 options over shares of Common Stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is September 10, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 300,000 options using the Binomial valuation method using the following inputs:

|                        |               |               |               |               |               |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Grant date             | Sept 10, 2007 |
| Grant date share price | US\$1.25      | US\$1.25      | US\$1.25      | US\$1.25      | US\$1.25      | US\$1.25      |
| Vesting date           | Sept 10, 2008 | Sept 10, 2008 | Sept 10, 2009 | Sept 10, 2009 | Sept 10, 2010 | Sept 10, 2010 |
| Expected life in years | 5.50          | 5.50          | 6.00          | 6.00          | 6.50          | 6.50          |
| Risk-free rate         | 4.637%        | 4.637%        | 4.637%        | 4.637%        | 4.637%        | 4.637%        |
| Volatility             | 60%           | 60%           | 60%           | 60%           | 60%           | 60%           |
| Exercise price         | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      | US\$0.444     | US\$1.00      |
| Call option value      | US\$0.98      | US\$0.79      | US\$1.00      | US\$0.81      | US\$1.01      | US\$0.83      |

|                                  | Options | Option Price Per Share<br>US\$ | Weighted Average Exercise Price<br>US\$ |
|----------------------------------|---------|--------------------------------|---|
| Outstanding at January 1, 2007   | -       | -                              | -                                       |
| Granted                          | 300,000 | 0.444-1.00                     | 0.69                                    |
| Forfeited                        | -       | -                              | -                                       |
| Outstanding at December 31, 2007 | 300,000 | 0.444-1.00                     | 0.69                                    |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.9033 and the weighted average remaining contractual life of those options is 9¾ years. No options are currently exercisable.

The forfeiture rate of 50% in the third year is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The total value of the outstanding unvested options including employee retention factor equates to A\$216,726 (US\$179,254) and is being amortised over the vesting periods.

For 2007, the amortization amounted to A\$55,309 (US\$48,489).

- (iv) Effective December 19, 2007, the Company issued 300,000 options over shares of Common Stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$0.444 for 50% of the options and US\$1.00 for the balance of 50% of the options. The latest exercise date for the options is December 19, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 300,000 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Grant date             | Dec 19, 2007 |
| Grant date share price | US\$0.95     | US\$0.95     | US\$0.95     | US\$0.95     | US\$0.95     | US\$0.95     |
| Vesting date           | Dec 19, 2008 | Dec 19, 2008 | Dec 19, 2009 | Dec 19, 2009 | Dec 19, 2010 | Dec 19, 2010 |
| Expected life in years | 5.50         | 5.50         | 6.00         | 6.00         | 6.50         | 6.50         |
| Risk-free rate         | 4.441%       | 4.441%       | 4.441%       | 4.441%       | 4.441%       | 4.441%       |
| Volatility             | 60%          | 60%          | 60%          | 60%          | 60%          | 60%          |
| Exercise price         | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     | US\$0.444    | US\$1.00     |
| Call option value      | US\$0.70     | US\$0.54     | US\$0.71     | US\$0.56     | US\$0.72     | US\$0.58     |

|                                  | Options | Option Price Per Share<br>US\$ | Weighted Average Exercise Price<br>US\$ |
|----------------------------------|---------|--------------------------------|---|
| Outstanding at January 1, 2007   | -       | -                              | -                                       |
| Granted                          | 300,000 | 0.444-1.00                     | 0.69                                    |
| Forfeited                        | -       | -                              | -                                       |
| Outstanding at December 31, 2007 | 300,000 | 0.444-1.00                     | 0.69                                    |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.6350 and the weighted average remaining contractual life of those options is 10 years. No options are currently exercisable. The forfeiture rate of 50% in the third year is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The total value of the outstanding unvested options including employee retention factor equates to A\$179,810 (US\$154,565) and is being amortised over the vesting periods.

For 2007, the amortization amounted to A\$3,996 (US\$3,503).

- (v) Effective December 28, 2007, the Company issued 4,787,500 options over shares of Common Stock to employees under the 2006 Equity Incentive Plan that has been adopted by the Directors of the Company. The options will vest 1/3 after 12 months, 1/3 after 24 months and the balance of 1/3 after 36 months. The exercise price of the options is US\$1.00. The latest exercise date for the options is December 28, 2017.

The Company has accounted for all options issued based upon their fair market value using the Binomial pricing model.

An external consultant has calculated the fair value of the 4,787,500 options using the Binomial valuation method using the following inputs:

|                        |              |              |              |
|------------------------|--------------|--------------|--------------|
| Grant date             | Dec 28, 2007 | Dec 28, 2007 | Dec 28, 2007 |
| Grant date share price | US\$1.09     | US\$1.09     | US\$1.09     |
| Vesting date           | Dec 28, 2008 | Dec 28, 2009 | Dec 28, 2010 |
| Expected life in years | 5.50         | 6.00         | 6.50         |
| Risk-free rate         | 4.488%       | 4.488%       | 4.488%       |

|                   |          |          |          |
|-------------------|----------|----------|----------|
| Volatility        | 60%      | 60%      | 60%      |
| Exercise price    | US\$1.00 | US\$1.00 | US\$1.00 |
| Call option value | US\$0.65 | US\$0.67 | US\$0.69 |

|                                  | <u>Options</u> | Option Price Per Share<br>US\$ | Weighted Average Exercise Price<br>US\$ |
|----------------------------------|----------------|--------------------------------|---|
| Outstanding at January 1, 2007   | -              | -                              | -                                       |
| Granted                          | 4,787,500      | 1.00                           | 1.00                                    |
| Forfeited                        | -              | -                              | -                                       |
| Outstanding at December 31, 2007 | 4,787,500      | 1.00                           | 1.00                                    |

The range of exercise price is US\$0.444 to US\$1.00 per option. The weighted average per option fair value of options granted during 2007 was US\$0.67 and the weighted average remaining contractual life of those options is 10 years. No options are currently exercisable. The forfeiture rate of 42.85% in the third year is based on personnel retention history for persons in this class of participants by AXIS Consultants Pty Ltd.

The total value of the outstanding unvested options including employee retention factor equates to A\$3,574,212 (US\$3,127,793) and is being amortised over the vesting periods.

For 2007, the amortization amounted to A\$18,664 (US\$16,345).

As of December 31, 2007, 5,119,326 options over shares were available for future grants under the Stock Plan.

## 5. SHORT-TERM ADVANCE – AFFILIATE

During 2007, the Company repaid the amount owing to Astro Diamond Mines N.L. for costs incurred on mining tenements acquired in 2006, including interest charged for 2007 of A\$16,744. Astro charged interest at the rate of between 9.85% and 10.10%, being the “reference rate” of the ANZ Banking Group Ltd.

During June 2007, the Company paid AXIS Consultants Pty Ltd amounts owing under the Service Agreement (refer footnote 6 for further information). The amount of A\$2,432,687 included an interest charge of A\$14,683.

During March 2007, the Company paid the amount owing to Joseph Gutnick, President and Chief Executive Officer of Legend International Holdings, Inc. of \$1,303, less expenses incurred of A\$472. No interest was incurred.

## 6. AFFILIATE TRANSACTIONS

In December 2004, the Company issued to Renika, a company associated with Mr J I Gutnick, 20,250,000 options to be converted into 20,250,000 shares of Common Stock, at an exercise price of 5 cents and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black and Scholes valuation of these options using a 2.22 cent exercise price, 2.22 cent market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. The Company valued the 20,250,000 options at A\$160,672 (US\$123,300) or A\$0.0178 (US\$0.0137) each. In September 2005, Renika exercised the 20,250,000 options using the cashless exercise feature and were issued 17,085,937 shares of Common Stock.

In December 2004, the Company entered into an agreement with AXIS Consultants Pty Ltd to provide geological, management and administration services to the Company. AXIS is affiliated through common management. The Company is one of four affiliated companies. Each of the companies has some common Directors, officers and shareholders. In addition, each of the companies is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. A number of arrangements and transactions have been entered into from time to time between such companies. It has been the intention of the affiliated companies and respective Boards of Directors that each of such arrangements or transactions should accommodate the respective interest of the relevant affiliated companies in a manner which is fair to all parties and equitable to the shareholders of each. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS.

AXIS is a company owned by its public companies (including Legend) and any profits generated by AXIS are returned to its shareholders in the form of dividends.

AXIS is paid by each company for the costs incurred by it in carrying out the administration function for each such company. Pursuant to the Service Agreement, AXIS performs such functions as payroll, maintaining employee records required by law and by usual accounting procedures, providing insurance, legal, human resources, company secretarial, land management, certain exploration and mining support, financial, accounting advice and services. AXIS procures items of equipment necessary in the conduct of the business of the Company. AXIS also provides for the Company various services, including but not limited to the making available of office supplies, office facilities and any other services as may be required from time to time by the Company as and when requested by the Company.

The Company is required to reimburse AXIS for any direct costs incurred by AXIS for the Company. In addition, the Company is required to pay a proportion of AXIS's overhead cost based on AXIS's management estimate of our utilisation of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and overhead costs. Amounts invoiced by AXIS are required to be paid by us. The Company is also not permitted to obtain from sources other than AXIS, and we are not permitted to perform or provide ourselves, the services contemplated by the Service Agreement, unless we first requests AXIS to provide the service and AXIS fails to provide the service within one month.

The Service Agreement may be terminated by AXIS or us upon 60 days prior notice. If the Service Agreement is terminated by AXIS, the Company would be required to independently provide, or to seek an alternative source of providing, the services currently provided by AXIS. There can be no assurance that the Company could independently provide or find a third party to provide these services on a cost-effective basis or that any transition from receiving services under the Service Agreement will not have a material adverse effect on us. The Company's inability to provide such services or to find a third party to provide such services may have a material adverse effect on our operations.

In accordance with the Service Agreement AXIS provides the Company with the services of the Company's Chief Executive Officer, Chief Financial Officer, geologists and clerical employees, as well as office facilities, equipment, administrative and clerical services. We pay AXIS for the actual costs of such facilities plus a maximum service fee of 15%.

During 2006, AXIS charged the Company A\$203,664 in management fees and administration services, A\$212,679 for exploration services provided to the Company, charged interest of A\$13,498 on the outstanding balance, loaned us \$4,500 and the Company repaid A\$180,000. AXIS charged interest at a rate of between 9.35% and 10.10% for 2006. AXIS did not charge a service fee for 2006. The amount owed to AXIS at December 31, 2006 was A\$312,253. During 2007, AXIS charged the Company A\$1,126,311 in management fees and administration services including salaries incurred in relation to AXIS staff that provided services to the Company, A\$834,552 for exploration services, A\$151,800 for asset usage, A\$14,683 in interest on the outstanding balance and the Company repaid A\$2,432,687. AXIS charged interest at a rate of 10.10% until June 2007. The amount owed to AXIS at December 31, 2007 was \$6,912 which is included in accounts payable.

Mr Joseph Gutnick, the President of the Company advanced the Company the initial deposit on opening a US Dollar bank account. In March, 2007, the balance of A\$831, owing of the initial advance of A\$1,303 (US\$1,000) less expenses incurred of A\$472, was repaid.

Effective as of March 3, 2006, Legend entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company acquired certain diamond mining tenements in Northern Australia from Astro. The consideration payable by Legend to Astro was A\$1.5 million and Legend was also required to pay to Astro any costs incurred on the tenements after February 1, 2006. Astro provided commercial warranties which are usual for a transaction of this nature in favour of Legend. Under Australian law, Astro was required to provide an independent experts report to shareholders for this transaction. In order to prepare the independent experts report, a mineral valuation was prepared on behalf of Astro which indicated that the preferred value for the tenements that are the subject of the transaction was A\$1.5 million. This formed the basis of the consideration agreed by the parties. The President and Chief Executive Officer of the Company, Mr. J. I. Gutnick, was Chairman and Managing Director of Astro and Dr DS Tyrwhitt, an independent Director of the Company is also a Director of Astro. The tenements are located in the Northern Territory of Australia and are prospective for all minerals. Astro incurred costs on the mining tenements from February 1, 2006 which at settlement Legend was required to pay. However, Astro had not quantified the amount at the date of settlement and it was

only finally quantified in November 2006. At December 31, 2006, the Company owed Astro A\$942,433 for these costs including interest of A\$21,302. During 2007, the amount was repaid in full including interest charge for 2007 of A\$16,774. Astro charged interest at a rate of 10.10%.

The consideration and all related acquisition costs, costs incurred by Astro since February 1, 2006 and exploration expenditure incurred by the Company is shown in the Statement of Operations as Exploration Expenditure.

## 7. INCOME TAXES

The Company has adopted the provisions of SFAS No. 109 "Accounting for Income Taxes". SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company has operations in both the USA and Australia and the Company is subject to taxation in both jurisdictions on the operations in each respective jurisdiction.

At December 31, 2007 and 2006 deferred taxes consisted of the following:

|                                  | USA<br>2007<br>A\$ | Australia<br>2007<br>A\$ | Total<br>2007<br>A\$ |
|----------------------------------|--------------------|--------------------------|----------------------|
| Deferred tax assets              |                    |                          |                      |
| Net operating loss carry-forward | 1,756,879          | 3,031,967                | 4,788,846            |
| Less valuation allowance         | (1,756,879)        | (3,031,967)              | (4,788,846)          |
| Net deferred taxes               | -                  | -                        | -                    |

|                                  | USA<br>2006<br>A\$ | Australia<br>2006<br>A\$ | Total<br>2006<br>A\$ |
|----------------------------------|--------------------|--------------------------|----------------------|
| Deferred tax assets              |                    |                          |                      |
| Net operating loss carry-forward | 1,313,017          | 1,218,600                | 2,531,617            |
| Less valuation allowance         | (1,313,017)        | (1,218,600)              | (2,531,617)          |
| Net deferred taxes               | -                  | -                        | -                    |

The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery. The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the deferred tax asset will be realized.

At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax assets is no longer impaired and the allowance is no longer required.

As a result of the ownership change that occurred in November 2004 (see note 1), Internal Revenue Code Section 382 limits the use of available operating loss carryforwards for losses incurred prior to the ownership change. In addition, the Company will need to file a tax return for 2006 to establish the tax benefits of the net operating loss carry forwards. Future net operating losses will be fully available to offset future taxable income. Total available net operating loss carryforwards, which are subject to limitations, amount to approximately A\$15,273,850 at December 31, 2007 and expire in years 2022 through 2026

## 8. COMMITMENTS

During December 2006, the Company entered into an operating lease agreement for a motor vehicle which expires in 2008. The lease agreement has a monthly repayment amount of A\$1,123. The future minimum lease repayments under a non-cancellable lease at December 31, 2007 is A\$11,230 (US\$9,845) for 2008.

During July 2007, the Company entered into a sublease agreement for the rental of office premises which expires in 2008. The total rental payment for 2007 is A\$27,457 (US\$24,072), for the security bond of A\$16,615 (US\$14,566), and for 2008, A\$103,241 (US\$90,511).

During September 2007, the Company entered into a commercial hire purchase agreement for proposed on-site accommodation units, which expires in 2008. The hire purchase agreement has a monthly repayment amount of A\$20,954 and a final repayment of A\$174,280 in June 2008. The future minimum lease repayments under a non-cancellable lease at December 31, 2007 are A\$89,945 (US\$78,854) and interest of A\$17,078 (US\$14,972).

#### Exploration

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals, and expenditure reductions through relinquishment of parts or the whole of tenements deemed non prospective. Should the company wish to preserve interests in its current tenements the amount which may be required to be expended is as follows:

|   | 2007<br>A\$ | 2006<br>A\$ |
|---|-------------|-------------|
| Not later than one year                                   | 1,795,000   | 860,000     |
| Later than one year but not later than five years         | 3,085,000   | 875,000     |
| Later than five years but not later than twenty one years | 115,000     | -           |
|   | 4,995,000   | 1,735,000   |

### 9. RECLAMATION AND REHABILITATION

The Company's exploration activities are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect the environment and believes its operations are in compliance with applicable laws and regulations in all material respects. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

### 10. DEPOSITS

| Deposits   | 2007<br>A\$ | 2006<br>A\$ |
|--|-------------|-------------|
| Cash deposits have been provided to the Department of Business, Industry and Resource Development of Northern Territory for the purpose of guaranteeing the Company's performance in accordance with Northern Territory mining law (refer footnote 9).   |             |             |
| The performance relates to the requirement that the Company adheres to the terms and conditions of its exploration licences, which inter alia requires site restoration. However, the Directors do not anticipate the Department of Business, Industry and Resource Development of Northern Territory will exercise these guarantees as the Company adheres to all conditions of its exploration licences. | 130,000     | 90,000      |

### 11. SUBSEQUENT EVENTS

On February 7, 2008, the Board of Directors of the Company agreed to issue 5,000,000 options under the 2006 Incentive Option Plan to the President and Chief Executive Officer. The options have an exercise price of US\$2.00, vest 1/3 on February 7, 2009, 1/3 on February 7, 2010 and 1/3 on February 7, 2011. The latest exercise date is February 7, 2018. The Company has appointed an external consultant to provide a valuation of the options.

On February 18, 2008, the Board of Directors of the Company agreed to issue 400,000 options under the 2006 Incentive Option Plan. The options have an exercise price of US\$1.00, vest 1/3 on February 18, 2009, 1/3 on February 18, 2010 and 1/3 on February 18, 2011. The latest

exercise date is February 18, 2018. The Company has appointed an external consultant to provide a valuation of the options.

Effective February 27, 2008, the Company entered into a Share Sale Agreement whereby the Company agreed to purchase all of the issued and outstanding shares of Teutonic Minerals Pty Ltd. As a result, Teutonic became a subsidiary of the Company from that date. Teutonic holds an application for a mineral licence over phosphate in the Georgina Basin in the State of Queensland, Australia. The consideration payable to the vendors was A\$300,000 in cash, and the Company granted a 1% gross revenue royalty from production from the mineral licence.