
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended: December 31, 2012
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from: _____ to _____

Commission File Number 000-32551

LEGEND INTERNATIONAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

23-3067904
(I.R.S. Employer
Identification No.)

Level 8, 580 St Kilda Road Melbourne, Victoria, 3004, Australia
(Address of Principal Executive Office) (Zip Code)

011 (613) 8532 2866
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, par value \$.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that

the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for any such shorter period that the registrant was required to submit and post such file).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

The aggregate market value based on the average bid and asked price on the over-the-counter market of the Registrant's common stock, ("Common Stock") held by non-affiliates of the Company was US\$13,146,370 as at June 30, 2012.

There were 294,047,971 outstanding shares of Common Stock as of March 15, 2013.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

INDEX

PART I

Item 1.	Business.	2
Item 1A.	Risk Factors.	33
Item 1B.	Unresolved Staff Comments.	38
Item 2.	Properties.	38
Item 3.	Legal Proceedings.	38
Item 4.	Mine Safety Disclosure	38

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	39
Item 6.	Selected Financial Data.	40
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operation.	41
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk.	49
Item 8.	Financial Statements and Supplementary Data.	50
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	50
Item 9A.	Controls and Procedures.	50
Item 9B.	Other Information.	51

PART III

Item 10.	Directors, Executive Officers and Corporate Governance.	52
Item 11.	Executive Compensation.	57
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	60
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	61
Item 14.	Principal Accounting Fees and Services	64

PART IV

Item 15.	Exhibits, Financial Statement Schedules.	65
SIGNATURES		66

PART I

Information Regarding Forward Looking Statements

This report and other reports, as well as other written and oral statements made or released by us, may contain forward looking statements. Forward looking statements are statements that describe, or that are based on, our current expectations, estimates, projections and beliefs. Forward looking statements are based on assumptions made by us, and on information currently available to us. Forward-looking statements describe our expectations today of what we believe is most likely to occur or may be reasonably achievable in the future, but such statements do not predict or assure any future occurrence and may turn out to be wrong. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. The words "believe," "anticipate," "intend," "expect," "estimate," "project", "predict", "hope", "should", "may", and "will", other words and expressions that have similar meanings, and variations of such words and expressions, among others, usually are intended to help identify forward-looking statements.

Forward-looking statements are subject to both known and unknown risks and uncertainties and can be affected by inaccurate assumptions we might make. Risks, uncertainties and inaccurate assumptions could cause actual results to differ materially from historical results or those currently anticipated. Consequently, no forward-looking statement can be guaranteed. The potential risks and uncertainties that could affect forward looking statements include, but are not limited to:

- the risks of mineral exploration stage projects,
- political risks in foreign countries,
- risks associated with environmental and other regulatory matters,
- exploration risks and competitors,
- the volatility of phosphate, diamond and other mineral prices,
- estimates of proven and probable reserves are subject to considerable uncertainty,
- movements in foreign exchange rates,
- increased competition, governmental regulation,
- performance of information systems,
- ability of the Company to hire, train and retain qualified employees,
- the availability of sufficient transportation, power and water resources,
- our ability to enter into key exploration and supply agreements and the performance of contract counterparties, and
- availability of financing.

In addition, other risks, uncertainties, assumptions, and factors that could affect the Company's results and prospects are described in this report, including under the heading "Risk Factors" and elsewhere and may further be described in the Company's prior and future filings with the Securities and Exchange Commission and other written and oral statements made or released by the Company.

We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date of this document. The information contained in this report is current only as of its date, and we assume no obligation to update any forward-looking statements.

Item 1. Business.

GENERAL

The terms "Legend," "Company," "we," "our," and "us" refer to Legend International Holdings, Inc. unless the context suggests otherwise.

Legend has been an exploration stage company since August 2006. During February 2011, the Company announced its maiden mineral reserve estimates for its 100% owned Paradise South phosphate project in accordance with SEC Industry Guide 7. As a result of establishing mineral reserve estimates, Legend has entered into the development stage for

this project as it engages in the process of preparing the mineral deposit for extraction, while it continues with its other various exploration activities.

We have an additional objective to exploit our interest in certain exploration tenements which are in Queensland and the Northern Territory of Australia. Our exploration target is for 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.

Currency

We use the Australian dollar as our reporting currency, since we are headquartered in Australia and our exploration, development and 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, 2012 have been translated into United States Dollars ("US\$") using the rate of exchange at December 31, 2012 of A\$1.00=US\$1.0373.

History

Legend was incorporated in the State of Delaware on January 5, 2001 under the name Sundew International, Inc. On March 13, 2003, Legend filed for an Amendment to its Certificate of Incorporation pursuant to which the name of Sundew International, Inc. was changed to "Legend International Holdings, Inc."

Following the change of management in November 2004, the Company developed a new plan of operations, which was to engage in mineral exploration activities.

In March 2006, the Company acquired diamond exploration tenements in Northern Australia and in November 2007, Legend acquired a number of phosphate exploration interests in the State of Queensland in Australia.

In August 2009, Legend acquired a controlling interest in Merlin Diamonds Limited ("MED") (formerly North Australian Diamonds Limited), an Australian company with diamond interests in the Northern Territory of Australia.

During the 2009 year, the Company took a private placement of shares in Northern Capital Resources Corp. ("NCRC"). During the 2010 and 2011 years, the Company took additional private placements in NCRC to increase its holding to 31.50% at December 31, 2012.

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.

SEC Reports

We file annual, quarterly, current and other reports and information with the SEC. These filings can be viewed and downloaded from the Internet at the SEC's website at www.sec.gov. In addition, these SEC filings are available at no cost as soon as reasonably practicable after the filing thereof on our website at www.lgdi.net. These reports are also available to be read and copied at the SEC's public reference room located at Judiciary Plaza, 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 SEC at 1-800-SEC-0330.

RECENT DEVELOPMENTS

On February 13, 2012, the Company announced the restructuring of its phosphate assets in order to facilitate the financing of its 100% owned Paradise Phosphate Project.

This first step has involved a transfer of all Legend's phosphate assets into a 100% owned subsidiary of Legend (Paradise Phosphate Limited)("Paradise"); the issue of 100

million ordinary shares (100% of the issued shares of Paradise) by Paradise to Legend; and funding via a A\$10 million convertible note facility ("Convertible Note Agreement") which has been injected into Paradise through Acorn Capital Ltd as manager of two Australian investment funds ("Acorn"), an Australian financial institution. The A\$10 million will convert into equity in the subsidiary upon a successful Initial Public Offering ("IPO") and listing of the subsidiary on the Australian Securities Exchange ("ASX") within 12 months of the note issue date.

The phosphate assets comprise the Paradise Phosphate rock deposits of Paradise North and Paradise South, the D-Tree deposit and the deposits associated with Legend's rights and obligations under the King Eagle Joint Venture agreement (i.e. Highland Plains, Lily & Sherrin Creek and Quita Creek). The assets include the exploration and mining permits and applications associated with the above deposits and related infrastructure.

Legend's senior management are of the opinion that a dedicated Australian company wholly focused on phosphate is best placed to bring the project into production and is in the best interests of all Legend's stockholders. It will also assist us in seeking investment by Australian financial institutions and other global managed funds that have not been able to invest in stocks listed on the OTC Bulletin Board in the USA.

The convertible note facility of A\$10 million to Paradise is repayable 12 months from the completion date of the agreement, which has been extended to March 10, 2013. The notes bear interest at the nominal rate of 10% per annum (the actual amount of effective interest depends upon the event that triggers repayment). If, within 12 months of the completion date of the agreement, Paradise conducted a public offering of securities in Australia and those securities were listed on ASX, then the convertible notes converted automatically to shares in Paradise at a conversion rate of A\$0.50 (subject to adjustment in accordance with the formula provided in the agreement). Paradise did not proceed with the IPO and listing on ASX due to market conditions and the advanced state of discussions with strategic partners at the time. Funds received under the convertible note facility have been used to progress the project, its development, production and ultimately the export of phosphate rock from the phosphate deposits. The notes are secured by a security interest in the phosphate assets and in the shares of Paradise. The A\$10 million convertible note is due for repayment on March 10, 2013. The note agreement calls for an adjustment to the repayment factor if Paradise does not complete the public offering as defined. Acorn has agreed to extend the repayment date for 2 months under certain conditions including the finalisation of a term sheet for an off-take agreement prior to March 10, 2013. Paradise has entered into a term sheet with a third party and the repayment date has been extended to May 10, 2013. The Company has recorded a A\$5,590,000 liability at December 31, 2012 representing an additional payment due in accordance with the term sheet (see note 15 to the financial statements).

On January 16, 2013, Legend announced that (i) it had placed 150 million shares of common stock to a third party at a price of US\$0.05 per share to raise US\$7.5 million. Closing of the first tranche of this placement of 45 million shares raising \$2,250,000 occurred on February 20, 2013; and (ii) that it intends to undertake a rights issue of shares to all Legend shareholders, on a pro-rate basis at a price of US\$0.05. If fully subscribed, the rights issue will raise US\$20 million. On January 18, 2013, Legend announced that it had entered into an agreement with a third party to sell 24 million shares in MED at a price of A\$0.21 per share for a total consideration of A\$5,040,000.

It is Legend's intention to utilize funds from the capital raisings and sale of MED shares to repay the convertible note.

Paradise will continue discussions with potential strategic partners in relation to participating in the full development of the fertilizer complex in Mt Isa, Queensland, Australia. Legend has been progressing these discussions with various international industry fertilizer corporations for over 12 months and expects to continue these discussions.

During 2012, MED issued shares to third parties to raise further capital to advance its development of the Merlin diamond mine, and as a result, Legend's interest in MED reduced

to 41.95% at December 31, 2012. Since that date, MED has issued further shares to third parties and at March 15, 2013, Legend's interest in MED had reduced to 33.84%. In January 2013, Legend entered into a contract to sell 24 million ordinary shares (approximately 16.9%) in MED at a price of A\$0.21 per share and on March 12, 2013, it entered into two further contracts to sell a total of 35 million ordinary shares (approximately 19.9% in MED at a price of A\$0.22 per share. Following closing, Legend will hold less than a 1% interest in MED. On January 31, 2013, MED announced it has reached an agreement with Innopac Holdings Limited (Innopac) under which Innopac agrees to make a scrip-for-scrip off-market takeover offer to acquire all of the shares in MED (the Transaction).

Under the Transaction, Innopac will offer 1.67 Innopac shares for every one MED share. This equates to A\$0.28 per MED share (based on S\$0.2145 per Innopac share which is the weighted average price for trades of Innopac's shares done on the SGX-ST Mainboard for 7 consecutive trading days prior to and including January 30, 2013, being the day on which the Takeover Bid Implementation Deed was executed, and at an exchange rate of A\$1.00 to S\$1.28) and represents a premium of approximately 36.59% over the closing price of A\$0.205 on January 30, 2013. The Transaction is unanimously recommended by the Directors of MED, in the absence of a superior proposal. Subject to compliance with any law and regulatory approvals, Innopac has agreed to use best endeavours to establish a share sale facility for MED shareholders who accept the offer but do not wish to hold Innopac shares, up to an agreed cap.

Innopac has been listed on the Singapore Stock Exchange mainboard since 1983, and is an investment holding and management company headquartered in Singapore. Its present investments are in telecommunications, investment properties and equities. Innopac is continually looking for new investments that will contribute to and increase its shareholders' value.

The Offer will be subject to a number of conditions.

The Takeover Bid Implementation Deed also contains:

- no shop, no talk, notification and matching rights in favour of Innopac; and
- a break fee payable by each of Innopac and MED in certain circumstances.

Innopac and MED expect that the Bidder's Statement and Target's Statement in relation to the Offer will be sent to MED Shareholders in March 2013.

On March 1, 2013, shareholders representing more than 50% of the issued shares of Common Stock of Legend approved a resolution to increase the authorized shares of common stock to 1,270,000,000 shares of common stock consisting of 1,250,000,000 shares of Common Stock having a par value of \$.001 per shares and 20,000,000 shares of Preferred Stock having a par value of \$.001 per share and to be issued in such series and to have such rights, preferences, and designation as determined by the Board of Directors of the Corporation.

DESCRIPTION OF BUSINESS

Background

Legend has been an exploration stage company since August 2006. During February 2011, the Company announced its maiden mineral reserve for its 100% owned Paradise South phosphate project in accordance with SEC Industry Guide 7. As a result of establishing mineral reserve estimates, Legend has entered into the development stage for this project. We are currently engaged in the process of refining engineering requirements and gaining the remaining approvals required for construction and mineral extraction.

We have an additional objective to exploit our interest in certain exploration tenements in Queensland and the Northern Territory of Australia. Our exploration target is for diamonds.

Effective as of March 3, 2006, the Company entered into a Contract for the Sale of Mining Tenements with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company acquired certain diamond exploration tenements in Northern Australia from Astro. In November 2007, Legend acquired a number of phosphate exploration interests in the State of Queensland in Australia. In August 2009, Legend acquired a controlling interest in MED, an Australian company with diamond interests in the Northern Territory of Australia. During the 2009 year, the Company took a private placement of shares in Northern Capital Resources Corp. ("NCRC"). During the 2010 and 2011 years, the Company took additional private placements in NCRC to increase its holding to 31.50% at December 31, 2012.

Strategy

Legend is primarily focused on the commencement of mining, beneficiation and processing of its 100% owned (through Paradise) phosphate mineralization near Mount Isa in northwest Queensland, Australia. Legend has a phased implementation plan to become a leading supplier of phosphate fertilisers.

Phosphate rock is the primary source of phosphorus, a mineral which is an essential building block for all life on Earth and it is a vital nutrient for humans, animals and plants. Being essential for life means that we need to consume phosphorus in our food. Approximately 90% of mined phosphate rock is used in the production of phosphate fertilisers which are needed to maintain the high crop yields required for world food production. Legend plans to market a range of phosphate fertilisers.

We plan to supply direct shipping ore phosphate rock from Paradise North. This product may be used in direct fertiliser applications or as feedstock into high yield phosphate fertilizer manufacture.

The planned beneficiation plant will use phosphate rock from Paradise South as feedstock and is planned to have a capacity to produce up to 2Mt per year of phosphate concentrate. This product may be used as feedstock to manufacture high analysis phosphate fertilizers DAP (Diammonium Phosphate), MAP (Monoammonium Phosphate) and superphosphates.

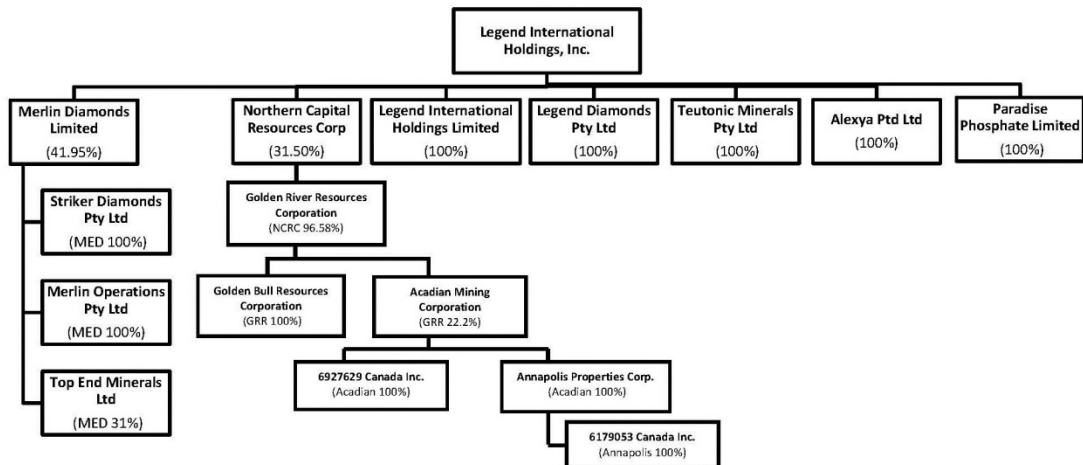
The manufacture and marketing of MAP and DAP fertilisers using feedstock from the Paradise South beneficiation plant is also being examined. A valuable by-product of DAP/MAP manufacture from Paradise South concentrate is Aluminum Fluoride (AlF₃), an important input into the aluminum smelting process.

Legend's flagship project is the Paradise South phosphate project in which phosphate ore reserves have been estimated. The Paradise South phosphate project has also been the subject of a detailed feasibility study in 2011 which showed that the project is technically and economically feasible.

Legend, in accordance with its initial strategy of exploration for various mineral commodities across northern Australia (with a focus on diamond exploration) also controls and maintains landholdings in the Northern Territory of Australia. These interests are managed by Legend through a dedicated exploration team.

Legend owns a controlling interest in MED which controls the Merlin diamond mine in the Northern Territory, Australia and includes MED's 31.14% interest in Top End Minerals Ltd ("TEM"). The Company also has an investment in NCRC which has an interest in gold assets in Nova Scotia, Canada via its investment in Golden River Resources Corporation ("GRR") and Acadian Mining Corporation ("Acadian"). These are outlined in further detail below.

The following chart sets forth the Company's corporate organization as of December 31, 2012:

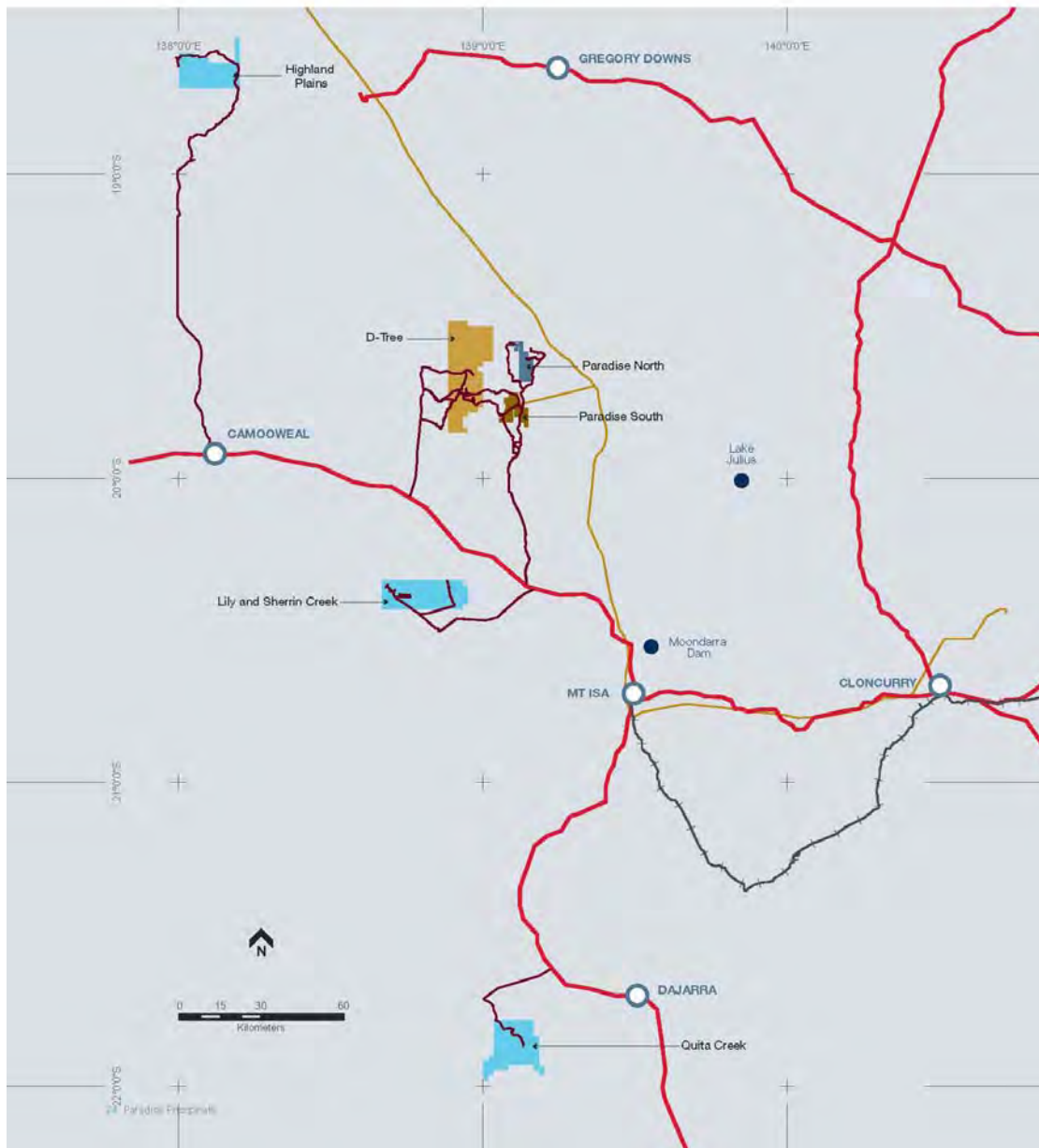
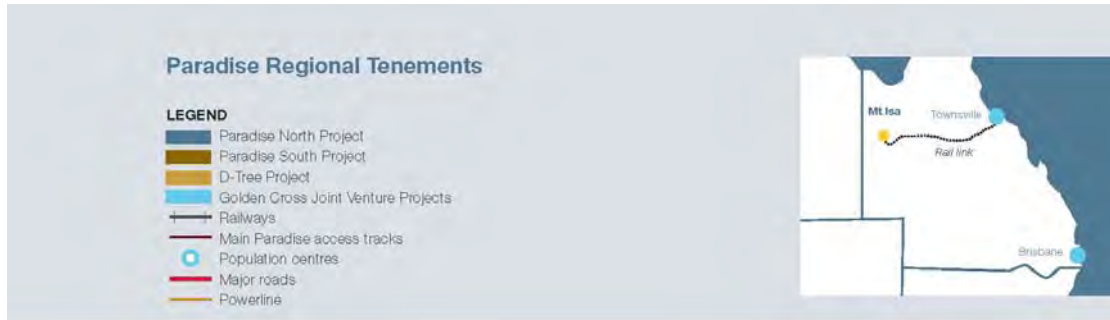


Paradise Phosphate Limited (100% owned subsidiary)

Strategy

Paradise's goal is the development of its phosphate mineralisation and the commencement of mining and processing operations. Paradise aims to become an integrated, reliable and low cost supplier of quality phosphate fertiliser products to support the growing global population.

Paradise's properties consist of exploration and mining licenses within approximately 200km from Mt Isa in the state of Queensland, Australia. The licences are grouped into projects called Paradise North, Paradise South, D-Tree and the Golden Cross Joint Venture project.



Paradise’s initial business objective is the development of the Paradise North project to mine and deliver phosphate Direct Shipping Ore (“DSO”) to potential customers in the Australasian and South Asian regions. DSO refers to ore which needs negligible processing to meet customer requirements, often needing only crushing and screening, before it can be used as feedstock for phosphate fertiliser manufacture or as a direct application fertiliser.

While Paradise is focussed on near term production from the Paradise North project, its longer term business objective is to pursue additional growth opportunities by undertaking

work to progress plans for the development of a phosphate beneficiation plant at the Paradise South project. Paradise aims to attract a strategic partner to finance the development of its phosphate mineralisation. This could involve a range of possible transactions including entering into joint venture arrangements, accepting direct investment into the projects or the issue of new shares in Paradise. Concurrently, Paradise will also pursue exploration activity at the D-Tree and Golden Cross Joint Venture projects.

2012 Paradise Highlights:

- Tender for the Paradise South beneficiation plant design and construction was completed. The three tender packages cover:
 - beneficiation plant;
 - electrical power transmission; and
 - water supply and tailings dam.
- Lodgement of a Supplementary Environmental Impact Statement and Environmental Management Plan for the Paradise South project to the Queensland Government Department of Environment and Heritage Protection ("DEHP").
- Issue of an Environmental Authority by the DEHP on October 25, 2012, which stipulates the environmental limits for an operation of up to 7.5 million tonnes of ore per year for 30 years.
- Negotiation of a groundwater allocation licence for the Paradise South mining lease.
- Grant of Australian Patent Number 2011205157 to Legend. The patent describes a methodology for the beneficiation for phosphate ore which captures ultrafine particles of phosphate which otherwise would be discarded as waste. The patent has since been assigned to Paradise.
- Acceptance of the Plan of Operations for Paradise North by the DEHP which approved commencement of mining activity at Paradise North in 2013.
- Paradise shipped phosphate DSO from Paradise North for trial production at the Ballance Agri-Nutrients Ltd single superphosphate plant in New Zealand.

Phosphate Industry

Phosphorus is an essential building block for all life on earth and it is a vital nutrient for humans, animals and plants. It forms the backbone of the double helix shape of our DNA and the DNA of every other living organism on the planet.

Being essential for life means that we need to consume phosphorus in our food. Phosphorus is absorbed by plants from the soil. Phosphate fertilisers are applied to agricultural soils to replenish the phosphate consumed by plants and to improve and maintain high crop yields. In addition to nitrogen and potassium, phosphorus is one of the three key macronutrients required for plant growth. Phosphorus has no substitute in food production and an expanding global human population means a corresponding expansion in the global demand for phosphorus.

Mined phosphate rock is the primary source of phosphorus, with over 90% of the world's mined rock being used to produce phosphate fertilisers. Other uses include the production of livestock feed, domestic detergents and other specialty chemicals used in the pharmaceutical, technological and food manufacturing industries. Phosphate fertiliser is sold in many forms with differing concentrations of phosphorus, other nutrient additives and solubility. The simplest form is crushed phosphate rock, known as reactive phosphate rock ("RPR"), which releases phosphorus from water soluble minerals when applied to weakly acidic soils. RPR can be blended with types of organic fertilisers to increase the phosphorus content of these fertilisers.

Phosphate deposits can occur as either marine sedimentary, biogenic (bat or bird guano) or igneous formations. Over 75% of the world's phosphate resources originate from marine sedimentary deposits.

The main phosphate bearing mineral is apatite, a calcium phosphate mineral. Paradise's phosphate ore was deposited in an ancient sedimentary basin known as the Georgina Basin which covers large parts of central and northern Australia in Queensland and the Northern Territory. The sedimentary phosphate rock was deposited approximately 500 million years ago in a shallow marine environment and is flat lying, close to the surface and relatively soft.

Shallow sedimentary rocks such as Paradise's phosphate deposits are often mined in open pits using large mining equipment such as draglines or excavators and trucks.

To be economically viable, phosphate orebodies generally need to satisfy the following key criteria:

- be close to the earth's surface to allow cost effective mining;
- contain at least 28% P_2O_5 or have ore that is suitable for upgrading to 28% P_2O_5 through beneficiation;
- contain levels of oxides such as iron oxide, aluminium oxide and magnesium oxide that maximise the efficiency of the chemical reactions which produce phosphoric acid (these levels vary for different types of rocks and different fertiliser producers); and
- contain low levels of heavy metals such as cadmium (the Food and Agriculture Organization of the United Nations ("FAO") recommends under 27 ppm for cadmium for RPR. Cadmium may cause adverse health effects if introduced into the food chain in high concentrations.

Processing of mined rock is sometimes needed to remove impurities and increase the concentration of phosphate to meet fertiliser manufacturer specifications. A concentrate of greater than 28% P_2O_5 is generally desirable for phosphate rock to be used in fertiliser production.

Concentration, or beneficiation, of phosphate can take place over a number of steps depending on the properties of the mined rock, Screening is used to remove hard waste followed by grinding and flotation to remove other impurities. The concentrate is then dried before being used as feedstock for fertiliser manufacturing.

Based on price data from the World Bank GEM Commodities Database, phosphate fertiliser prices have fluctuated widely in recent years. Since 2009 phosphate fertiliser prices have increased. Long term changes in the demographics of emerging economies with a growing population and rising expectations of living standards have resulted in increased demand. The June 2012 price for phosphate rock 70% BPL/32% P_2O_5 (fas Casablanca) based on World Bank data was US\$175 per tonne with DAP (fob Tampa) at US\$553 per tonne.

Paradise South

Ore Reserve estimate for Paradise South ore and beneficiated phosphate concentrate.

Ore Reserves ^{1,2}						
	Metric Tonnes (Millions)	%P ₂ O ₅	Average BPL	%Fe ₂ O ₃	%Al ₂ O ₃	%MgO
Proven	129.9	13.2	28.8	5.9	2.4	0.8
Probable	68.7	11.9	26.0	5.6	2.3	1.0
Total	198.6	12.7	27.8	5.8	2.3	0.8

Average Phosphate Concentrate Grade Post Processing ³						
	Metric Tonnes (Millions)	%P ₂ O ₅	Average BPL	%Fe ₂ O ₃	%Al ₂ O ₃	%MgO
Proven	35.5	32.2	70.4	3.0	0.8	0.6
Probable	17.2	31.9	69.7	2.9	0.8	0.8
Total	52.7	32.1	70.1	3.0	0.8	0.7

Ownership and Tenement Status

The Paradise South project tenements and applications are 100% owned by Paradise, pending registration by the Queensland Department of Natural Resources and Mines of the transfer of these tenements from Legend to Paradise.

Granted Tenements for the Paradise South project

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment (AUD)
EPM16942	Granted	Paradise South	28-Aug-09	27-Aug-14	14,310	\$155,000
EPM17447	Granted	Paradise South	23-Feb-10	22-Feb-14	7,155	\$70,000

¹ These Ore Reserves are estimated based upon information compiled under the guidance of Mr. Dean Basile MAusIMM (Mining One Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Reserves were estimated at an effective "mine gate" commodity price of US\$90 per concentrate tonne (US\$155 F.O.B Townsville), with P₂O₅ >30%, Fe₂O₃<3% and MgO<1%. The commodity price was derived from the previous three years historical averages as reported by CRU Strategies Ltd.

² Ore reserves are defined here as the phosphorite ore material for the beneficiation plant. It is "as-mined" material and is before screening and processing in the proposed flotation beneficiation plant to be located at Paradise South. All ore reserves are in areas that are fully accessible for mining; free of surface or subsurface encumbrance, legal setbacks, environmental reserves and other legal restrictions that preclude permissible access for mining; believed by us to be permissible within a reasonable timeframe; and meet specified minimum physical, economic and chemical criteria related to current mining and production practices of the industry.

³ Mineral reserves are defined here as the recoverable rock concentrate post screening and processing of the ore through the proposed flotation beneficiation plant to be located at Paradise South. This material is therefore a subset of the ore reserves and cannot be aggregated with the ore reserves. These reserves are in areas that are fully accessible for mining; free of surface or subsurface encumbrance, legal setbacks, environmental reserves and other legal restrictions that preclude permissible access for mining; believed by us to be permissible within a reasonable timeframe; and meet specified minimum physical, economic and chemical criteria related to current mining and production practices of the industry.

*Tenements under application for Paradise South project. * ML90210 will not be transferred to Paradise*

Lease	Lease Status	Purpose	Application Date	Acres
ML90197	Application	Mining Paradise South	23-Nov-09	5,619
ML90210*	Application	Road Access	3-Dec-10	450
ML90221	Application	Tailings/Settling Dam	1-Jul-11	528
ML90222	Application	Water Supply	1-Jul-11	1,643
ML90223	Application	Power Lines/Aerials	29-Jul-11	475
ML90224	Application	Power Lines/Aerials	29-Jul-11	126
ML90225	Application	Power Lines/Aerials	29-Jul-11	24
ML90226	Application	Power Lines/Aerials	29-Jul-11	554
ML90227	Application	Slurry Pipeline	29-Jul-11	496

Project History

Phosphate mineralisation was discovered at Paradise South by Broken Hill South Ltd in 1967. By 1972 over 55,000 metres of rotary percussion holes were drilled and 33 shafts sunk across both Paradise South and Paradise North. At Paradise South, 64,000 tonnes of phosphate ore was extracted to supply a 100 tonne per day beneficiation plant. This plant produced concentrate of up to 34% P₂O₅ which was used for testing by fertiliser manufacturers.

During the 2009 and 2010 drilling programs, 7,218m of reverse circulation and 1,191m of diamond holes were drilled and sampled. In 2009, a pilot beneficiation plant was constructed in Adelaide to confirm the suitability of Paradise's proprietary metallurgical flotation process. Two 40 tonne samples from the Paradise South project were processed in Adelaide which successfully upgraded the rock phosphate content from 14.3% P₂O₅ and 18.7% P₂O₅ to 31.7% P₂O₅ and 34.4% P₂O₅ respectively. Subsequent geological modelling and further metallurgical tests were used to define a detailed open pit design and mining schedule.

In 2009 Legend applied for a patent for the phosphate flotation methodology which Paradise intends to use at the Paradise South project. The flotation method recovers ultra-fine phosphate particles which conventional beneficiation methods would treat as waste. The patented process uses a Jameson flotation cell which has been used for many years to recover fine particles in potash and coal. The Jameson cell is considered to be well suited to the flotation of fine particles since it generates smaller bubbles than both conventional and column cells. The Jameson cell is a mature technology, and under this patent, is being uniquely applied to phosphate flotation. Pilot plant trials in 2009 using two 40 tonne samples of phosphate from the Paradise South project successfully achieved high phosphate recovery which was supported by the additional recovery of the fine material. This result indicates that the use of this methodology at the Paradise South project would maximise the recovery of saleable phosphate concentrate from the proposed beneficiation plant.

Mining Lease Applications have been made for mining and processing operations and associated infrastructure at the Paradise South project.

Environmental Permitting Requirements

The level of environmental approval for mining projects in Queensland depends on the size and nature of the proposed mining operation. The proposed mining operation at the Paradise South project includes a beneficiation processing plant requiring power and water infrastructure and accordingly has been approved through an Environmental Impact Statement ("EIS") with a supporting Environmental Management Plan. The EIS for the Paradise South project has been completed by the Legend development team with support from an independent engineering consultancy and was submitted to Queensland Government Department of Environment and Heritage Protection ("DEHP") in August 2011. The EIS was made available for public comment and a Supplementary EIS was submitted on 1 June 2012 as a response to comments received on the EIS. The DEHP approved the EIS in July 2012.

The Company undertook a final revision of the EMP to progress the application for the Environmental Authority for the Paradise South Project. The draft Environmental Authority conditions were negotiated with government and a draft Environmental Authority was issued in October 2012. This Environmental Authority is subject public comment and is expected to be approved in mid-2013.

Throughout 2012, baseline surveys of environmental conditions were undertaken at Paradise South project. These surveys included quality measurements of ground and surface water and will be used to define water quality objectives for future mining and beneficiation activities.

Paradise South Beneficiation Plant Design & Construction Tender

In February 2012 a tender design was completed by a team comprising in-house and external consultants. Site visits for tenderers were conducted in April 2012 and tender submissions received in May 2012. Tender evaluations for each package were conducted from June to August 2012 and a shortlist of preferred design and construction contractors advised in August 2012.

The three tender packages are:

- Package 1: Construction of beneficiation plant at Paradise South. The plant is designed to beneficiate 3.5 million tonnes of phosphate ore per year to produce 1 million tonnes of phosphate concentrate with a grade of greater than 32% P₂O₅. The beneficiation process will use the phosphate flotation method patented by Legend.
- Package 2: Construction of a 26km, 220kV single circuit power transmission line, switch yard and 220/11kV transformer substation.
- Package 3: Construction of a water supply dam at Battle Creek capable of supplying 2.5 million litres per year. Construction of a tailings storage facility at Paradise South.

Metallurgical Testwork

During 2012 samples of Paradise South beneficiated concentrate that had been stockpiled from the 2009 pilot plant test work were used for phosphoric acid test work, as well as for testing various parameters for the Paradise South beneficiation plant. The following points summarise the test work completed during the reporting period:

- A 600kg sample of Paradise South concentrate was prepared from previous stockpiled pilot plant concentrates at Amdel, dewatered, mixed and blended for assay with the purpose of sending to Prayon for phosphoric acid testing in 2013.
- Samples of Paradise South feed and concentrate slurry were sent to tenderers for the Paradise South beneficiation plant design and construction. These samples were needed to allow potential suppliers to refine their equipment offers for the Paradise South beneficiation plant.

2012 Exploration Program

Exploration during 2012 at Paradise South was limited to re-analysis of geological data from previous drilling campaigns.

Paradise North

Ore Reserves for the Paradise North Project

No Ore Reserve estimate has been declared for the Paradise North project.

Ownership and Tenement Status

The Paradise North project tenements and applications are 100% owned by Paradise, pending registration by the Queensland Department of Natural Resources and Mines of the transfer of these tenements from Legend to Paradise.

Granted Tenements for the Paradise North project

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment (AUD)
EPM17330	Granted	Paradise North	23-Jul-09	22-Jul-14	3,180	\$335,000
EPM17441	Granted	Paradise North	6-Oct-09	5-Oct-14	14,310	\$110,000
ML90191	Granted	Paradise North	7-Apr-11	30-Apr-26	484	NA

Project History

In the 1960s exploration at the Paradise North project, formerly known as Lady Jane, identified phosphate mineralization in the geographic area currently covered by Paradise's tenements. The extent of the mineralisation was identified from 66 drill holes, of which 36 are located on Paradise tenements EPM 17330 and EPM 17441. Paradise has used data from these 36 drill holes to estimate the grade and tonnage of phosphate mineralisation located within Paradise's tenements.

Exploration at Paradise North since 2009 consisted of 417 drill holes with a total length of over 9,800 metres of drilling. The drilling was aimed at identifying material with phosphate grades higher than 28% P₂O₅ which may be suitable as phosphate DSO. Subsequent test work was conducted to define the mineralisation characteristics of the rock as they relate to high analysis phosphate fertilizer production and use as direct application fertiliser reactive phosphate rock.

In April 2011 Mining Lease 90191 was granted for the Paradise North project allowing Paradise to commence mining operations up to 1 million tonnes per year of ore, subject to the approval of a plan of operations by the DEHP.

Environmental Permitting Requirements

Paradise holds an Environmental Authority over the Paradise North mining lease allowing mining activity subject to an approved Plan of Operations.

Throughout 2012, baseline surveys of environmental conditions were undertaken at Paradise North project. These surveys included quality measurements of ground and surface water and will be used to define water quality objectives for future mining activities.

Plan of Operations

A Plan of Operations for the Paradise North mine lease was submitted to the DEHP on September 19, 2012. The Plan of Operations was accepted by the DEHP on October 23, 2012 which approves commencement of mining activity at Paradise North in 2013.

Under this authorisation Paradise is permitted to conduct mining at two test pits producing approximately 45,000 tonnes of DSO phosphate material. This work is necessary to better understand the natural variability of the ore body as part of the planned ore reserve estimation. The material will be stockpiled and potentially delivered to customers as bulk samples.

The Paradise North deposit has an in-situ phosphate grade of greater than 28% P₂O₅ making it potentially suitable to be used as feed for fertiliser production and as RPR. Paradise North phosphate DSO does not require any concentration (beneficiation) of the phosphate

content resulting in significantly lower capital expenditure as no beneficiation plant needs to be built to bring the Paradise North Project into production. The current mineralized material model indicates that the deposit is close to the surface, amenable to bulk open pit mining methods and will have low strip ratios. Paradise proposes to mine phosphate DSO, screen and crush the rock, load it into covered containers and transport via road train to Mount Isa. The containers can then be transferred to flat bed rail wagons for rail transport to the Port of Townsville. The phosphate rock would then be loaded into ships bound for potential customers in the Australasian and South Asian region.

The Paradise North Project has an estimate for capital expenditure of approximately A\$26.4 million which is anticipated to provide all of the necessary infrastructure required to deliver phosphate DSO to the Port of Townsville. A bulk mining phosphate DSO operation requires minimal mine infrastructure and is based on contract mining. A majority of the capital expenditure is allocated to haul road upgrades and rail access security.

2012 Exploration Program

Exploration during 2012 at Paradise North was aimed at acquiring additional data to allow an Ore Reserve estimate to be computed for the mining lease.

Exploration work conducted:

- Channel sampling and face mapping of historic trenches excavated in the late 1960's.
- Surface sampling operation including cultural clearance of sampling area.
- Compositing of 2009 RC drilling samples for metallurgical test work.
- Moisture content testing was completed and methods of drying the rock product were also investigated and tested.

D-Tree

Ore Reserves for the D-Tree Project

No Ore Reserve has been declared for the D-Tree project.

Ownership and Tenement Status

The D-Tree project tenements and applications are 100% owned by Paradise, pending registration by the Queensland Department of Natural Resources and Mines of the transfer of these tenements from Legend to Paradise.

Granted Tenements for the D-Tree project

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment (AUD)
EPM14753	Granted	D-Tree	21-Apr-08	20-Apr-13	16,695	\$10,000
EPM15763	Granted	D-Tree	26-Jun-08	25-Jun-13	62,805	\$100,000
EPM17333	Granted	D-Tree	29-Sep-09	28-Sep-14	30,210	\$100,000
EPM17446	Granted	D-Tree	29-Sep-09	28-Sep-13	5,565	\$50,000
ML90190	Granted	D-Tree	12-Aug-10	31-Aug-15	104	NA

Project History

Explorers in the 1960s identified mineralized phosphate material at the D-Tree project. The D-Tree project deposit spans several of Paradise's exploration tenements, EPM's 15763, 14753, 17446 and 17333 and Mining Lease 90190, and is located approximately 10km west of the Paradise South Project. The exploration campaign at the D-Tree project commenced in 2008 and concluded in 2009. In total, over 19,500 metres of drilling was completed in this period which covered approximately 35% by area of the mineralised

material discovered in the 1960's. Legend subsequently reported mineralised material which contains a core zone of high grade phosphate mineralisation. Mining Lease 90190 was granted in 2010 over this high grade portion of the deposit, allowing for a 0.5Mtpa phosphate DSO operation.

A 40 tonne sample of phosphate rock from the D-Tree Project was tested in the 2009 pilot beneficiation plant trials in Adelaide. The sample successfully produced a marketable grade rock concentrate of 33% P₂O₅ from 17.5% P₂O₅ ore feed.

Recent citric solubility testing on a high grade sample also indicated the suitability of portions of the D-Tree Project as reactive phosphate rock direct application fertiliser.

2012 Exploration program

During the year, work commenced on defining a new estimate of the total mineralised phosphate material at the D-Tree project. The spatial parameters of the new estimate will be increased to include exploration lease numbers 15763, 17446 and 17333. In addition to data verification and preliminary calculations of grade and tonnage for the new estimate, Paradise conducted site preparation work for future drilling programs and ongoing environmental baseline sampling of water quality.

Golden Cross Joint Venture Project

Ore Reserves for the Golden Cross JV Project

No Ore Reserve estimate has been declared for the Golden Cross JV project.

Ownership and Tenement Status

The tenements comprising the Golden Cross Joint Venture project are registered in the name of King Eagle Resources Pty Ltd, a wholly owned subsidiary of Golden Cross Resources Ltd. Legend entered into an earn-in joint venture with Golden Cross Resources Ltd in May 2008. The terms of the agreement required the Company to spend \$3 million over 5 years on the Golden Cross Joint Venture project to earn an 80% participating interest. Legend has assigned its rights under this agreement to Paradise and the total expenditure on the project is \$3.06 million as of December 2012.

The tenements for the Golden Cross Joint Venture Project are summarised in the table below.

Granted Tenements for Queensland Projects

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment (AUD)
EPM14905*	Granted	Golden Cross	12-Dec-06	11-Dec-16	73140	\$100,000
EPM14906*	Granted	Golden Cross	24-Aug-07	23-Aug-17	58830	\$50,000
EPM14912*	Granted	Golden Cross	30-Jan-07	29-Jan-17	79500	\$50,000

* *earning 80% interest*

Project History

The Lily and Sherrin Creek phosphate mineralised zones were defined in the 1970s. The Quita Creek and Highland Plains phosphate deposits were also defined at that time.

Legend commenced drilling programs at Lily and Sherrin Creek in 2008 with the latest program concluding in 2011. During this period 2,250 metres of drilling was completed. The programs successfully confirmed the presence of phosphate mineralisation. The first drilling

program at Highland Plains and Quita Creek commenced in 2011 and drilled 1,248 metres and 597 metres respectively.

2012 Exploration program

A total of 1,452 samples were assayed following drilling programs in 2011. All of the samples were analysed for the standard suite of elements (P_2O_5 , Fe_2O_3 , Al_2O_3 , CaO and MgO) via Inductively Coupled Plasma mass spectrometry (ICP) and as part of the joint venture agreement were then also tested by X-ray fluorescence for uranium content.

The number of samples for each tenement is as follows:

- EPM14912 – Lily and Sherrin Creek – 454 samples.
- EPM14905 – Quita Creek – 446 samples.
- EPM14906 – Highland Plains – 552 samples.

Assay results were received during the fourth quarter of 2012 and at this time geological modelling has only taken place for the Highland Plains data with the other tenements to be reviewed in 2013.

Government Regulations, Declarations & Conditions

The Company's exploration operations are subject to Australian 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 and other matters. Australian 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.

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 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.

License 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 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.

The royalty is payable to the State of Queensland.

Contractual Agreements in relation to Queensland Phosphate Interests

- (i) On November 2, 2007, we entered into an agreement with Iron Dufken 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 Thorntonina 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, we 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 held an application for a mineral licence over phosphate in the Georgina Basin in the State of Queensland, Australia which has subsequently been withdrawn, allowing Legend's application to take priority. 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.
- (v) On October 27, 2008, we entered into a Heads of agreement with Mt. Isa Metals Ltd. ("MET") for the formation of a Joint Venture ("JV") over each party's respective interest in tenements overlying the D-Tree phosphate deposit. Under the JV, Legend contributed tenements EPM 14753, EPMA's 17333, 17437, 17443 and 17446, and MET contributed tenement EPM 15763 (D-Tree West). Legend managed and held an 80% interest in the JV and MET held a 20% contributing interest in the JV. The JV has access to plant and infrastructure at Legend's 100% owned proposed Lady Annie phosphate development, which lies 9 miles to the east of D-Tree. The Heads of Agreement was replaced by a formal JV agreement dated April 18, 2009. Effective September 30, 2009, MET exited the JV. Legend, as manager of the D-Tree JV, had invoiced MET A\$1.739 million for MET's 20% interest in the D-Tree project for the period September 1, 2008 to June 30, 2009. MET decided to dilute its interest rather than pay the invoices and in accordance with the JV agreement, MET's interest has reduced to less than 5%, thus requiring MET to exit the JV. MET retains a royalty of A\$0.50 per tonne from product from the D-Tree Joint Venture tenements.
- (vi) On December 24, 2008, we entered into a Sale and Purchase Agreement with Elkedra Diamonds Pty Ltd and Uramet Minerals Limited to purchase a 100% interest in EPM 15014, EPM 15015 and application for EPM 17930 for a consideration of A\$900,000. The purchase by Legend was subject to a number of pre-conditions including the receipt by the vendors of any necessary consents and approvals required under the Mining Act and approval for the purchase under the Foreign Acquisition and Takeovers Act 1975 (Cth). These pre-conditions were satisfied in February 2009 and the purchase by Legend settled. As part of the purchase, all parties provided standard warranties for such a transaction to each other. The tenements covered by this purchase are located immediately north of the Queensland phosphate project and are prospective for phosphate and diamonds.

Northern Territory and Western Australian Exploration Interests

Legend's exploration interests in the Northern Territory and Western Australia are through its interest in MED; MED's 31.14% interest in TEM; and its direct holdings in exploration interests in its own right.

The exploration interests cover the following minerals:

- (i) Legend exploration interests cover diamonds and base metals;
- (ii) MED exploration interests cover previous diamond mining operations at the Merlin diamond mine and diamond exploration on Tenements in the Northern Territory and Western Australia; and
- (iii) TEM exploration interests cover uranium exploration in the Northern Territory and Western Australia.

The entire exploration interests of Legend are highly prospective for diamonds and uranium. Legend's exploration team is currently focused on discovering further diamond deposits in the Northern Territory, Australia. Numerous diamond indicator mineral, microdiamond occurrences and other anomalies are being followed up across all projects.

Acquisition of Northern Territory Tenements

Effective as of March 3, 2006, Legend entered into a Contract for the Sale of Exploration Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company acquired certain diamond exploration 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 and 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.

Legend has entered into an agreement with Ashton Mining Limited ("Ashton") and Rio Tinto Exploration Pty Ltd ("Ashton Agreement") dated December 4, 2009 and a second agreement with Mwana Africa plc, Gravity Diamonds Limited and Diamond Mines Australia Pty Ltd dated April 24, 2009 ("Gravity Agreement"). Under these two agreements, Legend has acquired further diamond interests in the Northern Territory of Australia. As way of background, in April and July 2004, Ashton, MED and certain of MED's 100% owned subsidiaries entered into agreements whereby MED purchased certain diamond assets (including the Merlin diamond mine and diamond exploration tenements) from Ashton and Ashton retained rights over these diamond assets including royalty rights, marketing rights and earn back rights. In addition, Rio Tinto and Gravity had entered into an agreement in July 2003 whereby Gravity acquired certain diamond interests from Rio Tinto in the McArthur Basin, which is in the broad vicinity of Legend and MED's diamond interests in the Northern Territory, with Rio Tinto retaining certain residual rights.

Under the Ashton Agreement, Legend purchased all of the Ashton and Rio Tinto's mining information, rights under three agreements and interests in four (4) exploration licences, six (6) applications for exploration licences, five (5) substitute exploration licences and one (1) mining lease for an amount of A\$1,000,000. Rio Tinto retained the royalty payable by MED in respect of the Merlin diamond mine and rights to conduct exploration, development and production activities for non-diamond minerals. Under the Gravity Agreement, Legend purchased Gravity's interest in twelve (12) exploration licences, nine (9) applications for exploration licences and one (1) substitute exploration licence; Gravity's rights, interests and obligations under the Red Metal Agreement and all exploration and data bases relevant to historical exploration; and Legend paid Gravity A\$400,000 for these assets.

In summary, under the Ashton Agreement and Gravity Agreement, Legend has acquired all of Ashton's, Rio Tinto's and Gravity's rights under previous agreement between those parties, not already held by Legend or MED.

Merlin Diamonds Limited

Description of Business

Background

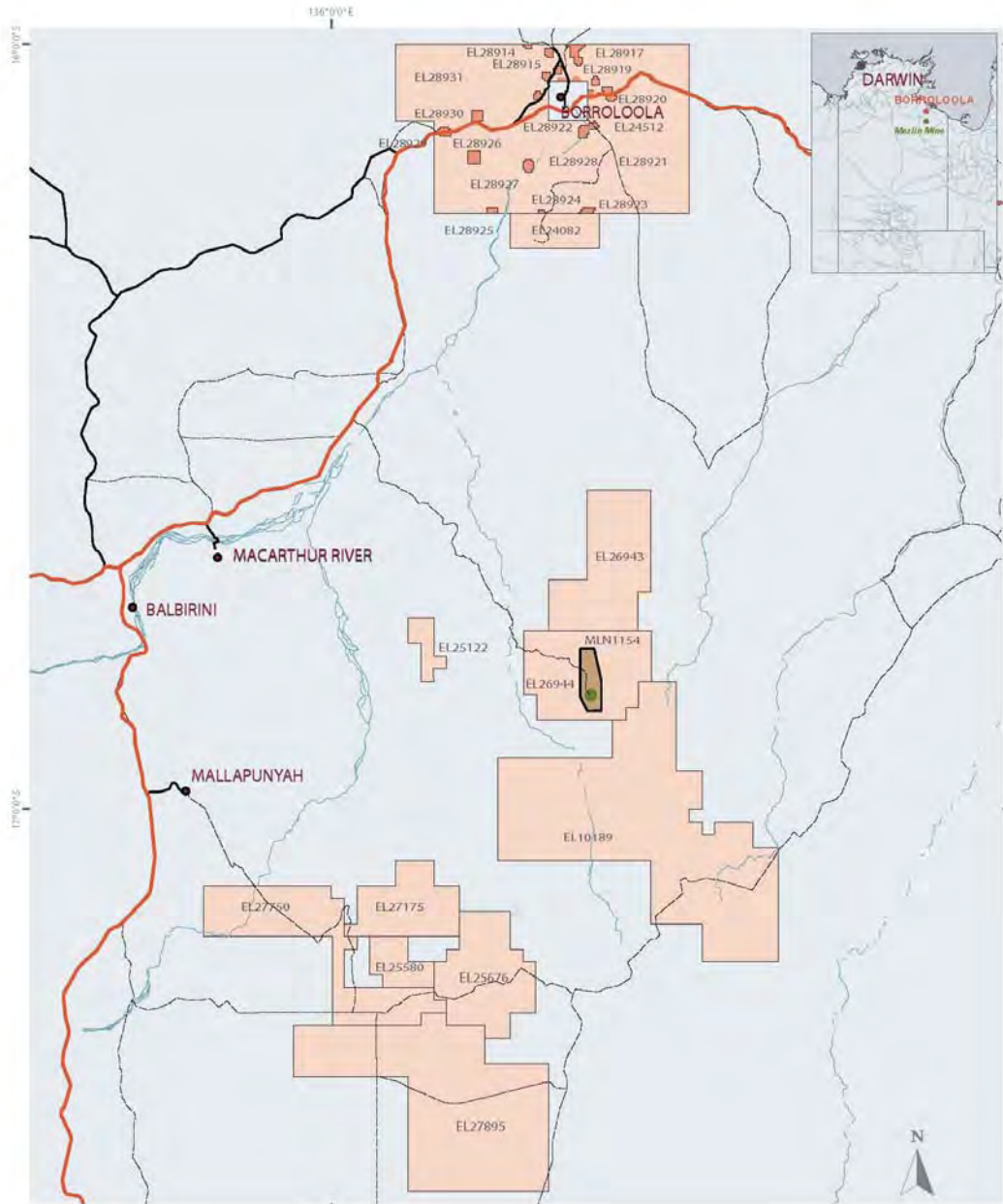
On May 12, 2009, Legend announced it was making an on market takeover offer for all of the shares in MED, an Australian corporation (ASX: MED) that it does not already own. The offer was an unconditional on market cash offer at \$A0.012 per MED share, which expired on June 27, 2009 unless extended in the sole discretion of Legend. On June 18, 2009, the Company increased its offer to A\$0.015 per MED share as a final offer. The offer period was also extended to July 24, 2009. On July 23, 2009, Legend's voting power in MED exceeded 50% and in accordance with subsection 624(2) of the Australian Corporation Act

2001 the offer was automatically extended for an additional period of 14 days. As of August 6, 2009 (close of offer), Legend held 55% of the issued and outstanding shares of MED for a total cost of A\$11.6 million (approx. US\$9.3 million). As a result, MED became a subsidiary of Legend post June 30, 2009. In early December 2009, MED placed shares to a third party which had the effect of diluting Legend's interest in MED to 47.83%. During 2010 and 2011, Legend subsequently increased its stake to 50.69%. During 2012, MED has issued further shares upon exercise of options and to raise further funding. As a result, at December 31, 2012, Legend's interest in Merlin was 41.95%. Since that date, MED has issued further shares to third parties and at March 15, 2013, Legend's interest in MED had reduced to 33.84%. In January 2013, Legend entered into a contract to sell 24 million ordinary shares (approximately 16.9%) in MED at a price of A\$0.21 per share and on March 12, 2013, it entered into two further contracts to sell a total of 35 million ordinary shares (approximately 19.9% in MED at a price of A\$0.22 per share. Following closing, Legend will hold less than a 1% interest in MED.

Strategy

MED is primarily focused on the commencement of mining and processing activity at its 100% owned Merlin diamond mine in the Northern Territory, Australia. Merlin is also evaluating the economic potential of the Borroloola gravels which are known to host diamonds. Regional exploration for diamondiferous kimberlites is undertaken by a dedicated exploration team.

The Merlin diamond project comprises the Merlin diamond mine operations and the surrounding exploration tenements ("Merlin Orbit") which effectively encompass the known extent of the Merlin Kimberlite Field.



- | | |
|--|--|
|  Granted |  Highways |
|  Non consent areas |  Sealed roads |
|  Mine lease |  Unsealed roads |
|  Population centres |  Major drainage |
|  Merlin Plant locations | |

Merlin Diamond Mine and Surrounds



The Merlin diamond project is located some 60 miles south of the settlement of Borroloola and comprises 14 kimberlite pipes, grouped into four clusters. Nine of these pipes were subject to open-pit mining over a 5 year period commencing in 1998. The operations ceased in 2003 having produced 507,000 carats of diamonds. During its short operational life, the Merlin diamond mine was renowned for the production of top quality white diamond and large specials, including Australia's largest diamond of 104.73 carats. Merlin acquired the project from the Rio Tinto group in 2004.

In addition to the Merlin diamond project, Merlin has over 5 million acres of tenement holdings in Arnhem Land (Arnhem Project) and granted mining leases over the Ashmore and Seppelt kimberlite.

2012 Merlin Highlights:

- The total Merlin Australian JORC Code and US SEC Industry Guide 7 compliant Probable Ore Reserve is estimated at 11.1 million tonnes for a contained 2.9 million carats.
- As part of a feasibility study, Jet Mining Pty Ltd, an affiliate of USA based Kinley Exploration, has defined the technical and economic parameters for hydraulic ore cutting at Merlin.
- Jet Mining and MED have executed a contract to begin mining operations at the Merlin diamond mine. MED expects the borehole mining equipment and drilling rig to be commissioned during the second quarter 2013. The commissioning phase will be conducted on a single shift basis, mining kimberlite ore from the PalSac pipe. Subsequent to the successful commissioning of the borehole mining rig, double shift operations will commence at the higher grade Ywain kimberlite pipe.
- To meet MED's aim of diamond production in 2013, MED is seeking to engage a suitable engineering group to maintain and operate the processing plant in the near term. Similarly, camp accommodation and catering contracts are also being tendered.
- During the year MED sold parcels of rough diamonds from the 2010 production trials. The sales have generated proceeds of US\$1.865 million. MED has retained a quantity of high value special stones, including several which have been cut and polished for marketing and valuation purposes.
- Processing of bulk samples extracted from the Borroloola alluvial project recovered 22 diamonds with a total weight of 1.09 carats.

Merlin Diamond Project

Ore Reserves for the Merlin Diamond Mine

Merlin has previously declared an Australian JORC Code and US SEC Industry Guide 7 compliant Ore Reserve estimate based on conventional open pit mining methods. The Ore Reserves at the Merlin diamond mine may be re-estimated in 2013 based on the borehole rig operating parameters established during the initial mining period.

	Probable Ore Reserve (Mt)	Grade (ct/t)	Carats (Mct)
Southern Cluster			
PalSac	8.1	0.3	2.41
<i>Sub-Total</i>	8.1	0.3	2.41
Central Cluster			
Gawain	0.5	0.39	0.21
Ywain	0.1	0.81	0.05
<i>Sub-Total</i>	0.6	0.44	0.26
Northern Cluster			
Kaye	0.9	0.12	0.1
Ector	1.5	0.07	0.11
<i>Sub-Total</i>	2.4	0.09	0.11
TOTAL	11.1	0.26	2.89

Mineralised Material for the Merlin Diamond Mine

The mineralized material in all diamond pipes at the Merlin diamond mine is 19.02 million tonnes for an average grade of 24 carats per hundred tonnes ("cph").

	Mineralized Material (Mt)	Grade (ct/t)
Southern Cluster		
PalSac	6.59	0.3
Launfal	3.28	0.25
Excalibur	0.77	0.34
Tristram	0.74	0.06
<i>Sub-Total</i>	11.38	0.27
Central Cluster		
Gawain	1.14	0.39
Ywain	0.12	0.81
<i>Sub-Total</i>	1.26	0.43
Northern Cluster		
Gareth	0.27	0.22
Kaye	2.14	0.12
Ector	3.47	0.07
Bedevere	0.5	0.21
<i>Sub-Total</i>	6.38	0.11
TOTAL	19.02	0.24

Tom Reddicliffe, who was previously employed by Merlin Diamonds Ltd, and who is a Fellow of the AUSIMM, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Ownership and Tenement Status

Merlin Project granted tenements

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment
MLN1154	Granted	Merlin	15-Jun-98	31-Dec-22	5,683	NA
EL10189	Granted	Merlin Orbit	23-Jul-02	22-Jul-14	50,880	\$150,000
EL24082	Granted	Merlin Orbit	17-Oct-05	16-Oct-13	16,695	\$70,000
EL24512	Granted	Merlin Orbit	29-Aug-11	28-Aug-17	229,755	\$90,000
EL25122	Granted	Merlin Orbit	17-Nov-06	16-Nov-12	3,180	\$20,000
EL25580	Granted	Merlin Orbit	16-Mar-07	15-Mar-13	11,925	\$70,000
EL25676	Granted	Merlin Orbit	23-Aug-07	22-Aug-13	44,520	\$80,000
EL26943	Granted	Merlin Orbit	30-Apr-09	29-Apr-13	50,880	\$70,000
EL26944	Granted	Merlin Orbit	30-Apr-09	29-Apr-13	50,880	\$75,000
EL27175	Granted	Merlin Orbit	28-Sep-09	27-Sep-15	13,515	\$48,000
EL27750	Granted	Merlin Orbit	20-Sep-10	19-Sep-16	27,825	\$30,000
EL27895	Granted	Merlin Orbit	20-Sep-10	19-Sep-16	63,600	\$50,000

Merlin project tenements under application

Lease	Lease Status	Project	Acres
EL28914	Application	Merlin	795
EL28915	Application	Merlin	1,590
EL28916	Application	Merlin	1,590
EL28917	Application	Merlin	2,385
EL28918	Application	Merlin	1,590
EL28919	Application	Merlin	1,590
EL28920	Application	Merlin	3,180
EL28921	Application	Merlin	1,590
EL28922	Application	Merlin	2,385
EL28923	Application	Merlin	3,180
EL28924	Application	Merlin	795
EL28925	Application	Merlin	1,590
EL28926	Application	Merlin	3,180
EL28927	Application	Merlin	795
EL28928	Application	Merlin	3,180
EL28929	Application	Merlin	3,180
EL28930	Application	Merlin	795
EL28931	Application	Merlin	1,590
EL28932	Application	Merlin	1,590

Project History

The Merlin diamond field was discovered in 1993 by Ashton Mining Limited. Limited trial mining commenced in late 1998 as a means of evaluating the diamond field. Trial mining was deemed more cost effective than bulk sampling due to the number of pipes involved and their small size. The trial mining operations continued for five years and ceased in 2003 with a total of 507,000 carats of diamonds being produced and sold during this period. In late 2000, Rio Tinto acquired the project following the takeover of Ashton Mining Limited and continued the trial mining until its completion in 2003.

MED acquired the project from Rio Tinto in 2004. Since that time Merlin has been evaluating the project with a view to recommencing commercial mining operations.

Royalties

The project is subject to two gross revenue royalties totalling 1.75%.

The project also operates under a Native Title agreement with relevant Traditional Owners who have traditional links to the area. This agreement allows for a net profit interest to be paid annually at the rate of 2% and scaling up to 4% for a more profitable operation and

with a minimum annual payment of \$10,000 if operations are scaled back. Renegotiation of this agreement has been proposed by the Northern Land Council who administers the agreement.

Environmental Permitting Requirements

The Northern Territory government requires a Mining Management Plan (MMP) to be lodged and approved prior to commencement of mining activity. The MMP is required to quantify the impact of the mining activity on water quality, local ecosystems and ground disturbance. Merlin is currently working with environmental consulting group EcOz to evaluate the impact of activities planned for 2013. Security provisions for site rehabilitation will also be indicated by the MMP.

MED staff are undertaking ongoing sampling of water on the mining lease to establish baseline levels of water quality.

Merlin Diamond Mine Strategy

Jet Mining Pty Ltd, an affiliate of USA based Kinley Exploration, has defined the technical and economic parameters for hydraulic ore cutting at Merlin. When implemented, this technology will enable the direct extraction of ore at Merlin without the need for capital intensive underground development or overburden removal.

Jet Mining and MED have executed a contract to begin mining operations at the Merlin diamond mine. The Company expects the borehole mining equipment and drilling rig to be commissioned during the second quarter 2013. The commissioning phase will be conducted on a single shift basis, mining kimberlite ore from the PalSac pipe.

Subsequent to the successful commissioning of the borehole mining rig, double shift operations will commence at the higher grade Ywain kimberlite pipe.

During the trial period, factors affecting ore extraction rates will be studied and the engineering processes optimised. Also, integration of mining and ore processing will be undertaken to establish the production levels for the mine.

Once a steady rate of diamond production is achieved, MED expects mining and processing to continue uninterrupted. At that time, MED will examine its options for increasing production which may include additional borehole mining rigs and/or plant upgrades.

MED will initially outsource the operational and support activities at the Mine. Tenders for mining, haulage, processing and camp management have been released and the Company is evaluating the options.

This strategy will allow the operation to commence production without the obligations and potential delays involved in MED employing and training staff in-house. In the near term, MED management will focus on integrating and optimising site operations. Once production processes are in place, and the mine is operating in a steady state, MED intends to move into a cost effective owner operated business model.

MED has appointed Eric Magee as Operations Manager for the Merlin diamond mine. Mr Magee is a qualified engineer with post graduate studies in Mining Engineering. He has over 25 years' experience in the mining industry in South Africa and Australia. Between 2008 and 2012, he worked for Kimberley Diamond Company, with his final role being General Manager Operations.

MED has prepared tenders for key areas of the mines operation. Site visits by short listed companies have been concluded and MED is awaiting proposals for two out of the three work packages.

Work Package 1: Mining – Jet Mining has been awarded the tender for the provision of specialised borehole mining equipment, engineering and project management services to commence kimberlite ore extraction in the second quarter 2013. The work package specifies

management of in-pit operations and the engagement of a third party drilling contractor. All mining activity and ore haulage will be managed by Jet Mining.

Work Package 2: Ore Processing – The processing tender calls for suitable engineers to operate, maintain and possibly upgrade the Merlin processing plant. DRA Group has conducted a site visit and are preparing a proposal. DRA Group has an established history with the Merlin Mine. DRA designed the Merlin diamond plant for Ashton Mining Ltd in the early days of the project.

Work Package 3: Camp Facilities – The Camp Facilities tender calls for suitable remote catering suppliers to supply catering and camp management services for the Merlin mine camp. Cater Care Group has conducted a site visit and is preparing a proposal. Cater Care Group are an industrial catering and accommodation company with experience in mining, offshore and remote sites.

2012 Exploration Program

Merlin Near Mine Exploration

Since the early 1990's a total of 11 kimberlite pipes have been discovered on the Merlin mine lease. The Mine's previous owners conducted extensive geochemical sampling and followed up with a drilling program resulting in the discovery of a lens shaped kimberlite body 100m south of Bedevere.

MED holds a significant historical database and data derived from sampling and drilling programs. MED believes that the area covered by and near the Merlin mine lease has the potential to host undiscovered kimberlites. During 2012, a review of the exploration data has been commissioned and an exploration program designed with the goal of targeting unresolved geophysical, geochemical and structural anomalies.

An exploration program drilling 42 targets was conducted at the Merlin diamond mine. The drilling program drilled 128 holes for a total of 3,568 metres. No kimberlites were intersected, however two drillholes intercepted anomalous geology in the sandstone cover. Samples from a fissure and a possible brecciated pipe discovered during the drilling program have been taken for indicator mineral analysis. No geochemical or heavy mineral results will be available until the next quarter. Numerous untested kimberlite targets remain to be drilled within the Merlin mine lease.

Borrooloola Alluvial Diamond Project Exploration

An application was lodged in 2004 (Exploration Licence Application 24512) for an area of 289 blocks (approximately 230,000 acres), 10 kilometres south of the township of Borrooloola. The Northern Land Council's Full Council ratified the Borrooloola traditional owners' decision to consent to the grant of the licence. On 29 August 2011, Exploration Licence 24512 was granted to MED for a period of six years.

The Borrooloola alluvial gravels are exposed at surface in an area covering 5km². However, the total area which could potentially host alluvial gravel deposits on MED's tenements, and is yet to be explored, is in the order of 300km². This significantly increases the opportunity to identify a large volume, high value alluvial diamond deposit.

Following the grant of the exploration licence for the Borrooloola alluvial diamond project (EL24512) in August 2011, MED immediately commenced the excavation of 5,000 tonnes of alluvial material from known diamond bearing gravel deposits. The purpose of the tests was to commence the assessment of the economic potential of the gravels by determining diamond quality, quantity and distribution in the alluvial material.

The bulk sampling program focused on an area of outcropping gravel. Material from three pits, 3,000 tonnes in total, has been processed at the Merlin diamond mine, yielding 22 stones with a total weight of 1.09 carats. Thirteen of the recovered diamonds are white in colour including the largest two at 0.19 and 0.25 carats.

High water levels in rivers leading to the Merlin diamond mine prevented 2,000 tonnes of gravel from two pits being transported during the wet season. This material will be processed in due course and further exploration work aimed at understanding the fluvial architecture of the gravels will be planned.

The Borroloola alluvial diamond project represents a significant and unique opportunity to explore for a large volume, high value, alluvial diamond deposit.

Lancelot Prospect Exploration

At the Lancelot Prospect (EL25676), in the Merlin Orbit tenements, an analysis of airborne gravity and magnetic data acquired in 2004, in conjunction with geochemical sampling has highlighted overlapping geophysical anomalies in proximity to geochemical anomalies. A Mine Management Plan has been submitted and accepted by the Department of Mines and Energy for an exploration costeaning program.

The costeaning program was completed in November 2012 and targeted 30 sites. Fifty eight costeans were excavated and 91 samples comprising 20 to 80 kg each were collected for indicator mineral analysis. The results of this analysis are pending.

In addition to testing the coincidental geophysical anomalies for the potential to be primary kimberlite, the program was designed to map and sample buried alluvial channels, known as palaeochannels, which may carry kimberlite indicator minerals. These palaeochannels were identified in drilling and costeaning during 2009 and 2010.

The 2012 sampling will establish the distribution of chromites and micro diamonds in this alluvial material. This information will be used as vectors in future exploration programs to identify locations of primary kimberlite sources.

Arnhem Land Project

Ore Reserves for the Arnhem Project

No Ore Reserves have been declared at the Arnhem Project.

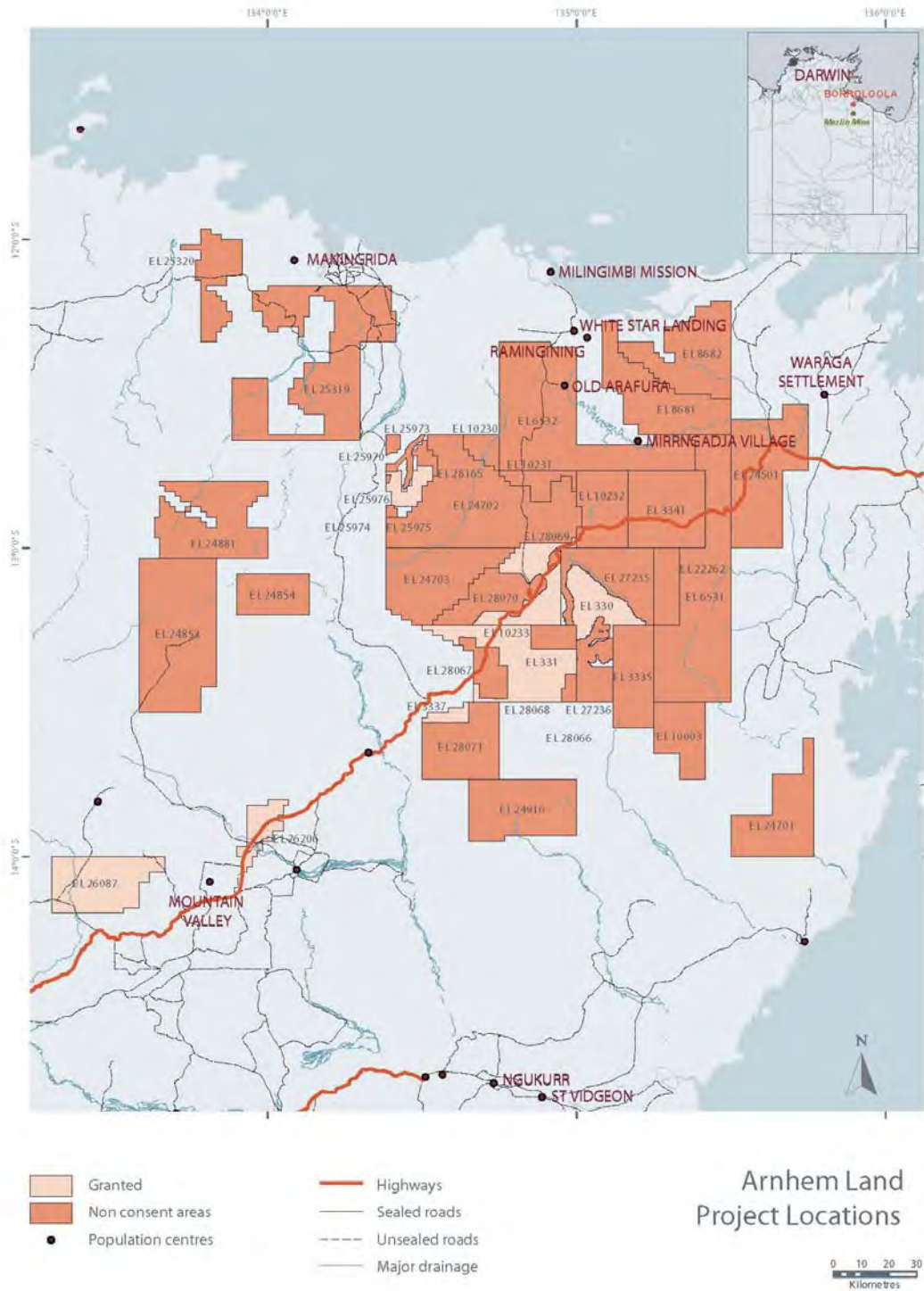
Ownership and Tenement Status

Arnhem Land granted tenements

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment
EL10233	Granted	Arnhem Land	18-Apr-11	17-Apr-17	127,200	\$50,000
EL25976	Granted	Arnhem Land	11-May-07	10-May-13	36,570	\$70,000
EL26087	Granted	Arnhem Land	19-Mar-08	18-Mar-14	80,295	\$80,000
EL26206	Granted	Arnhem Land	19-Mar-08	18-Mar-14	26,235	\$80,000
EL330	Granted	Arnhem Land	30-Mar-09	29-Mar-15	100,170	\$105,000
EL331	Granted	Arnhem Land	18-Apr-11	17-Apr-17	198,750	\$75,000
EL3337	Granted	Arnhem Land	18-Apr-11	17-Apr-17	17,490	\$33,000

Arnhem Land tenements under application

Lease	Lease Status	Project	Acres
EL10003	Application	Arnhem Land	99,375
EL10230	Application	Arnhem Land	28,620
EL10231	Application	Arnhem Land	38,955
EL10232	Application	Arnhem Land	116,070
EL22262	Application	Arnhem Land	59,625
EL24501	Application	Arnhem Land	250,425
EL24701	Application	Arnhem Land	163,770
EL24702	Application	Arnhem Land	389,550
EL24703	Application	Arnhem Land	193,980
EL24853	Application	Arnhem Land	345,825
EL24854	Application	Arnhem Land	89,040
EL24881	Application	Arnhem Land	217,830
EL24916	Application	Arnhem Land	189,210
EL25319	Application	Arnhem Land	397,500
EL25320	Application	Arnhem Land	99,375
EL25970	Application	Arnhem Land	9,540
EL25973	Application	Arnhem Land	33,390
EL25974	Application	Arnhem Land	2,385
EL25975	Application	Arnhem Land	6,360
EL27235	Application	Arnhem Land	151,845
EL27236	Application	Arnhem Land	85,065
EL28066	Application	Arnhem Land	16,695
EL28067	Application	Arnhem Land	62,010
EL28068	Application	Arnhem Land	35,775
EL28069	Application	Arnhem Land	12,720
EL28070	Application	Arnhem Land	116,070
EL28071	Application	Arnhem Land	150,255
EL28165	Application	Arnhem Land	13,515
EL29398	Application	Arnhem Land	4,770
EL29399	Application	Arnhem Land	267,120
EL29400	Application	Arnhem Land	3,180
EL29401	Application	Arnhem Land	1,590
EL29402	Application	Arnhem Land	4,770
EL29403	Application	Arnhem Land	17,490
EL29407	Application	Arnhem Land	1,590
EL29408	Application	Arnhem Land	46,110
EL29409	Application	Arnhem Land	3,180
EL29410	Application	Arnhem Land	1,590
EL29411	Application	Arnhem Land	3,180
EL29412	Application	Arnhem Land	4,770
EL29413	Application	Arnhem Land	19,875
EL29414	Application	Arnhem Land	5,565
EL3335	Application	Arnhem Land	127,200
EL3341	Application	Arnhem Land	178,875
EL6531	Application	Arnhem Land	397,500
EL6532	Application	Arnhem Land	397,500
EL8681	Application	Arnhem Land	196,365
EL8682	Application	Arnhem Land	190,800



Project History

In 2009, MED purchased all rights and title to tenements held by De Beers Exploration Australia Limited within Arnhem Land. These tenements are considered to have potential for diamonds and other minerals.

Processing of reconnaissance stream samples collected in 2010 was completed with no diamond indicator minerals of potentially kimberlitic origin reported. Further reconnaissance sampling conducted in August 2011 consisted of stream gravel sampling on

five tenements and infill loam sampling on an additional tenement which had previously reported microdiamonds. No diamond indicator minerals of potentially kimberlitic origin were reported in the analysis.

In October 2012, MED collected 47 diamond exploration samples totalling 1,920kg over tenements EL331, EL3337, EL10233 and EL330. To date results from 28 samples have been received from the laboratory. Chromites were recovered in seven samples but are considered to be worn, weathered and of non-kimberlitic origin. A cube shaped microdiamond recovered in one sample is also considered to be of non-kimberlitic origin.

MED has a contractual right to obtain an 80% interest in two tenements covering some 2,000km² of land in the prospective western region of Arnhem Land. MED's right to acquire an 80% interest in the two tenements is conditional on the grant of these tenements which are currently at the application stage.

2012 Exploration Program

No exploration activity was undertaken in 2012.

Ashmore and Seppelt Kimberlite Pipes

Ore Reserves for the Ashmore and Seppelt Kimberlite Pipes

No Ore Reserves have been declared at the Ashmore and Seppelt Kimberlite Pipes.

Ownership and Tenement Status

Granted Mining Leases over the Ashmore and Seppelt Pipes

Lease	Lease Status	Project	Grant Date	Expiry Date	Acres	Annual Commitment
M80/492	Granted	Ashmore	25-Nov-99	24-Nov-20	746	\$74,900
M80/526	Granted	Seppelt	1-Aug-03	31-Jul-24	446	\$44,900
M80/532	Granted	Seppelt	29-Oct-03	28-Oct-24	542	\$54,500

Project History

The North Kimberley Diamond Province was discovered in 1975 as a consequence of regional reconnaissance stream sampling undertaken by the Kulumburu Joint Venture. Although the Kulumburu Joint Venture discovered Skerring, a small non-diamondiferous kimberlite pipe it was not until 1993 that the first diamond bearing pipes, Seppelt 1 and Seppelt 2 were discovered by De Beers. A characteristic of the North Kimberley diamond province is that it has a number of different diamond populations, some of which remain unsourced. To date three significant diamond bearing pipe clusters have been identified with each containing a different diamond population with significantly different grades.

MED completed bulk sampling at these pipes between 2001 and 2004.

Royalties

All of the Ashmore and Seppelt tenements are subject to an agreement dated 1997, between Merlin and the Kimberley Land Council Aboriginal Corporation for and on behalf of the Balangarra Aboriginal Corporation. The main terms of this agreement dealing with compensation and mining royalties are as follows;

1. A payment of 1.5% of construction costs associated with a mine development.
2. An annual payment of \$300 per hectare for land affected by mining.
3. A 2% royalty on the sale of diamonds.

2012 Exploration Activity

No exploration activity was undertaken in 2012.

Top End Minerals Ltd

Uranium Exploration

TEM is a uranium and gem focused exploration company which controls, through farm-in arrangements with MED, one of the largest portfolios of highly prospective exploration tenements in the Northern Territory, Australia. It has tenement holdings across three project areas, Arnhem Land Project Area, Yambarra Project Area and the McArthur South Project Area. MED assigned to TEM the non-diamond mineral rights to its tenements.

Investment in Northern Capital Resources Corp

Legend holds a 31.50% interest in NCRC, an unlisted US corporation. NCRC's subsidiary Golden River Resources Corporation ("Golden River") (GORV:OTCBB) acquired a controlling interest in Acadian Mining Corporation ("Acadian"), a Canadian company listed on Toronto Stock Exchange (TSX:ADA) in 2009. Subsequent to December 31, 2011, Golden River sold a 19.9% interest and currently holds approximately 52% of Acadian. During fiscal 2012, Golden River sold 28.6% stake in Acadian for CDN\$1,941,800 and at December 31, 2012 held a 22.197% interest in Acadian.

Acadian is a Halifax, Nova Scotia, Canada based mining company focused on developing five advanced gold properties, Beaver Dam, Fifteen Mile Stream, Tangier, Forest Hill and Goldenville, which form the core holdings of the Scotia Goldfields Project. All of the five advanced properties host gold mineralized deposits described in technical reports prepared in compliance with Canadian National Instrument 43-101. Acadian is bringing a new approach to the development of Nova Scotia gold deposits by pursuing a multiple mine, central processing, managing and servicing strategy. Acadian operated an open pit zinc-lead mine (Scotia Mine) at Gays River, Nova Scotia from May, 2007 to early 2009 (Scotia Zinc Project) through its 100% wholly owned subsidiary ScoZinc Ltd, which it sold during 2011

NCRC also holds exploration interests in Australia.

Item 1A. Risk Factors.

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 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; and
- our ability to generate revenues and profitably operate a mine on any mineral property we identify.

We Will Require Further Financing To Determine If There Is Commercial Minerals, Develop Any Minerals We Identify And To Maintain The Mineral Claims.

Our success may depend on our ability to raise further capital. We will require further substantial additional funds to conduct mineral exploration and development activities on all of 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. In this regard, Paradise was unable to complete an initial public offering in Australia in 2012 due in part to adverse financial market conditions. 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 Contains 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, 2012 and 2011, and for the years ended December 31, 2012 and 2011, 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, have incurred net losses from inception, and have an accumulated (deficit) of \$170,990,000 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.

There are Risks Related to the Construction, Development and Operation of Our Proposed Phosphate Mining and Beneficiation Facilities

The planning, construction and operation of phosphate mining and beneficiation facilities is a complex undertaking that involves various elements including engineering, design, procurement of equipment, transportation, water resources, construction and obtaining financing and permits required related thereto.

We will need to obtain substantial equity and/or debt financing from third parties to fund the construction and development of our proposed phosphate mining and beneficiation facilities. We do not have any definitive agreements or understandings at this time to obtain this financing and there can be no assurance that we will be successful in doing so.

If we are not successful obtaining the necessary permits and approvals or raising the necessary funds, in a timely manner, or at all, in order to plan, construct or operate the mining and beneficiation facilities, this would have material adverse affect on our business and financial condition.

Phosphate market, price and demand and the need to enter into off-take agreement/s

Paradise intends to derive its revenue from the extraction and sale of phosphate rock from the Paradise North Project. The price which Paradise may receive for its phosphate products depends on numerous factors that are beyond Paradise's control and are inherently unpredictable, including general global economic conditions, currency exchange rates,

increases of supply by competitors, shipping costs, alternative product development and changes in the demand for phosphate.

The viability of the Paradise North Project is dependent upon Paradise entering into a joint venture arrangement or off-take agreement with a customer or customers on acceptable terms and there is a risk that acceptable off-take arrangements may not eventuate.

The additional growth opportunities are also exposed to a risk that Paradise may not be able to achieve an acceptable price for the phosphate products which it hopes to produce, or be able to enter into viable off-take agreements for its anticipated fertiliser products.

World Economic Conditions Could Adversely Affect Our Results of Operations and Financial Condition

The effects of the continuing global financial crisis are difficult to accurately predict. As a result of this crisis, conditions in the credit markets have continued to be uncertain and risk adverse. These adverse conditions may make it harder for the Company to raise additional funds to finance the continued development of its business and may reduce the demand for phosphate and diamonds, which, at least in the short term, could reduce the value of the Company's mineral exploration properties. Continued adverse economic conditions could adversely affect our liquidity, results of operations and financial condition.

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 phosphate and 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. Further, it may take many years from the initial phase of drilling before production is possible and, during that time, the economic feasibility of exploiting a discovery may change.

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.

Unforeseen changes in the phosphate rock properties may result in the product failing to meet the required specifications, and accordingly the Company can make no assurance that the product will meet required specifications at this time.

The mineralogical composition of phosphate bearing rocks is subject to natural variability resulting in differences in physical properties, levels of impurities and available phosphorus content. Fertiliser manufacturers and farmers require phosphate concentrate or

rock to be delivered which meet specified tolerances on elemental impurities and quantity of available phosphorus.

The Company has conducted a range of tests on phosphate rock from the Paradise North Project (and the Company's other Projects). These tests are necessarily conducted on discrete samples of rock taken from drill holes or excavations. Assumptions are then made regarding the spatial continuity of the phosphate rock properties. Unforeseen changes in the phosphate rock properties may result in the product failing to meet the required specifications, and accordingly the Company can make no assurance that the product will meet required specifications at this time.

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 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 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.

Failure to obtain access to suitable transportation infrastructure could delay and/or increase the costs of the Company meeting its objectives.

Phosphate DSO from the Paradise North Project is intended to be transported to the Port of Townsville for shipping to local and international customers. The Company intends to move phosphate DSO using a combination of road and/or rail. A number of factors, including natural disasters or extreme weather events, could disrupt these transport routes.

There is currently sufficient capacity on both the Mount Isa to Townsville railway line and at the Port of Townsville to transport the Company's planned phosphate DSO production. However, both these transport options have constraints on capacity and there is no certainty that any currently available capacity will be available or any further capacity will be able to be made available when required by the Company. The Company is in discussions with potential transport providers. To date no binding agreements have been entered into with these providers. The Company can make no assurance that it will be able to secure agreements to transport any phosphate it produces on acceptable terms. Failure to obtain access to suitable transportation infrastructure could delay and/or increase the costs of the Company meeting its objectives.

Approximately 37% Of Our Common Stock Is Controlled By Certain Stockholders, Including Our Chairman And Chief Executive Officer, Who Have The Ability To Substantially Influence The Election Of Directors And Other Matters Submitted To Stockholders

Mr Joseph Gutnick, our Chairman and Chief Executive Officer, and his wife, beneficially owned 75.9 million shares of our common stock, which represented 25.20% of our shares outstanding as of December 31, 2012. In addition, Mr Gutnick is a party to a stockholders agreement with IFFCO, which beneficially owned 11.66% of our common stock as of December 31, 2012. Pursuant to the stockholders agreement, Mr Gutnick and IFFCO have agreed to vote their shares together on certain matters, including the election of directors. As a result, they have and are expected to continue to have the ability to significantly influence the election of our Board of Directors and the outcome of all other issues submitted to our stockholders. The interests of these principal stockholders may not always coincide with our interests or the interests of other stockholders, and they may act in a manner that advances their best interests and not necessarily those of other stockholders. One consequence to this substantial influence or control is that it may be difficult for investors to remove management of the Company. It could also deter unsolicited takeover, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices.

We are substantially dependent upon AXIS Consultants To Carry Out Our Activities

Legend holds a 9.09% interest in AXIS at a cost of A\$1 and which is accounted for under the cost method and any profits generated by AXIS are returned to its shareholders in the form of dividends. The majority shareholder (72.73%) of AXIS is a third party independent of Legend Directors and management (J I Gutnick and his family or any of their private companies do not hold any shares in AXIS).

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 substantial amounts of time to the business and affairs of the other shareholders 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 ten 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. In addition, there may be conflicts among the Company and the other companies that AXIS provides services to with respect to access to executive and administrative personnel and other resources.

Historically, AXIS has allocated corporate opportunities to each of the companies engaged in the exploration and mining industry after considering the location of each of the companies' operations and the type of commodity for which each company explores within its geographic region. At present, there are no conflicts among the ten companies with respect to the principal geographic areas in which they operate and/or the principal commodities that they are searching for other than between the Company and MED (in which the Company owned a 41.95% interest as of December 31, 2012) with respect to the search for diamonds in Northern Australia. AXIS has advised the Company that it plans to allocate diamond exploration opportunities between the Company and MED based upon the proximity of such opportunities to their respective existing exploration properties.

Our Phosphate Assets Are Subject To Security Interests In Favor Of Holders Of Paradise's Secured Convertible Notes. Paradise's Failure To Repay The Secured Convertible Notes Could Result In Legal Action Against Us, Which Could Require The Sale Of Our Phosphate Assets.

The repayment of Paradise's secured convertible note facility is secured by a security interest in the phosphate assets and shares of Paradise. If we are unable to repay the convertible note facility when required, the holders of the notes could commence legal action against us and foreclose on all of the phosphate assets to recover the amounts due. Any such action would require us to curtail or cease our phosphate operations.

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.

Item 1B. Unresolved Staff Comments.

As of December 31, 2012, we do not have any Securities and Exchange Commission staff comments that have been unresolved for more than 180 days.

Item 2. Properties.

Legend has exploration properties as discussed in "Item 1 – Description of Business". Legend occupies certain executive and office facilities in Melbourne, Victoria and certain regional areas in Australia to support field operations and AXIS also provides office facilities pursuant to the Service Agreement with AXIS. See "Item 1 – Business - Employees" and "Item 12 – Certain Relationships and Related Transactions". Legend believes that its administrative space is adequate for its current needs.

Item 3. Legal Proceedings.

There are no pending legal proceedings to which the Company is a party, or to which any of its property is the subject, which the Company considers material.

Item 4. Mine Safety Disclosure

Not applicable, as the Company has no mining operations in the United States of America.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Legend's Common Stock is quoted on the NASD 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)
2011		
First Quarter	1.10	0.70
Second Quarter	0.83	0.43
Third Quarter	0.61	0.30
Fourth Quarter	0.43	0.08
2012		
First Quarter	0.18	0.10
Second Quarter	0.13	0.06
Third Quarter	0.11	0.07
Fourth Quarter	0.10	0.06

- (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 March 15, 2013, there are 294,047,971 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 March 13, 2013, there were approximately 54 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 (US\$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. These options expired as of December 31, 2012.

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.

Transfer Agent

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

Recent Sales of Unregistered Securities

We have issued no unregistered securities within the period covered by this report which have not been previously reported on Form 10-Q or Form 8-K.

Item 6. Selected Financial Data.

Our selected financial data presented below for each of the years in the two-year period ended December 31, 2012, and the balance sheet data at December 31, 2012 and 2011 has been derived from financial statements, which have been audited by PKF O'Connor Davies, A Division of O'Connor Davies, LLP (PKF O'Connor Davies), New York, NY. The selected financial data should be read in conjunction with our consolidated financial statements for each of the years in the period ended December 31, 2012 and Notes thereto, which are included elsewhere in this Annual Report.

Statement of Operations Data

	Year ended December 31		
	2011	2012	2012
	A\$000s	A\$000s	Conv. Transl US\$000s
Revenues	-	-	-
Other income	1,233	292	303
Costs and expenses	(26,538)	(27,029)	(28,036)
Loss from operations	(25,305)	(26,737)	(27,733)
Other non-operational gains and costs	(13,896)	1,400	1,451
Provision for income taxes	-	(650)	(674)
Equity in losses of unconsolidated entities	(7,495)	(435)	(451)
Net (loss)	(46,696)	(26,422)	(27,407)
Net (loss) attributable to non- controlling interests	2,619	3,002	3,114
Net (loss) attributable to Legend stockholders	(44,077)	(23,420)	(24,293)
	A\$	A\$	\$US
Basic net (loss) per share	(0.19)	(0.10)	(0.10)
Weighted average number of shares outstanding (000s)	226,405	237,913	237,913

Balance Sheet Data

	A\$000s	A\$000s	US\$000s
Total assets	36,906	34,987	36,292
Total liabilities	(8,744)	(25,849)	(26,813)
Total equity	28,162	9,138	9,479

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

General

The following discussion and analysis of our financial condition and results 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.

Legend has been an exploration stage company since August 2006. During February 2011, the Company announced its maiden mineral reserve for its 100% owned Paradise South phosphate project in accordance with SEC Industry Guide 7. As a result of establishing mineral reserve estimates, Legend has entered into the development stage for this project as it engages in the process of preparing the mineral deposit for extraction, while it continues with its other various exploration activities. Effective March 1, 2011, the Company has been reporting as a development stage company.

Legend also has exploration interests in the Northern Territory and Western Australia through its 41.95% interest in MED and has direct holdings in exploration interests in its own right. MED's exploration interests cover previous diamond mining operations at the Merlin diamond mine and Legend's exploration interests are highly prospective for diamonds.

Foreign Currency Translation

The majority of our exploration, development and administrative operations are in Australia and, as a result, our accounts are reported in Australian dollars. Foreign income and expenses 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.

Year ended December 31			
2011	A\$1.00	=	US\$1.0174
2011	A\$1.00	=	CDN\$0.96344
2012	A\$1.00	=	US\$1.0373
2012	A\$1.00	=	CDN\$1.0339

Plan of Operation

We had A\$2,889,000 in cash at December 31, 2012.

We commenced exploration activities on the tenements we acquired in July 2006 and since that time and up to December 31, 2012, have spent A\$93,084,000 on exploration and pre-development activities.

On February 13, 2012, the Company announced the restructuring of its phosphate assets in order to facilitate the financing of its 100% owned Paradise phosphate project. This first step involved a transfer of all Legend's phosphate assets into a 100% owned subsidiary of Legend named Paradise; the issue of 100 million ordinary shares (100% of the issued shares of Paradise) by Paradise to Legend; and funding via a A\$10 million convertible note facility ("Convertible Note Agreement") which has been injected into Paradise through Acorn, an Australian financial institution. The intention was that the A\$10 million would convert into equity in the subsidiary upon a successful initial public offering ("IPO") and listing of the subsidiary on ASX within 12 months of the note issue date. Paradise did not proceed with the IPO and listing on ASX due to market conditions and the advanced state of discussions with strategic partners at the time. Legend anticipated that by using an Australian subsidiary it was better placed to lift the profile of the world quality phosphate assets, provide a stronger trading platform that will help maximise its value and enable further capital raising to support the development of phosphate rock production and subsequent value added products.

The phosphate assets comprise the Paradise phosphate rock deposits of Paradise North and Paradise South, the D-Tree deposit and the deposits associated with Legend's rights and obligations under the King Eagle Joint Venture agreement (i.e. Highland Plains, Lily & Sherrin Creek and Quita Creek). The assets include the exploration and mining permits and applications associated with the above deposits and related infrastructure. The transfer of the phosphate assets was to a 100% owned subsidiary called Paradise.

The convertible note facility of A\$10 million to Paradise is repayable 12 months from the completion date of the agreement, subsequently extended to March 10, 2013. The notes

bear interest at the nominal rate of 10% per annum (the actual amount of effective interest depends upon the event that triggers repayment). Funds received under the convertible note facility were used to progress the project, its development, production and ultimately the export of phosphate rock from the phosphate deposits. The notes are secured by a security interest in the phosphate assets and in the shares in Paradise. The A\$10 million convertible note is due for repayment on March 10, 2013. The note agreement calls for an adjustment to the repayment factor if Paradise does not complete the public offering as defined. Acorn has agreed to extend the repayment date for 2 months under certain conditions including the finalisation of a term sheet for an off-take agreement prior to March 10, 2013. Paradise has entered into a term sheet with a third party and the repayment date has been extended to May 10, 2013. The Company has recorded a A\$5,590,000 liability at December 31, 2012 representing an additional payment due in accordance with the term sheet (see note 15 to the financial statements).

On January 16, 2013, Legend announced that (i) it had placed 150 million shares of common stock to a third party at a price of US\$0.05 per share to raise US\$7.5 million. Closing of the first tranche of this placement of 45 million shares raising \$2,250,000 occurred on February 20, 2013; and (ii) that it intends to undertake a rights issue of shares to all Legend shareholders, on a pro-rate basis at a price of US\$0.05. If fully subscribed, the rights issue will raise US\$20 million. On January 18, 2013, Legend announced that it had entered into an agreement with a third party to sell 24 million shares in MED at a price of A\$0.21 per share for a total consideration of A\$5,040,000, and on March 12, 2013, it entered into two further contracts to sell a total of 35 million ordinary shares (approximately 19.9% in MED at a price of A\$0.22 per share. Following closing, Legend will hold less than a 1% interest in MED.

It is Legend's intention to utilize funds from the capital raisings and sale of MED shares to repay the convertible note.

As set out in Item 1 "Employees" the services of our Chief Executive Officer, Chief Financial Officer, geologists, finance and clerical employees are provided by AXIS. As part of the financing transaction discussed above, AXIS has transferred the employment of the CEO of Paradise and the General Manager Project Development to Paradise.

Results of Operations

Year ended December 31, 2012 versus Year ended December 31, 2011

As an exploration stage company until February 2011 and a development stage company since then, we have not had an ongoing source of revenue. Our revenue stream is normally from ad-hoc tenement disposals, interest received on cash in bank and Australian Taxation Office refunds. During the year ended December 31, 2012, we received A\$152,000 (US\$158,000) (2011: A\$493,000) in interest on funds in the bank, interest income from a related entity of A\$72,000 (US\$75,000) (2011: A\$136,000) and other income of A\$59,000 (US\$61,000) (2011: A\$591,000). Included in other income is an amount for MED diesel fuel rebate of A\$43,000 (US\$45,000) (2011: A\$43,000) for fuel usage on the Merlin diamond project and sundry income of A\$16,000 (US\$17,000) and for 2011 for MED, A\$547,000 being a refund from the government for research and development. Interest received during 2012 is lower than 2011 as the balance of cash at bank reduced as it was used in our operations.

Costs and expenses increased during the year from A\$26,538,000 for the year ended December 31, 2011 to A\$27,029,000 (US\$28,036,000) for the year ended December 31, 2012.

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

- (i) a decrease in exploration expenditure written off from A\$15,033,000 in 2011 to A\$7,566,000 (US\$7,849,000) in 2012. Our accounting policy is to expense all exploration costs (including costs associated with the acquisition of tenement interests) as incurred. The exploration costs include drilling/geological/geophysical/mineral analysis contractors, salaries for contract field staff, travel costs, accommodation and tenement costs on properties where we have not estimated

mineral reserves. On our phosphate activities, we continued to advance the current feasibility test work. During 2012, A\$1,185,000 (US\$1,229,000) (2011: A\$1,682,000) of costs which were incurred on the Paradise South phosphate project in preparing the mineral deposit for extraction were capitalised and included in development costs. In relation to our diamond activities, included within exploration expenditure for 2012 was A\$2,938,000 (US\$3,047,000) for further studies confirming the scale and viability of the Merlin diamond project and surrounding areas; and costs of the plant and camp which was offset by the proceeds from the sale of a parcel of rough diamonds from pre-production trials of A\$1,729,000 (US\$1,793,000) (2011: A\$nil). During 2011 in relation to our diamond activities, the studies confirming the scale and viability of the Merlin project and surrounding area and costs of the plant and camp included within exploration expenditure was A\$4,384,000.

- (ii) an decrease in aircraft maintenance costs from A\$934,000 in 2011 to A\$769,000 (US\$797,000) in 2012. The Company purchased an aircraft in August 2008 to utilize in its field operations and has incurred operating costs for the aircraft since that time and costs during 2011 include a provision for the engine maintenance program.
- (iii) an increase in interest expense from A\$292,000 in 2011 to A\$1,263,000 (US\$1,310,000) in 2012. During 2012 and 2011, we incurred interest on the motor vehicle finance leases and interest bearing long term debt. During 2012, we incurred interest on an advance from an affiliate and the convertible note for which there was no comparison in 2011. In February 2012 the Company entered into a convertible note agreement via its wholly-owned subsidiary Paradise and the interest rate on borrowings under the agreement is fixed at 10% per annum (see note 15).
- (iv) an increase in legal, professional and accounting from A\$797,000 for 2011 to A\$1,790,000 (US\$1,857,000) for 2012. During 2012, we paid A\$1,433,000 (US\$1,486,000) to independent experts, attorneys, accountants and advisors for the initial public offering and listing on Australian Securities Exchange of Paradise; accounting and audit fees of A\$223,000 (US\$231,000) for professional services in relation to financial statements, the quarterly Form 10-Qs, Form 10-K and Form 10-K/A and quarterly, half year and annual reporting in Australia for MED; and taxation fees of A\$84,000 (US\$87,000) relating to both the Company and its subsidiaries and incurred legal expenses of A\$50,000 (US\$52,000) for general legal work including tenement acquisition and sale arrangements. During 2011, we paid A\$355,000 to independent experts and other consultants for business development; accounting and audit fees of A\$356,000 for professional services in relation to financial statements, the quarterly Form 10-Qs, Form 10-K and Form 10-K/A and quarterly, half year and annual reporting in Australia for MED; and taxation fees of A\$85,000 relating to both the Company and its subsidiaries and incurred legal expenses of A\$1,000 for general legal work including tenement acquisition and sale arrangements.
- (v) amortization of mineral rights were A\$1,398,000 in 2011 compared to A\$1,398,000 (US\$1,450,000) in 2012. On the acquisition date in 2007 of the business combination of MED, the Company recognized mineral rights of A\$18,873,000. The underlying mineral property licences have a set term and mineral rights are being amortized over the term of the licences.
- (vi) an increase in financing costs from A\$nil in 2011 to A\$6,256,000 (US\$6,489,000) in 2012. During 2012, our wholly owned subsidiary Paradise entered into a convertible note agreement with Acorn. The expense in 2012 represents A\$666,000 (US\$691,000) legal and advisor fees in relation to the issue and A\$5,590,000 (US\$5,798,000) repayment factor of the convertible note (see note 15).
- (vii) an increase in administrative costs from A\$8,084,000 in 2011 to A\$7,987,000 (US\$8,284,000) in 2012. During 2012, the corporate management and service fees charged to us by AXIS was A\$1,045,000 (US\$1,084,000). AXIS charged us A\$3,771,000 (US\$3,912,000) 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, Executive

General Manager, General Manager Business, Project Manager and other staff of AXIS who provide services to the Company, and for independent directors' fees. The Company Incurred A\$1,046,000 (US\$1,084,000) in direct salaries paid by Paradise and MED. The Company paid insurance costs of A\$157,000 (US\$162,000) for 2012. The Company incurred A\$197,000 (US\$204,000) for travel by Directors and officers, contractors and other AXIS staff who provide services to the Company on capital raising trips and trips to the field; A\$12,000 (US\$13,000) in borrowing costs and bank fees; A\$111,000 (US\$115,000) for motor vehicles costs; A\$30,000 (US\$31,000) for public relations; A\$181,000 (US\$187,000) for stock transfer agent services; A\$118,000 (US\$122,000) for office and computing consumables; A\$51,000 (US\$53,000) for other contractors including external information technology consultants; A\$111,000 (US\$115,000) for staff support costs; A\$593,000 (US\$615,000) for rent of offices in Melbourne, Mt Isa, Perth and New York and an apartment in Melbourne, an increase from 2011 of A\$310,000 due to change in office premises in Perth and New York; A\$53,000 (US\$55,000) for subscription to industry papers and services; A\$236,000 (US\$245,000) for telecommunications support; A\$129,000 (US\$134,000) for depreciation of non-field assets and minor equipment purchases; A\$11,000 (US\$12,000) for Delaware franchise tax; and A\$17,000 (US\$18,000) in donations to local community groups. In 2012, there was a reduction of A\$685,000 in public relations, investor relations and travel costs from 2011 as a result of the Company's main focus being updating and completing the studies for the Paradise phosphate and Merlin diamond projects. During 2011, the corporate management and service fees charged to us by AXIS was A\$1,137,000. AXIS charged us A\$3,619,000 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, Executive General Manager, General Manager Business, Project Manager and other staff of AXIS who provide services to the Company, and A\$312,000 for independent directors' fees. The Company paid insurance costs of A\$214,000 for 2011. The Company incurred A\$672,000 for travel by Directors and officers, contractors, and other AXIS staff who provide services to the Company on capital raising trips, trips to the field; A\$193,000 for investor relations consultants; A\$21,000 in borrowing costs and bank fees; A\$120,000 for motor vehicles costs; A\$47,000 for public relations; A\$135,000 for stock transfer agent services; A\$138,000 for office and computing consumables; A\$147,000 for other contractors including external information technology consultants; A\$142,000 for staff support costs; A\$283,000 for rent of offices in Melbourne, Mt Isa, Perth and New York and an apartment in Melbourne; A\$240,000 for subscription to industry papers and services; A\$48,000 for telecommunications support; A\$241,000 for depreciation of non-field assets and minor equipment purchases; A\$279,000 for employee stock-based compensation; and A\$28,000 for Delaware franchise tax; and A\$67,000 in donations to local community groups.

Accordingly, the loss from operations increased from A\$25,305,000 for the year ended December 31, 2011 to A\$26,737,000 (US\$27,733,000) for the year ended December 31, 2012.

A decrease in foreign currency exchange loss of A\$45,000 for the year ended December 31, 2011 to A\$16,000 (US\$18,000) in the year ended December 31, 2012 was recorded as a result of the movement in the Australian dollar versus the US dollar, related primarily to US cash deposits.

During December 2012, the Company made an assessment of the current net assets value of the investment in NCRC and TEM from the information available and determined that a provision for impairment was appropriate. Accordingly, the Company recorded an impairment of equity investment of A\$692,000 (US\$718,000) (2011: A\$5,654,000).

An impairment of other investments was recorded for the year ended December 31, 2011 of A\$719,000 as the Company has assessed the current net asset value of the investment from the information available and determined that a provision for impairment was appropriate for which there is no comparable amount for the year ended December 31, 2012.

A recovery of allowance for doubtful receivable has been recorded of A\$2,340,000 (US\$2,427,000) as of December 31, 2012 (2011: provision A\$6,839,000). At December 2011, management made an assessment of the carrying value of the receivable from AXIS and concluded that it needed to make an allowance for doubtful receivable. During 2012, AXIS repaid part of the receivable to the Company and the Company adjusted the provision for doubtful receivable.

A net realised loss of A\$66,000 was recorded on sale of certain marketable securities in the year ended December 31, 2011 being the difference between the cost price and sale price for which there was no comparable amount for the year ended December 31, 2012.

A loss on redemption of other investments of A\$371,000 being the difference between cost and sale price was incurred for the year ended December 31, 2011 for which there is no comparable amount for the year ended December 31, 2012.

A net realised gain of A\$94,000 (US\$98,000) was recorded on sale of assets, being the difference between cost and sale price was recorded for the year ended December 31, 2012 (2011 loss: A\$168,000).

The Company has written off obsolete assets of A\$76,000 (US\$78,000) for the year ended December 31, 2012 (2011: A\$34,000).

During 2012, the Company reviewed the assets held and adopted a plan to dispose of some of its assets relating to land and buildings and motor vehicles which were surplus to its needs. As part of the plan, an impairment loss of A\$250,000 (US\$260,000) was recognized which is included in write off/writedown of assets, representing the excess of the carrying amount of certain assets over the aggregate of the fair value. All of the impaired assets are part of the current assets – other.

The loss before income taxes and equity in losses of unconsolidated entity was A\$39,201,000 for the year ended December 31, 2011 compared to A\$25,987,000 (US\$26,282,000) for the year ended December 31, 2012.

During 2012, the Company has provided for A\$650,000 (US\$674,000) income taxes relating to the transfer of the phosphate assets from the Company to its 100% owned subsidiary Paradise for which there is no comparable amount for the year ended December 31, 2011.

During the year ended December 31, 2012, the Company's share of the losses of the unconsolidated entities amounted to A\$435,000 (US\$451,000) (2011: A\$7,495,000). At December 31, 2012, the Company holds a 31.50% interest in NCRC and the Company through its investment in MED holds a 31.14% interest in TEM. For the year ended December 31, 2012 the equity loss for TEM was A\$311,000 (US\$323,000) (2011: A\$362,000). The carrying value of NCRC at December 31, 2012 is A\$nil. For the year ended December 31, 2012 the equity loss for NCRC is A\$124,000 (US\$128,000) (2011: A\$7,133,000) The Company accounts for both of these investments using the equity method of accounting. .

The net loss was A\$46,696,000 for the year ended December 31, 2011 compared to a net loss of A\$26,422,000 (US\$27,407,000) for the year ended December 31, 2012.

The share of the net loss attributable to the non-controlling interests of MED amounted to A\$3,002,000 (US\$3,114,000) for the year ended December 31, 2012 compared to A\$2,619,000 for the year ended December 31, 2011.

At January 1, 2011, the Company held a controlling 50.46% interest in MED. During 2011, the Company purchased a further 495,000 shares in MED at a cost of A\$148,000 which resulted in a decrease in non-controlling interest of A\$113,000. The Company's interest at December 31, 2011 was 50.69%. During January and February 2012, third parties holding 4,000,000 options in MED exercised those options and were issued ordinary shares in MED; and during 2012, Merlin has issued ordinary shares to third parties to raise capital. This has resulted in the Company's interest in MED diluting to 41.95% at December 31, 2012.

Management believes that at December 31, 2012, it has the ability to control the operations of MED through its share ownership as well as having three out of the four Directors of MED.

The net loss attributable to Legend stockholders amounted to A\$23,420,000 (US\$24,293,000) for the year ended December 31, 2012 compared to A\$44,077,000 for the year ended December 31, 2011.

Liquidity and Capital Resources

We have historically funded our operations through fund raisings noted below.

As of December 31, 2012, the Company has cash of A\$2,889,000 (US\$2,997,000).

During 2012, net cash used in operating activities was A\$16,892,000 (US\$17,522,000), as compared to A\$19,386,000 in 2011, primarily consisting of the net loss of A\$26,422,000 (US\$27,407,000) (2011: A\$46,696,000) adjusted for non cash items including depreciation and amortization of A\$2,964,000 (US\$3,075,000) (2011: A\$4,052,000), an increase in accounts receivable of A\$99,000 (US\$103,000) (2011: decrease A\$664,000); a decrease in prepayments and deposits of A\$87,000 (US\$90,000) (2011: A\$804,000); an increase in inventories of A\$62,000 (US\$64,000) (2011: A\$nil); an increase in accrued financing costs of A\$6,441,000 (US\$6,681,000) (2011: A\$nil); and an increase in accounts payable and accrued expenses of A\$1,247,000 (US\$1,292,000) (2011: A\$11,000). The primary reason for the increase in cash balances at December 31, 2012 has been the capital raising including convertible note; and reduction in exploration expenditure.

During 2012, net cash used in investing activities was A\$1,187,000 (US\$1,231,000) and A\$1,617,000 in 2011. The major components in 2012 was an additional investment in consolidated entities of A\$32,000 (US\$33,000) (2011: A\$148,000); additions to property, plant and equipment of A\$126,000 (US\$131,000) (2011: A\$1,912,000) included in the purchase of plant and equipment for 2011 was the plant upgrade at Merlin; capitalized mine development costs A\$1,185,000 (US\$1,229,000) (2011 A\$1,682,000); and proceeds from sale of property and equipment A\$156,000 (US\$162,000) (2011: A\$215,000).

During 2012, net cash provided by financing activities was A\$19,180,000 (US\$19,895,000) (2011: used by A\$2,415,000) being primarily proceeds from the convertible notes of A\$10,000,000 (US\$10,373,000) for which there was no equivalent in 2011; the private placement of 22,640,725 shares for net proceeds of A\$2,256,000 (US\$2,340,000) (2011: A\$nil); net repayments under finance leases of A\$307,000 (US\$318,000) (2011: A\$381,000); repayments to affiliates of A\$2,411,000 (US\$2,501,000) (2011: advances to A\$2,098,000); and repayments under capital lease agreements of A\$291,000 (US\$302,000) (2011: A\$290,000); and in MED, the private placement of 21,071,221 shares for net proceeds of A\$4,531,000 (US\$4,700,000) (2011: A\$nil) and the exercise of 3,656,000 options for net proceeds of A\$580,000 (US\$662,000) (2011: A\$53,000).

During the year, the Company had US\$74,000 cash balances which when converted to Australian dollars results in a foreign exchange loss.

We plan to continue our exploration and development program throughout 2013 and the Company has an obligation to incur expenditure on phosphate projects of A\$1,800,000, and other commodity projects of A\$400,000. Our budget for general administration costs for 2013 is A\$5,500,000.

On February 13, 2012, the Company announced the restructuring of its phosphate assets in order to facilitate the financing of its 100% owned Paradise phosphate project. This first step has involved a transfer of all Legend's phosphate assets into a 100% owned subsidiary of Legend named Paradise; the issue of 100 million ordinary shares (100% of the issued shares of Paradise) by Paradise to Legend; and funding via a A\$10 million convertible note facility which has been injected into Paradise through Acorn Capital Ltd ("Acorn"), an Australian financial institution. The intention was that the A\$10 million convertible would convert into equity in Paradise upon a successful IPO and listing of the subsidiary on ASX within 12 months of the note issue date. Paradise did not proceed with the IPO and listing on ASX due to market conditions at the time and the advanced state of discussions with strategic

partners at the time. Legend anticipated that by using an Australian subsidiary, it is better placed to lift the profile of the world quality phosphate assets, provide a stronger trading platform that will help maximise its value and enable further capital raising to support the development of phosphate rock production and subsequent value added products.

The phosphate assets comprise the Paradise phosphate rock deposits of Paradise North (historically know as Lady Jane) and Paradise South (historically known as Lady Annie), the D-Tree deposit and the deposits associated with Legend's rights and obligations under the King Eagle Joint Venture agreement (i.e. Highland Plains, Lily & Sherrin Creek and Quita Creek). The assets include the exploration and mining permits and applications associated with the above deposits and related infrastructure.

The convertible note facility of A\$10 million to Paradise is repayable 12 months from the completion date of the agreement, subsequently extended to March 10, 2013. The notes bear interest at the nominal rate of 10% per annum (the actual amount of effective interest depends upon the event that triggers repayment). Funds received under the convertible note facility will be used to progress the project, its development, production and ultimately the export of phosphate rock from the phosphate deposits. The notes are secured by a security interest in the phosphate assets and in the shares of Paradise. The A\$10 million convertible note is due for repayment on March 10, 2013. The note agreement calls for an adjustment to the repayment factor if Paradise does not complete the public offering as defined. Acorn has agreed to extend the repayment date for 2 months under certain conditions including the finalisation of a term sheet for an off-take agreement prior to March 10, 2013. Paradise has entered into a term sheet with a third party and the repayment date has been extended to May 10, 2013. The Company has recorded an A\$5,590,000 liability at December 31, 2012 representing additional payment due in accordance with the term sheet (see note 15 to the financial statements).

On January 16, 2013, Legend announced that (i) it had placed 150 million shares of common stock to a third party at a price of US\$0.05 per share to raise US\$7.5 million. Closing of the first tranche of this placement of 45 million shares raising \$2,250,000 occurred on February 20, 2013; and (ii) that it intends to undertake a rights issue of shares to all Legend shareholders, on a pro-rate basis at a price of US\$0.05. If fully subscribed, the rights issue will raise US\$20 million. On January 18, 2013, Legend announced that it had entered into an agreement with a third party to sell 24 million shares in MED at a price of A\$0.21 per share for a total consideration of A\$5,040,000.

During 2012, MED used shares to third parties to raise further capital to advance its development of the Merlin diamond mine, and as a result, Legend's interest in MED reduced to 41.95% at December 31, 2012. Since that date, MED has issued further shares to third parties and at March 15, 2013, Legend's interest in MED had reduced to 33.84%. In January 2013, Legend entered into a contract to sell 24 million ordinary shares (approximately 16.9%) in MED at a price of A\$0.21 per share and on March 12, 2013, it entered into two further contracts to sell a total of 35 million ordinary shares (approximately 19.9% in MED at a price of A\$0.22 per share. Following closing, Legend will hold less than a 1% interest in MED.

It is Legend's intention to utilize funds from the capital raisings and sale of MED shares to repay the convertible note.

Paradise will continue discussions with potential strategic partners in relation to participating in the full development of the fertilizer complex in Mt Isa, Queensland, Australia. Legend has been progressing these discussions with various international industry fertilizer corporations for over 12 months and expects to finalise any potential transaction in 2013, however, any delays in finalising a transaction will not hold up the initial development of phosphate rock production.

On June 27, 2012, the Company issued 22,640,725 shares of common stock at a price of US\$0.10 for US\$2,264,073 to Regals Fund LP. The funds were to be used for working capital purposes. During fiscal 2012, MED has issued 24,727,221 ordinary shares for consideration of A\$5,130,629 as a result of the exercise of options and share placements.

The effect of these issues is that the Company's holding in MED has reduced to 41.95% at December 31, 2012.

The Company has historically funded its activities from funds provided by capital raising through the issuance of its shares and from advances from affiliated entities. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements and its exploration and pre-development plans. Based on this process and the amount of the Company's cash and other current assets as of December 31, 2012, management believes if it can obtain the capital raising as discussed above, that the Company will have sufficient operating liquidity to sustain its activities through 2013. However, as the Company has not yet generated income producing activities, it will continue to seek opportunities to raise additional funds from capital raising efforts through the issuance of its shares, funding from affiliated entities as may be available and other financing arrangements until which time as the Company can commence revenue producing activities.

The report of our independent registered public accounting firm on our financial statements as of December 31, 2012 and 2011, and for the years ended December 31, 2012 and 2011, 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, have incurred net losses from inception, and have an accumulated (deficit) of \$170,990,000 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.

As future exploration and development activities will require additional financing, the Company is pursuing various strategies to accomplish this including obtaining third parties to take an ownership interest in or to provide financing for the anticipated development activities related to the phosphate project, as well as capital raising through share issuances and sale of assets.

Contractual Obligations	Total A\$000's	Less than 1 year A\$000's	1-3 Years A\$000's	3-5 Years A\$000's	More than 5 years A\$000's
Convertible note	10,000	10,000	-	-	-
Accrued financing costs	6,441	6,441	-	-	-
Long term debt obligations	2,509	310	2,199	-	-
Capital lease obligations	252	143	109	-	-
Operating lease obligations	84	57	27	-	-
Other long term liabilities reflected on the consolidated balance sheet under GAAP	1,093	135	218	192	548
	<u>20,379</u>	<u>17,086</u>	<u>2,553</u>	<u>192</u>	<u>548</u>

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 Consolidated Financial Statements which are included herein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

At December 31, 2012, the Company had long-term debt of A\$2,199,000 (US\$2,281,000). As the Loan Facility is US dollars, a change in the exchange rate between the A\$ and the US\$ will have an effect on the amounts reported in the Company's consolidated financial statements, and create a foreign exchange gain or loss. A movement of

1% in the A\$ versus the US\$ exchange rate will have an A\$23,000 effect on the consolidated balance sheet and income statement.

The Company reports in A\$ and holds cash denominated in US dollars. At December 31, 2012, this amounted to US\$4,000 (A\$4,000). A change in the exchange rate between the A\$ and the US\$ will have an effect on the amounts reported in the Company's consolidated financial statements, and create a foreign exchange gain or loss. A movement of 1% in the A\$ versus the US\$ exchange rate will have no effect on the consolidated balance sheet and statement of comprehensive loss. The balance of cash of A\$2,885,000 is held in Australian dollars.

Item 8. Financial Statements and Supplementary Data.

See the Financial Statements beginning on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

There have been no changes in accountants or any disagreements with accountants on any matter of accounting principles or practices or financial statement disclosures during the two years ended December 31, 2012.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our principal executive officer and our principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as amended) as of the end of the period covered by this report. Based on that evaluation, such principal executive officer and principal financial officer concluded that, the Company's disclosure control and procedures were effective as of the end of the period covered by this report at the reasonable level of assurance.

(a) Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance regarding the reliability of financial statement preparation and presentation.

Management assessed the Company's internal control over financial reporting as of December 31, 2012. This assessment was based on criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2012.

(b) Attestation Report of the Independent Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(c) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the last quarter of 2012 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

(d) Other

We believe that a controls system, no matter how well designed and operated, can not provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurance of achieving our desired control objectives, and our principal executive officer and principal financial officer have concluded, as of December 31, 2012, that our disclosure controls and procedures were effective in achieving that level of reasonable assurance.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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

Name	Age	Position(s) Held
Joseph Gutnick	60	Chairman of the Board President, Chief Executive Officer and Director.
David Tyrwhitt	74	Director
Manish Gupta	45	Director
Dr Allan Trench	49	Director
Henry Herzog	71	Director
Peter Lee	55	Secretary, Chief Financial Officer and Principal Accounting Officer.
Craig Michael	35	Chief Executive Officer – Paradise.
Edward Walker	41	General Manager Project Development – Paradise.

Director Qualifications

The following paragraphs provide information as of the date of this report about each director as well as about each executive officer. The information presented includes information each director has given us about his age, all positions he holds, his principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he should serve as a director, we also believe that all of our directors have demonstrated an ability to exercise sound judgment, as well as a commitment of service to Legend and our Board. Finally, we value their significant experience in the mining industry and other public and board committees.

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. Mr Gutnick is currently Chairman of the Board, President and Chief Executive Officer of Golden River Resources Corporation, Northern Capital Resources Corporation, Great Central Resources Corporation, Consolidated Gems, Inc. and Aurum, Inc., US corporations; and Executive Chairman and Managing Director of Merlin Diamonds Limited, Top End Minerals Limited and Quantum Resources Limited, and Executive Chairman of Paradise Phosphate Ltd all listed on Australian Securities Exchange. He has previously been a Director of Acadian Mining Corporation and Royal Roads Corporation in the last five years. Mr Gutnick was previously 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.

Mr Gutnick's extensive experience in leading teams in building and operating major mining operations in Australia as well as his experience in founding and serving as the chief executive officer and chairman of a number of public companies will provide our Board with valuable executive leadership and management experience.

Mr Gutnick devotes a majority of his business time to the affairs of the Company.

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 50 years experience in mineral exploration and management development and operation of gold and diamond 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, Quantum Resources Limited, Golden River Resources Corp, a Delaware corporation (GORV.OB), Merlin Diamonds Limited and Northern Capital Resources Corp., a Delaware corporation since 2008. In the last five years, he has also been a Director of Astro Diamond Mines NL, Bassari Resources Ltd, Orchid Capital Ltd and South China Resources PLC

Dr Tyrwhitt's experience in working on mining projects in Australia and technical skills will provide our Board with an Australian perspective to mining operations.

Manish Gupta

Mr Gupta was originally appointed a Director in August 2008, before resigning in November 2009 due to other commitments. Mr Gupta was re-appointed as a Director in December 2010. Mr 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.

Mr. Gupta's experience in the international fertilizer markets and his engineering background will provide our Board with a valuable perspective in the development of the Company's phosphate project.

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 and is currently Chairman of the Board and a Director of Acadian Mining Corporation (ADA:TSX), a Director of Navigator Resources Ltd, Pioneer Resources Limited, Trafford Resources Ltd, Enterprise Metals Ltd, Hot Chili Limited and Venturex Resources Limited. 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, organization and operational issues. From 2004 to 2006 Dr Trench was employed in a contract role as corporate strategist and benchmarking manager at Woodside Energy, helping to building Woodside's capability in strategy, benchmarking and performance improvement across its global asset portfolio. Following this, he was employed by the CRU Group and was firstly responsible for global copper research managing a team of 12 analysts, then as Regional Director - Australasia. Dr Trench also currently holds the titles of Research Professor of Mineral Economics at the Graduate School of Business, Curtin University, Adjunct Professor to the WA School of Mines, Curtin University and Research Professor (Value & Risk) at the Centre for Exploration Targeting, University of Western Australia.

Dr Trench's experience in working on complex mining projects internationally and Australia and technical skills will provide our Board with a valuable perspective on conducting business in international jurisdictions.

Henry Herzog

Mr Henry Herzog has more than 40 years of corporate and management experience. He has been a Director of the Company since August 2008. Mr Herzog has served in various positions as President, Vice President or Director of a number of publicly listed companies in Australia and the United States, predominantly in the mining sector and is currently also a Director of Merlin Diamonds Limited. Mr Herzog was responsible for the restructuring and reorganization of several publicly listed companies including Bayou International Limited, now known as Golden River Resources Corporation (GORV.OB), where he served as its President and Chief Executive Officer from 1986 to 1999 and as a Vice President from 1988-1989. For at least the past five years, Mr Herzog has also been managing a number of private investment entities. He is also a member of the Board of Trustees of a non-profit college of higher education.

Mr Herzog's experience in corporate and management of international companies will provide our Board with a valuable perspective on conducting business in international jurisdictions.

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), Secretary of Aurum, Inc. (AURM.OB), Chief Financial Officer and Secretary of Consolidated Gems, Inc (CGEM.OB), Northern Capital Resources Corp and Great Central Resources Corp, and Chief Financial Officer and Company Secretary of Merlin Diamonds Limited, a Director, Chief Financial Officer and Company Secretary of Top End Minerals Ltd and Quantum Resources Limited, and Company Secretary of Paradise Phosphate Limited all listed on Australian Securities Exchange. Mr Lee is also a Director of Acadian Mining Corporation (ADA:TSX). 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 30 years commercial experience.

Mr Lee devotes a majority of his business time to the affairs of the Company.

Craig Michael

Mr. Michael was Executive General Manager of the Company between September 2007 and April 2012 and is now Chief Executive Officer of Paradise Phosphate Limited. Mr. Michael has extensive experience as a geology professional in the mining and resources industry. He is currently Executive Director of Merlin Diamonds Limited (ASX:MED) and Director of Aurum, Inc (AURM:OB). His previous work was with Oxiana Ltd in South East Asia and Sons of Gwalia in the goldfields of Western Australia. Mr Michael is a member of the Australian Institute of Mining and Metallurgy and a Member of the Institute of Company Directors in Australia.

Edward Walker

Mr Walker has been General Manager Project Development for the Paradise Phosphate Operations since October 2008. He has acquired extensive international experience in the mining and water sectors via a number of senior engineering and project manager roles in international organizations, including as Principal Engineer for Parsons Brinkerhoff Australia from April 2007 to October 2008 and prior to that was with Bahia Mineracao Limitada as Senior Project Manager. Mr Walker spent over 10 years in senior engineering roles in Australia and the United Kingdom before spending two years as a senior project manager of an Iron Ore Mining project run by Brazilian company Bahia Mineracao Limitada (BML). He then moved to a multi-disciplinary engineering firm Parsons Brinkerhoff

as a Principal Engineer responsible for business development and delivery of client projects. Mr Walker has a Bachelor of Engineering (Civil) from Swinburne University of Technology and an Executive MBA from the Business School of São Paulo.

Involvement on Certain Material Legal Proceedings During the Last Ten 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 five 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 other than as disclosed.

Our Board of Directors consists of five members, of whom three would meet the independence requirement of the NASDAQ Stock Market.

The Company encourages all Directors to attend the Annual Meeting of stockholders, either in person or by telephone. Mr. Gutnick, Dr Tyrwhitt and Dr Trench attended the 2012 Annual Meeting.

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 NASDAQ Stock Market if we were listed on such Market. The Board has designated Dr Trench as an "audit committee financial expert" under the rules and regulations of the SEC for purposes of Section 407 of the Sarbanes-Oxley Act of 2002 after determining that he meets the requirements for such designation.

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 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 2012 all such filing requirements were complied with in a timely manner by all Directors and executive officers and 10% stockholders.

Item 11. 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, Chief Financial Officer and Secretary and Executive General Manager for services rendered to us during the fiscal years ended December 31, 2012, 2011 and 2010.

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 (A\$)
Joseph Gutnick, Chairman of the Board, President and CEO of Legend and Executive Chairman of Paradise	2012	773,459	-	-	-	-	-	107,345	880,804
	2011	594,969	-	-	-	-	-	92,749	687,718
	2010	718,031	-	-	-	-	-	158,557	876,588
Peter Lee, CFO & Secretary of Legend and Company Secretary of Paradise	2012	227,967	-	-	-	-	-	39,997	267,964
	2011	278,196	-	-	-	-	-	44,066	322,262
	2010	309,389	-	-	-	-	-	85,248	394,637
Craig Michael, Chief Executive Officer Paradise, May 2012 to current, Executive General Manager of Legend January 2012 to April 2012	2012	365,166	-	-	-	-	-	154,797	519,963
	2011	276,801	-	-	-	-	-	243,093	519,894
	2010	323,750	-	-	-	-	-	112,710	436,460

- (i) Includes share of superannuation contributions made in accordance with applicable laws in Australia.
(ii) Includes share of cost of motor vehicle costs applicable to Messrs. Gutnick, Lee and Michael and accommodation for Mr Michael as provided by the Company.

The services of our Chief Executive Officer and Chief Financial Officer & Secretary, are provided to us pursuant to a Service Agreement effective December 1, 2004 (the "Service Agreement") by and between AXIS Consultants Pty Limited and ourselves. Mr Michael is employed by Paradise Phosphate Limited

Grants Of Plan-Based Awards In Fiscal 2012

There were no options granted to executive officers during fiscal 2012.

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 Other 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	5,000,000 2,250,000	- -	-	US\$2.00 US\$1.00	2/07/18 9/19/16	-	-	-	-
Peter Lee, CFO and Secretary	787,500 787,500 1,000,000	- - -	-	US\$0.444 US\$1.00 US\$1.00	9/19/16 9/19/16 12/28/17	- - -	- - -	- - -	- - -
Craig Michael, Chief Executive Officer Paradise	150,000 150,000 1,250,000	- - -	- - -	US\$0.444 US\$1.00 US\$1.00	9/10/17 9/10/17 12/28/17	- - -	- - -	- - -	- - -
Edward Walker, General Manager Project Development	500,000	-	-	US\$1.00	04/12/18	-	-	-	-

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, 2012, 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	21,900,000	A\$1.34	5,194,797
Equity compensation plans not approved by security holders	-	-	-

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 Tyrwhitt	66,000	-	-	-	-	-	66,000
Dr US Awasthi	10,000	-	-	-	-	-	10,000
Manish Gupta	60,000	-	-	-	-	-	60,000
Dr Allan Trench	66,000	-	-	-	-	-	66,000
Henry Herzog	66,000	-	-	-	-	-	66,000

It is our policy to reimburse Directors for reasonable travel and lodging expenses incurred in attending Board of Directors meetings. Commencing April 1, 2008, non-executive Directors are to be paid A\$60,000 per annum and fees for attendance at board committee meetings have been set at A\$1,500 per meeting.

Item 12. 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 in us beneficially owned as at March 15, 2013 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.

Title of Class	Name	Number of Shares Owned		Percentage of Shares (1)
Shares of Common Stock	Joseph and Stera Gutnick *	75,926,726	(2)(3)(4)(5)	25.20
Shares of Common Stock	David Tyrwhitt *	1,000,000	(6)	**
Shares of Common Stock	Manish Gupta	350,000	(8)	**
Shares of Common Stock	Allan Trench *	350,000	(9)	**
Shares of Common Stock	Henry Herzog *	1,234,940	(10)(11)	**
Shares of Common Stock	Peter Lee *	2,575,000	(12)	**
Shares of Common Stock	Craig Michael *	1,550,000	(13)	**
Shares of Common Stock	Edward Walker *	500,000	(14)	**
	All officers and Directors As a Group	83,486,666		27.68
Shares of Common Stock	Regals Fund LP 152 West 57 th Street, 9 th Floor New York, NY 10119	115,345,195	(15)	39.23
Shares of Common Stock	Kisan International Trading, FZE Emaar Business Park No.2, Office 562, Jebel Ali Dubai, UAE Post Box 261835	34,300,464	(16)	11.66

* 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%

Notes relating to Item 12:

- (1) Based on 294,047,971 shares outstanding as of March 15, 2013.
- (2) Includes 48,775,476 shares of Common Stock owned by Renika Pty. Ltd., of both of which Mr Joseph Gutnick, Stera M. Gutnick and members of their family are officers, Directors and principal stockholders.
- (3) Includes shares issuable to Mr Joseph Gutnick upon exercise of 7,250,000 stock options which have vested.

- (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) Include shares issuable to Mr Tyrwhitt upon exercise of 1,000,000 stock options which have vested.
- (7) [Intentionally Omitted.]
- (8) Includes shares issuable to Mr Gupta upon exercise of 350,000 stock options which have vested.
- (9) Includes shares issuable to Dr Trench upon exercise of 350,000 options which have vested.
- (10) Includes 884,940 shares of Common Stock owned by Riccalo Pty. Ltd., of which Mr Henry Herzog and members of his family are officers, Directors and principal stockholders.
- (11) Includes shares issuable to Mr Herzog upon exercise of 350,000 stock options which have vested.
- (12) Includes shares issuable to Mr Peter Lee upon exercise of 2,575,000 stock options which have vested.
- (13) Includes shares issuable to Mr Craig Michael upon exercise of 1,550,000 stock options which have vested.
- (14) Includes shares issuable to Mr Walker upon exercise of 500,000 stock options which have vested.
- (15) In accordance with a Schedule 13D/A dated February 19, 2013, Regals Fund L.P., Regals Capital Management L.P., and Mr David Slager may be deemed to be beneficial owners of the shares of Common Stock.
- (16) Includes 34,300,464 shares of common stock owned by Kisan International Trading, FZE, a subsidiary of Indian Farmers Fertilizer Cooperative Limited ("IFFCO").

Item 13. Certain Relationships and Related Transactions, and Director Independence.

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 and is incorporated in Australia. AXIS' principal business is to provide geological, management and administration services to companies. We are one of ten affiliated companies that AXIS provides services to, namely, Legend, Quantum Resources Limited, Merlin Diamonds Ltd, Top End Minerals Ltd, Northern Capital Resources Corp, Golden River Resources Corp, Great Central Resources Corp., Aurum Inc, Consolidated Gems Inc., Acadian Mining Corporation. 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.

Legend holds a 9.09% interest in AXIS at a cost of A\$1 and which is accounted for under the cost method and any profits generated by AXIS are returned to its shareholders in the form of dividends. The majority shareholder (72.73%) of AXIS is a third party independent of Legend Directors and management (J I Gutnick and his family or any of their private companies do not hold any shares in AXIS).

AXIS is paid by each company it manages 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 utilization 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 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, 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 the 2011 year, AXIS charged the Company A\$5,939,000 in management fees including salaries incurred in relation to AXIS staff that provided services to the Company, A\$7,228,000 for exploration services provided to the Company, interest of A\$136,000, and provided advances of A\$17,697,000. AXIS charged interest at a rate of 11.19% for 2011. The amount due from AXIS at December 31, 2011 was A\$7,484,000 (September 2011: A\$6,740,000). At December 31, 2011, management considered the recoverability of the amount owed by AXIS and, in accordance with the requirements of accounting standards, has provided a provision for doubtful receivable of \$6,839,000. The net amount of A\$645,000 is included under non-current assets – advances to affiliates

During 2012, AXIS charged the Company A\$6,202,000 (US\$6,433,000) for management and administration services and A\$3,023,000 (US\$3,136,000) for exploration services. The Company paid A\$7,728,000 (US\$8,016,000) for 2012 charges and funding advances. For 2012 Axis repaid A\$915,000 (US\$949,000) to the Company and accordingly, the Company recorded an adjustment to the provision of A\$2,340,000 (US\$2,427,000). For 2012, the Company charged AXIS interest of A\$72,000 (US\$75,000) at a rate between 9.84% and 10.24%. The net amount owed by AXIS at December 31, 2012 of A\$645,000 (US\$669,000) is included under current and non-current assets – receivables affiliates.

During the 2011 year, Edinox Pty Ltd ("Edinox"), a company associated with Mr J I Gutnick, advanced the Company A\$2,264,000. The Company has provided security in the

form of properties owned by Legend for the advance. Under the terms of the agreement the advance was repayable on April 2, 2012 but has been extended to at call. For 2012, Edinox charged the Company interest at a rate between 6.32% and 4.92% and costs of A\$171,000 (US\$177,000)(2011: A\$31,000). For 2012 the Company paid A\$201,000 (US\$208,000) (2011:A\$nil) to Edinox for interest and costs. At December 31, 2012, the Company owed Edinox A\$2,264,000 (US\$2,348,000) (2011: A\$2,295,000).

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.

At December 31, 2011, the Company's holding in MED was 50.69%. During fiscal 2012, MED issued 24,727,221 ordinary shares for net consideration of A\$5,131,000 as a result of the exercise of options and share placements. During fiscal 2012, the Company acquired 165,000 additional shares in MED at a cost of A\$32,000. The net dilutive effect of the issues and acquisitions reduced the Company's interest to approximately 41.95% at December 31, 2012. As such, the Company recorded adjustments to the Company's additional paid-in capital and non-controlling interest accounts related to these transactions which are reflected in the accompanying Statement of Stockholders' Equity (Deficit) during fiscal 2012. At December 31, 2012, the management of the Company believes it has the ability to control the operations of MED through its share ownership and control of the management of the day to day operations. Additionally, the Company's President and Chief Executive Officer and two of its independent Directors serve as Executive Chairman and Managing Director, and Directors, respectively, of MED. At December 31, 2012, it is management's conclusion that the Company has a controlling financial interest in MED and accordingly, it consolidated MED's results into the Company.

During the 2009 year, the Company and MED entered into a camp access agreement and airfield access agreement relating to the Merlin camp and airstrip to allow the Company to utilize these facilities. At December 31, 2012, the amount due to MED was A\$12,000 (US\$12,000) and at December 31, 2011, A\$45,000. The Company through its investment in MED holds a 31.14% interest in TEM. During the 2012 year, MED charged TEM for corporate and direct costs. The amount owed by TEM at December 31, 2012 was A\$200,000 (US\$207,000) and is included in current assets – receivables – affiliates.

During the 2011 year, the Company took additional private placements of shares of common stock in Northern Capital Resources Corp ("NCRC"). At December 31, 2012, the Company held 31.50% of the shares of NCRC. The Company's President and Chief Executive Officer and one of its independent Directors (Dr Tyrwhitt) are President and Chief Executive Officer and Director respectively of NCRC and certain companies with which the Company's President is affiliated own approximately 39.85% of the outstanding shares of NCRC. The amount due from NCRC at December 31, 2012 was A\$nil (2011: A\$63,000) and is included under non-current assets – advances to affiliates.

Transactions with Management.

We have a written 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 authorized.

Item 14. Principal Accounting Fees and Services.

The following table shows the fees incurred for fiscal 2012 and 2011.

	<u>2012</u> <u>A\$000s</u>	<u>2011</u> <u>A\$000s</u>
Audit fees	128	186
Tax fees	17	21
Total	<u>145</u>	<u>207</u>

Audit fees were for the audit of our annual financial statements, review of financial statements included in our 10-Q quarterly reports, and services that are normally provided by independent auditors in connection with our other filings with the SEC. This category also includes advice on accounting matters that arose during, or as a result of, the audit or review of our interim financial statements.

Tax fees relate to the preparation of the Company's tax returns and various tax planning and compliance related filings.

As part of its duties, our Audit Committee pre-approves audit and non-audit services performed by our independent auditors in order to assure that the provision of such services does not impair the auditors' independence. Our Audit Committee does not delegate to management its responsibilities to pre-approve services performed by our independent auditors.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Documents filed as part of the report.

(1)	All Financial Statements	<u>Page</u>
	Report of Independent Registered Public Accounting Firm	F-1
	Consolidated Balance Sheet	F-2
	Consolidated Statements of Comprehensive Loss	F-3
	Consolidated Statements of Stockholders' Equity (Deficit)	F-4
	Consolidated Statements of Cash Flows	F-9
	Notes to Consolidated Financial Statements	F-10 - F-27

(2) Financial Statements Schedule

All other schedules have been omitted because they are not applicable or not required, or because the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits

See Index to Exhibits at page 68 for a description of the exhibits filed as a part of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised.

LEGEND INTERNATIONAL HOLDINGS, INC.

(Registrant)

By: /s/ Peter Lee
.....
Peter J Lee
Chief Financial Officer and Secretary

Dated: March 19, 2013

FORM 10-K Signature Page

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
1. /s/ Joseph Gutnick Joseph Gutnick	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) and Director	March 19, 2013
2. /s/ David Tyrwhitt David Tyrwhitt	Director	March 19, 2013
3. /s/ Peter Lee Peter Lee	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 19, 2013
4. /s/ Allan Trench Allan Trench	Director	March 19, 2013
5. /s/ Henry Herzog Henry Herzog	Director	March 19, 2013
6. Manish Gupta	Director	

EXHIBIT INDEX

Incorporated by Reference to:

Exhibit No.	Exhibit
1.1	Subscription Agreement (1)
3.1	Certificate of Incorporation (1)
3.2	Amended Certificate of Incorporation (2)
3.3	Bylaws (1)
3.4	Specimen Stock Certificate (1)
3.5	Amendment to Certificate of Incorporation dated December 5, 2007 (6)
3.6	Amendment to Certificate of Incorporation dated August 2, 2011 (14)
3.7	Amendment to Certificate of Incorporation dated March 4, 2013 (5)
10.1	2006 Incentive Option Plan (3)
10.2	Contract for the Sale of Mining Tenements (4)
10.3	Subscription Agreement dated as of December 12, 2007 (6)
10.4	Agreement with Iron Dufken Pty Limited dated November 2, 2007 (7)
10.5	Agreement with Ansett Resources & Industries Pty Ltd. dated November 7, 2007 (7)
10.6	Agreement with King Eagle Resources Pty Limited dated December 7, 2007 (8)
10.7	Form of Subscription Agreement for BMO Offering (9)
10.8	Agency Agreement dated as of June 3, 2008 (9)
10.9	Registration Rights Agreement dated as of June 3, 2008 (9)
10.10	Form of Broker Warrant (9)
10.11	Share Options agreement dated July 14, 2008 with Indian Farmers Fertilizer Cooperative Limited (IFFCO)(10)
10.12	Service Agreement with AXIS Consultants Pty Ltd dated February 25, 2005 (11)
10.13	US\$ Aircraft Loan Facility Agreement (12)
10.14	Asset Sale Agreement dated February 7, 2012 between Legen International Holdings, Inc. and Paradise Phosphate Pty Ltd (13)
10.15	Service Deed dated February 7, 2012 between Legend International Holdings, Inc. and Paradise Phosphate Pty Ltd (13)
10.16	Convertible Note Agreement dated February 7, 2012 between Legend International Holdings, Inc., Paradise Phosphate Pty Ltd., and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 1 and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 2 (13)
10.17	Security Agreement dated February 7, 2012 between Legend International Holdings, Inc. and Acorn Capital Limited (13)
10.18	Mining Mortgage dated February 7, 2012 between Legend International Holdings, Inc. and Acorn Capital Limited (13)
10.19	Mining Mortgage dated February 7, 2012 between Paradise Phosphate Pty

- Ltd. and Acorn Capital Limited (13)
- 10.20 Share Mortgage dated February 7, 2012 between Legend International Holdings, Inc. and Acorn Capital Limited (13)
- 10.21 General Security Agreement dated February 7, 2012 between Paradise Phosphate Pty Ltd. and Acorn Capital Limited (13)
- 10.22 Security Trust Deed dated February 7, 2012 between Legend International Holdings, Inc., Paradise Phosphate Pty Ltd., Acorn Capital Limited, and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 1 and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 2 (13)
- 10.23 Deed of Amendment (Convertible Note Agreement) dated 27 April 2012 between Legend International Holdings, Inc., Paradise Phosphate Pty Ltd., Acorn Capital Limited, and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 1 and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 2 (13)
- 10.24 Second Deed of Amendment (Convertible Note Agreement) dated 17 January 2013 between Legend International Holdings, Inc., Paradise Phosphate Pty Ltd., Acorn Capital Limited, and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 1 and Australian Microcap Investments Pty Ltd. as trustee for Microcap Investment Trust 2 (13)
- 10.25 Share Purchase Agreement dated 17 January 2013 between Newton Centre Development Limited and Legend International Holdings, Inc.
- 10.26 Share Purchase Agreement dated 8 March 2013 between Goh Hin Calm and Legend International Holdings, Inc.
- 10.27 Share Purchase Agreement dated 8 March 2013 between Tan Boon Kiat and Legend International Holdings, Inc.
- 21.1 Subsidiaries of the Registrant (5)
- 31.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Joseph Isaac Gutnick (5)
- 31.2 Certification of Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Peter James Lee (5)
- 32.1 Certification of Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Joseph Isaac Gutnick (5)
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Peter James Lee (5)
- 101 The following materials from the Legend International Holdings, Inc. Report on Form 10-K for the year ended December 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Comprehensive Loss, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) related notes.
- #101.INS XBRL Instance Document.
- #101.SCH XBRL Taxonomy Extension Schema Document.
- #101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- #101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- #101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- #101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

Filed herewith. In accordance with Rule 406% of Regulation S-%, these interactive data files are deemed “not filed” for purposes of section 18 of the Exchange Act, and otherwise are not subject to liability under that section.

Footnotes:

- (1) Incorporated herein by reference to the Company’s Registration Statement on Form SB-2, filed on February 2, 2001, File No. 333-55116, and the amendments thereto.
- (2) Incorporated herein by reference to the Company’s current report on Form 8-K filed on March 21, 2003.
- (3) Incorporated herein by reference to the Appendix to the Company’s Proxy Statement filed on October 19, 2006.
- (4) Incorporated by reference to the Company’s current report on Form 8-K filed on March 10, 2006.
- (5) Filed herewith
- (6) Incorporated herein by reference to the Company’s Form 10-K filed on March 17, 2008
- (7) Incorporated herein by reference to the Company’s Current Report on Form 8-K filed on December 28, 2007.
- (8) Incorporated herein by reference to the Company’s Current Report on Form 8-K filed on December 28, 2007.
- (9) Incorporated herein by reference to the Company’s Post Effective Amendment No 1 Registration Statement on Form S-1 filed on July 18, 2008 (SEC File No. 333-145082).
- (10) Incorporated herein by reference to the Company’s current Report on Form 8-K filed on July 16, 2008.
- (11) Incorporated herein by reference to the Company’s Current Report on Form 8-K filed on March 8, 2005.
- (12) Incorporated herein by reference to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.
- (13) Incorporated by reference to the Company’s Current Report on Form 8-K filed on February 16, 2012.
- (14) Incorporated herein by reference to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011.

Consolidated Financial Statements for the years ended December 31, 2012 and 2011.

Legend International Holdings, Inc.

Audited Consolidated Financial Statements for the Company for the years ended December 31, 2012 and 2011.

EXHIBIT 21

List of Subsidiaries as at December 31, 2012

Each of the following subsidiaries is wholly-owned by the Registrant.

Legend International Holdings Limited*

Legend Diamonds Pty Ltd*

Teutonic Minerals Pty Ltd*

Alexya Pty Ltd

Paradise Phosphate Limited

* These entities are inactive.

Each of the following subsidiaries is partly-owned by the Registrant.

Merlin Diamonds Limited (41.95%)

Striker Diamonds Pty Ltd*

Merlin Operations Pty Ltd*

* Wholly owned subsidiaries of Merlin Diamonds Limited.

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Isaac Gutnick, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Legend International Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2013

/s/ Joseph I. Gutnick

Name: Joseph I. Gutnick
Title: Chairman of the Board, President
and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter James Lee, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Legend International Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2013

/s/ Peter Lee

Name: Peter Lee
Title: Secretary and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-K of Legend International Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "report"), the undersigned, Joseph Isaac Gutnick, Chief Executive Officer of the Company, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 19, 2013

/s/ Joseph I. Gutnick

Name: Joseph I. Gutnick
Title: Chairman of the Board, President
and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-K of Legend International Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "report"), the undersigned, Peter James Lee, Chief Financial Officer of the Company, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 19, 2013

/s/ Peter Lee

Peter James Lee
Secretary and
Chief Financial Officer
(Principal Financial Officer)

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)

Consolidated Financial Statements

December 31, 2012 and 2011

(with Report of Independent Registered Public Accounting Firm)

CONTENTS

	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheet	F-2
Consolidated Statements of Comprehensive Loss	F-3
Consolidated Statements of Stockholders' Equity (Deficit)	F-4
Consolidated Statements of Cash Flows	F-9
Notes to Consolidated Financial Statements	F-10 – F-27

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of Legend International Holdings, Inc. (a Development Stage Company) as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive loss, stockholders' equity (deficit) and cash flows for the years ended December 31, 2012 and 2011 and the cumulative amounts from inception, January 5, 2001 through December 31, 2012. 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. We were not engage to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Also, an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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. (a Development Stage Company) at December 31, 2012 and 2011, 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 consolidated financial statements have been prepared assuming the Company will continue as a going concern. As described in note 1, at December 31, 2012 the Company had not yet commenced revenue producing operations and had a retained deficit of A\$170,990,000 (US\$177,368,000). 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 18, 2013

/s/ PKF O'Connor Davies
A Division of O'Connor Davies, LLP

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Balance Sheet
December 31, 2012

	<u>2012</u>	<u>2011</u>	<u>Convenience</u>
	<u>A\$000s</u>	<u>A\$000s</u>	<u>Translation</u>
			<u>2012</u>
			<u>US\$000s</u>
ASSETS			
Current Assets:			
Cash	2,889	1,714	2,997
Receivables	440	478	456
Prepayments	123	132	128
Receivables - affiliates	464	-	481
Assets held for sale	3,371	-	3,497
Inventories	172	110	178
Total Current Assets	<u>7,459</u>	<u>2,434</u>	<u>7,737</u>
Non-Current Assets:			
Property and equipment, net	7,610	12,809	7,894
Investment in unconsolidated entities	179	1,306	186
Other investments	200	200	207
Deposits	1,085	1,154	1,125
Receivables - affiliates	381	708	395
Prepayments	18	27	19
Development costs	2,867	1,682	2,974
Mineral rights	14,095	15,493	14,621
Goodwill	1,093	1,093	1,134
Total Non-Current Assets	<u>27,528</u>	<u>34,472</u>	<u>28,555</u>
Total Assets	<u>34,987</u>	<u>36,906</u>	<u>36,292</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	2,640	2,145	2,739
Accrued financing costs	6,441	-	6,681
Advances from affiliates	2,264	2,295	2,348
Convertible notes	10,000	-	10,373
Current tax liability	650	-	674
Current portion of long-term debt	310	296	322
Lease liability	143	283	148
Total Current Liabilities	<u>22,448</u>	<u>5,019</u>	<u>23,285</u>
Non Current Liabilities:			
Reclamation and rehabilitation provision	1,093	969	1,134
Long-term debt	2,199	2,559	2,281
Lease liability	109	197	113
Total Non Current Liabilities	<u>3,401</u>	<u>3,725</u>	<u>3,528</u>
Total Liabilities	<u>25,849</u>	<u>8,744</u>	<u>26,813</u>
Commitments and Contingencies			
Stockholders' Equity			
Common stock: US\$.001 par value, 400,000,000 shares authorised			
249,047,971 and 226,407,246 shares issued and outstanding	298	275	309
Additional paid-in-capital	166,812	164,200	173,034
Retained (deficit) prior to exploration activities	(839)	(839)	(870)
Retained (deficit) during exploration period	(107,617)	(107,617)	(111,631)
Retained (deficit) during development period	(62,534)	(39,114)	(64,867)
Legend Stockholders' Equity (Deficit)	<u>(3,880)</u>	<u>16,905</u>	<u>(4,025)</u>
Non-controlling interests	13,018	11,257	13,504
Total Equity	<u>9,138</u>	<u>28,162</u>	<u>9,479</u>
Total Liabilities and Equity	<u>34,987</u>	<u>36,906</u>	<u>36,292</u>

The accompanying notes are integral part of the consolidated financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statements of Comprehensive Loss

	For the years ended December 31		Convenience Translation	January 5, 2001 (Inception) to December 31,
	2012	2011	2012	2012
	A\$000s	A\$000s	US\$000s	A\$000s
Revenues:				
Sales	-	-	-	6
less cost of sales	-	-	-	(1)
Gross profit	-	-	-	5
Other income				
Interest income – related entity	72	136	75	513
Interest income – other	161	506	167	9,783
Other	59	591	61	1,742
Total other income	292	1,233	303	12,038
Costs and expenses:				
Legal, professional and accounting	1,790	797	1,857	5,422
Exploration expenditure	7,566	15,033	7,849	93,084
Aircraft maintenance	769	934	797	3,584
Interest expense	1,263	292	1,310	1,826
Financing costs	6,256	-	6,489	6,256
Impairment of investment	-	-	-	327
Amortization of mineral rights	1,398	1,398	1,450	4,777
Administration expenses	7,987	8,084	8,284	56,971
Total costs and expenses	(27,029)	(26,538)	(28,036)	(172,247)
(Loss) from operations	(26,737)	(25,305)	(27,733)	(160,204)
Foreign currency exchange (loss)	(16)	(45)	(18)	(167)
Adjustment to fair value on stepped acquisition	-	-	-	2,201
Impairment of equity investment	(692)	(5,654)	(718)	(6,346)
Impairment of other investment	-	(719)	-	(719)
Recovery of (provision for) allowance for doubtful receivables	2,340	(6,839)	2,427	(4,499)
Realised gain(loss) on marketable securities	-	(66)	-	186
Loss on other investments	-	(371)	-	(371)
Profit (loss) from sale of property and equipment	94	(168)	98	(74)
Writeoff/writedown of assets	(326)	(34)	(338)	(605)
(Loss) before income taxes and equity in losses of unconsolidated entities	(25,337)	(39,201)	(26,282)	(170,598)
Provision for income taxes	(650)	-	(674)	(650)
(Loss) before equity in losses of unconsolidated entities	(25,987)	(39,201)	(26,956)	(171,248)
Equity in losses of unconsolidated entities	(435)	(7,495)	(451)	(9,716)
Net (loss)	(26,422)	(46,696)	(27,407)	(180,964)
Net (gain)/loss attributable to non-controlling interests	3,002	2,619	3,114	11,037
Net (loss) attributable to Legend stockholders	(23,420)	(44,077)	(24,293)	(169,927)
Other Comprehensive Income/(Loss)				
Foreign currency translation adjustments	-	863	-	(1,063)
Comprehensive (loss) attributable to Legend stockholders	(23,420)	(43,214)	(24,293)	(170,990)
Amounts attributable to Legend stockholders:				
Basic and diluted loss per common shares	(0.10)	(0.19)	(0.10)	(1.43)
	Number (000s)	Number (000s)	Number (000s)	Number (000s)
Weighted average number of common shares used in per share calculations	237,913	226,405	237,913	119,926

The accompanying notes are integral part of the consolidated financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
for the period ended December 31, 2012

	Common Stock			Retained (Deficit) Prior to Exploration Activities A\$000s	Retained (Deficit) During Exploration Period A\$000s	Retained (Deficit) During Development Period A\$000s	Non-Controlling Interests A\$000s	Stockholders' Equity (Deficit) A\$000s
	Shares 000s	Par Value A\$000s	Additional Paid-In Capital A\$000s					
Balance, January 5, 2001	-	-	-	-	-	-	-	-
Shares issued to founder for organisation cost and services at US\$0.05 per shares	4,298	5	119	-	-	-	-	124
Shares issued for services rendered at US\$0.05 per share	146	-	4	-	-	-	-	4
Shares issued for cash	616	1	17	-	-	-	-	18
Net Loss	-	-	-	(131)	-	-	-	(131)
Balance, December 31, 2001	5,060	6	140	(131)	-	-	-	15
Shares issued for cash	225	-	6	-	-	-	-	6
Shares issued for officer's compensation	11,250	15	148	-	-	-	-	163
Net Loss	-	-	-	(183)	-	-	-	(183)
Balance, December 31, 2002	16,535	21	294	(314)	-	-	-	1
Shares issued for services rendered at US\$0.022 per share	5,026	7	139	-	-	-	-	146
Net Loss	-	-	-	(157)	-	-	-	(157)
Balance, December 31, 2003	21,561	28	433	(471)	-	-	-	(10)
Shares issued for services rendered at US\$0.022 per share	2,005	3	55	-	-	-	-	58
Options issued for services	-	-	161	-	-	-	-	161
Loan forgiveness-former major shareholder	-	-	12	-	-	-	-	12
Net Loss	-	-	-	(235)	-	-	-	(235)
Balance, December 31, 2004	23,566	31	661	(706)	-	-	-	(14)

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
for the period ended December 31, 2012
(Unaudited)
(continued)

	Common Stock			Retained (Deficit) Prior to Exploration Activities A\$000s	Retained (Deficit) During Exploration Period A\$000s	Retained (Deficit) During Development Period A\$000s	Non-Controlling Interests A\$000s	Stockholders' Equity (Deficit) A\$000s
	Shares 000s	Par Value A\$000s	Additional Paid-In Capital A\$000s					
Shares issued on cashless exercise of options	17,086	22	(22)	-	-	-	-	-
Net Loss	-	-	-	(75)	-	-	-	(75)
Balance, December 31, 2005	40,652	53	639	(781)	-	-	-	(89)
Shares issued on cashless exercise of options	72,281	93	(93)	-	-	-	-	-
Shares and options issued under settlement agreement	113	0	35	-	-	-	-	35
Shares issued for cash	12,757	17	3,855	-	-	-	-	3,872
Cost of share issues	-	-	(128)	-	-	-	-	(128)
Amortisation of options under stock option plan	-	-	115	-	-	-	-	115
Net Loss	-	-	-	(58)	(4,478)	-	-	(4,536)
Balance, December 31, 2006	125,803	163	4,423	(839)	(4,478)	-	-	(731)
Shares issued for cash	47,687	56	25,686	-	-	-	-	25,742
Cost of share issues	-	-	(1,675)	-	-	-	-	(1,675)
Shares issued for consulting fees	2,604	3	1,001	-	-	-	-	1,004
Shares issued on cashless exercise of options	75	-	-	-	-	-	-	-
Shares issued as a result of delay in lodgement of registration statement	200	-	364	-	-	-	-	364
Shares issued for part-settlement of the acquisition of rights to exploration licences under agreement	500	1	517	-	-	-	-	518

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
for the period ended December 31, 2012
(Unaudited)
(continued)

	Common Stock			Retained (Deficit) Prior to Exploration Activities A\$000s	Retained (Deficit) During Exploration Period A\$000s	Retained (Deficit) During Development Period A\$000s	Non-Controlling Interests A\$000s	Stockholders' Equity (Deficit) A\$000s
	Shares 000s	Par Value A\$000s	Additional Paid-In Capital A\$000s					
Amortization of options under stock option plan	-	-	376	-	-	-	-	376
Net Loss	-	-	-	-	(8,638)	-	-	(8,638)
Balance, December 31, 2007	176,869	223	30,692	(839)	(13,116)	-	-	16,960
Shares issued for cash	42,000	44	109,984	-	-	-	-	110,028
Cost of share issues		-	(5,964)	-	-	-	-	(5,964)
Shares issued on cashless exercise of options	1,522	2	(2)	-	-	-	-	-
Shares issued on exercise of options	5,436	6	13,718	-	-	-	-	13,724
Shares issued for consulting fees	31	-	147	-	-	-	-	147
Shares issued under registration rights agreement	458	-	900	-	-	-	-	900
Amortization of options under stock option plan	-	-	5,186	-	-	-	-	5,186
Net Loss	-	-	-	-	(14,222)	-	-	(14,222)
Balance, December 31, 2008	226,316	275	154,661	(839)	(27,338)	-	-	126,759
Shares issued on exercise of options	18	-	3	-	-	-	-	3
Amortization of options under stock option plan	-	-	4,260	-	-	-	-	4,260
Net Loss attributable to Legend stockholders	-	-	-	-	(38,313)	-	-	(38,313)
Fair value of non-controlling interest	-	-	-	-	-	-	10,261	10,261

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
for the period ended December 31, 2012
(Unaudited)
(continued)

	Common Stock			Retained (Deficit) Prior to Exploration Activities A\$000s	Retained (Deficit) During Exploration Period A\$000s	Retained (Deficit) During Development Period A\$000s	Non-Controlling Interests A\$000s	Stockholders' Equity (Deficit) A\$000s
	Shares 000s	Par Value A\$000s	Additional Paid-In Capital A\$000s					
Net change in controlling/non-controlling interest	-	-	4,842	-	-	-	8,699	13,541
Net loss attributable to non-controlling stockholders	-	-	-	-	-	-	(1,612)	(1,612)
Balance, December 31, 2009	226,334	275	163,766	(839)	(65,651)	-	17,348	114,899
Shares issued on cashless exercise of options	66	-	-	-	-	-	-	-
Amortization of options under stock option plan	-	-	1,728	-	-	-	-	1,728
Options issued for consulting fees	-	-	247	-	-	-	-	247
Net loss attributable to Legend stockholders	-	-	-	-	(37,866)	-	-	(37,866)
Adjustment due to purchase of additional shares in subsidiary	-	-	(2,705)	-	-	-	(1,327)	(4,032)
Adjustment due to issue of shares by subsidiary	-	-	772	-	-	-	1,692	2,464
Net loss attributable to non-controlling stockholders	-	-	-	-	-	-	(3,803)	(3,803)
Balance, December 31, 2010	226,400	275	163,808	(839)	(103,517)	-	13,910	73,637

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
for the period ended December 31, 2012
(Unaudited)
(continued)

	Common Stock			Retained (Deficit) Prior to Exploration Activities A\$000s	Retained (Deficit) During Exploration Period A\$000s	Retained (Deficit) During Development Period A\$000s	Non-Controlling Interests A\$000s	Stockholders' Equity (Deficit) A\$000s
	Shares 000s	Par Value A\$000s	Additional Paid-In Capital A\$000s					
Shares issued on cashless exercise of options	7	-	-	-	-	-	-	-
Amortization of options under stock option plan	-	-	452	-	-	-	-	452
Net loss attributable to Legend stockholders	-	-	-	-	(4,100)	(39,114)	-	(43,214)
Adjustment due to purchase of additional shares in subsidiary	-	-	(60)	-	-	-	(34)	(94)
Net loss attributable to non-controlling stockholders	-	-	-	-	-	-	(2,619)	(2,619)
Balance, December 31, 2011	226,407	275	164,200	(839)	(107,617)	(39,114)	11,257	28,162
Shares issued for cash	22,640	23	2,233	-	-	-	-	2,256
Amortization of options under stock option plan	-	-	44	-	-	-	-	44
Net loss attributable to Legend stockholders	-	-	-	-	-	(23,420)	-	(23,420)
Adjustment due to purchase of additional shares in subsidiary	-	-	(3)	-	-	-	(29)	(32)
Adjustment due to issue of shares by subsidiary	-	-	338	-	-	-	4,792	5,130
Net loss attributable to non-controlling stockholders	-	-	-	-	-	-	(3,002)	(3,002)
Balance, December 31, 2012	249,047	298	166,812	(839)	(107,617)	(62,534)	13,018	9,138

The accompanying notes are integral part of the consolidated financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Consolidated Statement of Cash Flows

	For the years Ended December 31		Convenience Translation	January 5, 2001 (Inception) to December 31,
	2012 A\$000s	2011 A\$000s	2012 US\$	2012 A\$
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (Loss)	(26,422)	(46,696)	(27,407)	(180,964)
Adjustments to reconcile net (loss) to net cash(used) by operating activities:				
Foreign currency exchange loss	16	45	18	167
Unrealised gain on marketable securities	-	437	-	185
Shares and Options issued for Stock Based Compensation				
- Employees	44	452	46	12,816
- Consultants	-	-	-	778
- Exploration agreement	-	-	-	518
- Registration payment arrangements	-	-	-	1,265
Provision for reclamation and remediation	(123)	44	(128)	847
(Profit)loss on sale of property and equipment	(94)	168	(98)	57
Writedown/writeoff of assets	326	34	338	605
Depreciation and amortization	2,964	4,052	3,075	11,359
Adjustment to fair value on stepped acquisition	-	-	-	(2,201)
Equity accounting loss	435	7,495	451	9,716
Impairment of equity investment	692	5,654	718	6,346
Impairment of other investment	-	719	-	719
Recovery of (provision for) doubtful receivables	(2,340)	6,839	(2,427)	4,499
Interest receivable	(4)	(139)	(4)	(413)
Accrued interest added to principal	-	31	-	68
Net Change in:				
Receivables	(99)	664	(103)	(879)
Prepayments and deposits	87	804	90	(1,545)
Inventories	(62)	-	(64)	(172)
Accrued financing costs	6,441	-	6,681	6,441
Accounts payable and accrued expenses	1,247	11	1,292	2,866
Net Cash (Used) by Operating Activities	(16,892)	(19,386)	(17,522)	(126,922)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of trading securities	-	1,933	-	3,205
Investment in trading securities	-	-	-	(1,284)
Investment in equity accounted investments	-	(23)	-	(19,299)
Acquisition of subsidiary	-	-	-	(327)
Investment in consolidated entity	(32)	(148)	(33)	(13,411)
Purchase of property and equipment	(126)	(1,912)	(131)	(16,616)
Development costs	(1,185)	(1,682)	(1,229)	(2,867)
Proceeds from sale of property and equipment	156	215	162	481
Net Cash (Used) In Investing Activities	(1,187)	(1,617)	(1,231)	(50,118)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Advances payable - affiliates	2,411	(2,098)	2,501	(2,600)
Repayment of convertible debenture	-	-	-	(130)
Repayment of shareholder advance	-	-	-	(1)
Repayment under finance leases	(307)	(381)	(318)	(1,445)
Proceeds from convertible debenture payable	10,000	-	10,373	10,130
Proceeds from long term debt	-	301	-	3,240
Repayment of long term debt	(291)	(290)	(302)	(581)
Shareholder advance	-	-	-	7
Proceeds from issuance of stock	2,256	53	2,340	155,648
Proceeds from issuance of stock by controlled entity	5,131	-	5,322	21,333
Cost of shares issued	(20)	-	(21)	(7,288)
Net Cash Provided/(Used) by Financing Activities	19,180	(2,415)	19,895	178,313
Effect of exchange rate changes on cash	74	(34)	77	1,616
Net increase (decrease) in cash	1,175	(23,452)	1,219	2,889
Cash at beginning of period	1,714	25,166	1,778	-
Cash at end of period	2,889	1,714	2,997	2,889
Supplemental Disclosures:				
Cash paid for interest	55	268	342	802
Stock and options issued for services	-	-	-	1,843
Accrued interest and stockholder advances charged to paid in capital	-	-	-	13
Stock issued for exploration agreement	-	-	-	518
Stock issued for registration payment arrangement	-	-	-	1,265
Equipment obtained through a capital lease	73	243	76	1,523
Capital lease obligation for exploration costs	-	-	-	4,189
Interest in relation to capital lease for exploration costs	-	-	-	42
Fair value of warrants in connection with issuance of capital stock	-	-	-	1,331

The accompanying notes are integral part of the consolidated financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements

1. ORGANISATION AND BUSINESS

Legend International Holdings, Inc. ("the Company" or "Legend") 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 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. In July 2006, the Company completed the acquisition of certain diamond mining tenements in Northern Australia. In November 2007, the Company acquired mining tenements prospective for phosphate in the State of Queensland, Australia.

During the economic downturn of 2008, Legend also decided that part of the Company's strategy should be to invest into undervalued mining projects should opportunities arise. This investment would not detract from Legend's primary goal of developing the Phosphate Project and had the aim of diversifying interests to dilute the effect of identified potential project risks. This was seen as necessary by the Company due to the obviously volatile and unpredictable nature of the commodity markets at the time. Some of these investments included taking a major stake in Merlin Diamonds Ltd ("MED") (formerly North Australian Diamonds Limited) which controls the Merlin diamond mine and includes MED's current 31.14% interest in Top End Minerals Ltd ("TEM") and an investment in Northern Capital Resources Corporation ("NCRC") which controls gold and zinc assets in Nova Scotia, Canada through investments (direct and indirect) in Golden River Resources Corporation ("GRR") and Acadian Mining Corporation ("Acadian"). These are outlined in further detail below.

Legend had been an exploration stage company between August 2006 and February 2011.

Effective March 1, 2011, Legend is reporting as a development stage company. During February 2011, the Company announced its maiden mineral reserve for its 100% owned Paradise South phosphate project. In accordance with SEC Industry Guide 7, as a result of establishing mineral reserve estimates, Legend has entered into the development stage for this project as it engages in the process of preparing the mineral deposit for extraction, while it continues with its various other exploration activities. Management considers the phosphate business as its main focus of operations and plans to devote a majority of its resources to this area. As a result of establishing the phosphate mineral reserve estimates, the Company accounts for development expenditure by capitalizing such costs. Exploration costs incurred on the Company's other activities is written off as incurred to the consolidated statements of comprehensive loss. Legend is focused on the development of mining, beneficiation and processing of its 100% owned phosphate mineral reserves near Mount Isa in northwest Queensland whilst continuing its exploration activities. Legend has a phased implementation plan to become one of the world's leading suppliers of phosphate fertilizer.

The Company has historically funded its activities from funds provided by capital raising through the issuance of its shares and from advances from affiliated entities. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements and its exploration and development plans. Based on this process and the amount of the Company's cash and other current assets as of December 31, 2012, management believes that the Company has sufficient operating liquidity to sustain its activities through 2013. However, as the Company has not yet generated income producing activities, it will continue to seek opportunities to raise additional funds from capital raising efforts through the issuance of its shares, funding from affiliated entities as may be available, debt facilities and other financing arrangements until such time as the Company can commence revenue producing activities.

As future development and exploration activities will require additional financing, the Company is pursuing varying strategies to accomplish this including obtaining third parties to take an ownership interest in or to provide financing for the anticipated development activities related to the phosphate project, as well as capital raising through share issuances. In the event the Company is unsuccessful in raising such additional capital, it may not be able to continue active operations.

The financial statements presented herein have been prepared on a consolidated basis to include the accounts of Legend, its subsidiaries MED, Paradise Phosphate Limited ("Paradise"), Teutonic Minerals Pty Ltd and Alexya Pty Ltd. All intercompany balances and transactions have been eliminated in consolidation.

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, Legend has incurred net losses since its inception. Notwithstanding the losses since inception, the Company has been able to continue to raise capital to fund its operations.

Other than the arrangements noted above, the Company has not confirmed any other arrangement for ongoing funding. The Company's ability to continue operations through fiscal 2013 is dependent upon future funding from capital raisings, or its ability to commence revenue producing operations and positive cash flows.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2012, the FASB issued ASU No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. This ASU permits an entity the option to first assess qualitative factors to determine whether it is more-likely-than-not that an indefinite-lived intangible asset is impaired. The results of the qualitative assessment would be used as a basis in determining whether it is necessary to perform the two-step quantitative impairment test. If the qualitative assessment supports the conclusion that it is more-likely-than-not that the fair value of the asset exceeds its carrying amount, the entity would not need to perform the two-step quantitative impairment test. The focus of the guidance is to reduce the cost and complexity of performing impairment tests for indefinite-lived intangible assets other than goodwill, and to improve consistency in impairment testing among long-lived asset categories. This ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed prior to the issuance of the final ASU, if an entity's financial statements for the most recent annual or interim period have not yet been issued. We have not early-adopted this ASU and do not believe adoption will have a material effect on our financial statements.

Other Recently Issued, but not Yet Effective Accounting Pronouncements

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in connection with the preparation of the consolidated financial statements.

Basis of Presentation and Used Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The functional and reporting currency is the Australian dollar.

Convenience Translation to US\$

The consolidated financial statements as of and for the year ended December 31, 2012 have been translated into United States dollars using the rate of exchange of the United States dollar at December 31, 2012 (A\$1.00=US\$1.0373). The translation was made solely for the convenience of readers in the United States.

Comparative Figures

Where necessary, comparative figures have been reclassified to be consistent with current year presentation with no effect on operations.

Noncontrolling Interests

The Company follows the FASB issued Accounting Standards Codification (“ASC”) guidance for noncontrolling interests which establishes accounting and reporting standards pertaining to: (i) ownership interests in subsidiaries held by parties other than the parent (“noncontrolling interests”), (ii) the amount of net income attributable to the parent and to the noncontrolling interests, (iii) changes in a parent’s ownership interest, and (iv) the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. If a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary is measured at fair value and a gain or loss is recognized in net income based on such fair value. For presentation and disclosure purposes, the guidance requires noncontrolling interests to be classified as a separate component of equity. Noncontrolling interests reflect third parties ownership interest in entities that are consolidated as less than 100% owned (see note 7).

Principles of Consolidation

The consolidated financial statements include the assets and liabilities of the Company and the entities it controlled at the end of the financial period and the results of the Company and the entities it controlled during the year. Where entities are not controlled throughout the entire financial year, the consolidated results include the results of those entities for that part of the period during which control exists. The effect of all transactions between entities in the group and the inter-entity balances are eliminated in full in preparing the consolidated financial statements.

Mineral Property Acquisition, Exploration Costs, Development Costs and Amortization of Mineral Rights

Mineral property acquisition, exploration and development costs are expensed as incurred until such time as economic reserves are quantified. As a result of establishing the Paradise South phosphate reserve estimate after it was determined that a mining deposit can be economically and legally extracted or produced based on established proven and probable reserves, further exploration costs and development costs incurred after such determination capitalized. The establishment of proven and probable reserves is based on results of final feasibility studies which indicate whether a property is economically feasible. Upon commencement of commercial production, capitalized costs will be transferred to the appropriate asset category and amortized over their estimated useful lives. Capitalized costs, net of salvage values, relating to a deposit which is abandoned or considered uneconomic for the foreseeable future, will be written off. Mineral rights are amortized over their estimated useful lives being the Company’s estimated rights to tenure.

Stock Options

For the issuances of stock options, the Company follows the fair value provisions of FASB issued guidance now codification ASC Topic 718, “Compensation-Stock Compensation”. Topic 718 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.

Comprehensive Income (Loss)

The Company follows ASC Topic 220 “Comprehensive Income” (“ASC 220”). ASC 220 requires a company to report comprehensive income/(loss) and its components in a full set of financial statements. Comprehensive income/(loss) is the change in equity during a period from transactions and other events and circumstances from non-owner sources such as unrealized gains (losses) on foreign currency translation adjustments. Changes in unrealized foreign currency translation adjustments during fiscal 2012 and 2011 amounted to A\$nil and A\$863,000 respectively. Accordingly, the Comprehensive (loss) attributable to Legend’s shareholders for the years ended December 31, 2012 and 2011 amounted to A\$(23,420,000) and A\$(43,214,000).

Inventories

Materials and Supplies

Materials and supplies are valued at the lower of average cost or net realizable value.

Loss per Share

The Company follows the FASB ASC Topic 260 "Earnings per Share" provisions which require the reporting of both basic and diluted loss per share. Basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Anti-dilutive effects on net loss per share are excluded.

Property and Equipment

Property and equipment is stated at cost. The Company records depreciation and amortization, when appropriate, using straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals and replacements that increase the property's useful life are capitalized. Property sold or retired, together with the related accumulated depreciation is removed from the appropriate accounts and the resultant gain or loss is included in net income (loss).

	Depreciable Life (in years)	At December 31, 2012			At December 31, 2011		
		Cost A\$000s	Accumulated Depreciation A\$000s	Net Book Value A\$000s	Cost A\$000s	Accumulated Depreciation A\$000s	Net Book Value A\$000s
Land		231	-	231	1,101	-	1,101
Buildings	40	10	(5)	5	2,978	(195)	2,783
Leasehold Improvements	1-2	182	(99)	83	267	(102)	165
Motor Vehicles	5	1,503	(914)	589	1,615	(806)	809
Equipment	1-10	4,115	(2,106)	2,009	4,343	(1,482)	2,861
Aircraft	5	4,240	(678)	3,562	4,237	(330)	3,907
Construction in Progress		1,131	-	1,131	1,183	-	1,183
		<u>11,412</u>	<u>(3,802)</u>	<u>7,610</u>	<u>15,724</u>	<u>(2,915)</u>	<u>12,809</u>

The depreciation expense for the year ended December 31, 2012 amounted to A\$1,566,000 (US\$1,624,000) and for the year ended December 31, 2011 amounted to A\$1,715,000. Accumulated depreciation on assets written off and/or disposed of for the year ended December 31, 2012 was A\$682,000 (US\$707,000) and for the year ended December 31, 2011 was A\$788,000. Net book value of assets sold/written off for the year ended December 31, 2012 amounted to A\$3,759,000 (US\$3,899,000) (2011: A\$418,000). The amount written off from construction in progress for the year ended December 31, 2012 was A\$nil (US\$nil) (2011: A\$940,000).

Fair Value of Financial Instruments

ASC Topic 825 "Financial Instruments" requires the Company to disclose, when reasonably attainable, the fair market values of its assets and liabilities which are deemed to be financial instruments. The Company's financial instruments include cash, receivables, other investments, advances due from affiliates, convertible debenture, advances from affiliates, accounts payable and accrued expenses. The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate their respective fair values due to the short term maturities of these instruments. The carrying value of the convertible debenture is reasonable approximation of its fair value. The fair value of advances due to and from affiliates are not practicable to estimate as no similar market exists for these instruments and as it does not have a specified date of repayment. The carrying amounts of marketable securities comprised of shares are measured at fair value based on unadjusted quoted market prices that are available in active markets as of the reporting date.

The Company's other financial instruments consists of long-term debt, including current portion. The fair value of the Company's fixed rate debt based on market prices as of December 31, 2012 was A\$2,509,000 (US\$2,603,000), based on current interest rates available to us for debt instruments with similar terms, degrees of risk and remaining maturities. The carrying values of these obligations, for each period presented, approximate fair value.

Cash Equivalents

Legend considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. For the periods presented there were no cash equivalents.

Federal Income Tax

ASC Topic 740 requires the Company to recognise, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. Additionally for tax positions to qualify for deferred tax benefit recognition under ASC 740, the position must have at least “more than likely not” chance of being sustained upon challenge by the respective taxing authorities, and whether or not it meets that criteria is a matter of significant judgement. The Company believes that it does not have any uncertain tax positions that would require the recording or disclosure of a potential tax liability.

The Company follows the asset and liability approach which 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. The Company, at this time, is not aware of any net operating losses which are expected to be realised, therefore a valuation allowance was established.

Foreign Currency Translation

The Company’s functional and reporting currency is the Australian dollar. Revenue and expenses incurred in a currency other than the reporting currency, Australian dollars are translated at the date incurred or invoiced. Assets and liabilities are re-valued at the period end exchange rate where appropriate. Gains or losses from foreign currency transactions are included in the results of operations. Foreign currency exchange gain/loss in 2012 and 2011 is primarily as a result of the translation of cash maintained in US banking institutions to A\$ and long term debt with overseas institutions and amounted to a loss of A\$16,000 (US\$18,000) in 2012 and a loss of A\$45,000 in 2011.

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 drill holes, 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.

Lease Liability

Leases meeting certain criteria are accounted for as a capital lease. Imputed interest is charged against income. The capitalised value of the assets is depreciated over the estimated useful lives. The Company has entered into leasing agreements of two and three year terms for motor vehicles. Obligations under capital lease are reduced by the rental payments net of imputed interest. All other leases are treated as operating leases.

Impairment of Long-Lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360, "Impairment or Disposal of Long-Lived Assets". ASC Topic 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of its assets, including property, plant and equipment and mineral rights, by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, the impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. During 2012, the Company reviewed the assets held and adopted a plan to dispose of some of its assets relating to land and buildings A\$3,361,000 (US\$3,486,000) and motor vehicles A\$10,000 (US\$11,000) which were surplus to its needs. As part of the plan, an impairment loss of A\$250,000 (US\$260,000) was recognized which is included in write off/writedown of assets, representing the excess of the carrying amount of certain assets over the aggregate of the fair value. All of the impaired assets are part of the current assets – assets held for sale.

4. CONCENTRATIONS OF RISKS

Cash Balances

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

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.

The Company held in interest bearing cash accounts at December 31, 2012, A\$2,889,000 (US\$2,997,000) including A\$1,000 (US\$1,000) held in US dollars in Australian banking institutions and A\$3,000 (US\$3,000) in other banking institutions.

Mineral Rights and Foreign Operations

The Company has mineral rights in Australia.

5. DEVELOPMENT COSTS

During the year ended December 31, 2012, A\$1,185,000 (US\$1,229,000) of costs incurred on the Paradise South phosphate project in the process of preparing the mineral deposit for extraction were capitalized and included in development costs.

6. DEPOSITS

Deposits held by the Company consist of:

	December 31	
	2012	2011
	A\$000s	A\$000s
Term Deposit as security for a Banker's Undertaking	317	299
Other	152	148
Cash deposits provided to Government Departments for the purpose of guaranteeing the Company's performance in accordance with mining law	616	707
	<u>1,085</u>	<u>1,154</u>

7. INVESTMENTS/SUBSIDIARIES

The following is the summary of the Company's acquisitions and investments.

Consolidated Entities

Paradise

The Company holds 100% of the shares of Paradise which commenced operating during the year ended December 31, 2012. During the year ended December 31, 2012, Paradise issued 100,000,000 shares to Legend for all of Legend's phosphate assets. The assets were transferred at their respective cost basis. Legend has recorded an estimated current tax liability of A\$650,000 as a result of the transfer of the assets to Paradise. The amount of other income of Paradise for the year ended December 31, 2012 included in the Consolidated Statements of Comprehensive Loss amounts to A\$229,000, and the amount of loss is A\$14,062,000.

MED

At December 31, 2011, the Company's holding in MED was 50.69%. During fiscal 2012, MED issued 24,727,221 ordinary shares for net consideration of A\$5,131,000 as a result of the exercise of options and share placements. During fiscal 2012, the Company acquired 165,000 additional shares in MED at a cost of A\$32,000. The net dilutive effect of the issues and acquisitions reduced the Company's interest to approximately 41.95% at December 31, 2012. As such, the Company recorded adjustments to the Company's additional paid-in capital and non-controlling interest accounts related to these transactions which are reflected in the accompanying Statement of Stockholders' Equity (Deficit) during fiscal 2012. At December 31, 2012, the management of the Company believes it has the ability to control the operations of MED through its share ownership and control of the management of the day to day operations. Additionally, the Company's President and Chief Executive Officer and two of its independent Directors serve as Executive Chairman and Managing Director, and Directors, respectively, of MED. At December 31, 2012, it is management's conclusion that the Company has a controlling interest in MED and accordingly, it consolidated MED's results into the Company. The amount of other income of MED for the year ended December 31, 2012 and 2011 included in the Consolidated Statements of Comprehensive Loss amounts to A\$174,000 and A\$844,000 respectively, and the amount of loss is A\$5,495,000 and A\$4,832,000 respectively. For the year ended December 31, 2012 the loss was offset by the proceeds from the sale of a parcel of rough diamonds from the pre-production trials of A\$1,772,000.

Teutonic Minerals Pty Ltd

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 held 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 the vendors 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 December 31, 2008 the net assets and liabilities acquired by the Company had no value. At December 31, 2012 and 2011, the financial position and results of operations of Teutonic were not material.

Alexya Pty Ltd

On October 22, 2010, the Company incorporated a wholly owned Australian subsidiary, Alexya Pty Ltd ("Alexya") to hold a certain asset and liability which has been consolidated in the accompanying financial statements. The amount of revenue of Alexya for the year ended December 31, 2012 and 2011 included in the Consolidated Statement of Comprehensive Loss is A\$nil and A\$nil respectively and the amount of loss is A\$907,000 and A\$1,201,000 respectively.

The Company also has the following wholly owned inactive subsidiaries:

- Legend International Holdings Limited
- Legend Diamonds Pty Ltd

Equity Investments

Northern Capital Resources Corp

At December 31, 2012, Legend held a 31.50% interest in Northern Capital Resources Corp ("NCRC"), a Nevada Corporation. The Company has accounted for the investment in NCRC using the equity method. At December 31, 2012 and 2011, the carrying value of the investment was A\$nil and A\$595,000 respectively. For the year ended December 31, 2012 and 2011, the Company recorded an equity loss in NCRC of A\$124,000 and A\$7,133,000 respectively. At December 2012 and 2011, the Company made an assessment of the carrying value of the investment in NCRC and concluded that it needed to impair the carrying value. This assessment took into account the net asset position of NCRC. As a result, the Company impaired the carrying value of the investment and has recorded an impairment of equity investment of A\$471,000 (2011: A\$5,654,000) in the Company's consolidated statement of comprehensive loss.

The Chairman of the Board and Chief Executive Officer of the Company, is also the Chairman of the Board and Chief Executive Officer of NCRC and certain companies with which Mr Gutnick is associated own approximately 35.62% of the outstanding common stock of NCRC. Mr JI Gutnick is one of six directors (four of the directors are independent of NCRC) of the Company. Furthermore, Dr D S Tyrwhitt is also a Director of NCRC.

At December 31, 2012, the investment in the unconsolidated subsidiary is accounted for under the equity method as the Company has significant influence over NCRC.

The following table presents summary unaudited financial information for NCRC. Such summary financial information has been provided herein based upon the individual significance of this unconsolidated equity investment to the consolidated financial information of the Company:

	December 2011 A\$000s	December 2012 A\$000s
Current assets	958	84
Non-current assets	7,124	1,689
Total assets	<u>8,082</u>	<u>1,773</u>
Current liabilities	615	175
Non-current liabilities	1,249	-
Total liabilities	<u>1,864</u>	<u>175</u>
Total shareholders' equity	6,218	1,598
Noncontrolling interest	<u>(4,331)</u>	<u>-</u>
Shareholder equity attributable to NCRC	<u>1,887</u>	<u>1,598</u>
Net profit/(loss)	<u>(22,673)</u>	<u>2,068</u>

At December 31, 2012 and 2011, the carrying value of this equity investment was not in excess of the Company's share of the underlying equity in the net assets of the investee.

Top End Minerals Limited

The Company, through its investment in MED, holds a 31.14% interest in TEM, which has a carrying value of A\$179,000 and A\$711,000 at December 31, 2012 and 2011 respectively. MED accounts for the investment in TEM using the equity method. For the year ended December 31, 2012 and 2011, the Company recorded equity loss in TEM of A\$311,000 and A\$362,000 respectively. At December 31, 2012, the Company made an assessment of the carrying value of the investment in TEM and concluded that it needed to impair the carrying value. This assessment took into account the net asset position of TEM and as a result has recorded an impairment of equity investment of A\$221,000. At December 31, 2011, there was no need to impair the carrying value of TEM.

At December 31, 2012, the investment in the unconsolidated subsidiary is accounted for under the equity method as the Company via its subsidiary MED has significant influence over TEM.

The following table presents summary unaudited financial information for TEM. Such summary financial information has been provided herein based upon the individual significance of this unconsolidated equity investment to the consolidated financial information of the Company:

	December 2011 A\$000s	December 2012 A\$000s
Current assets	3,618	1,116
Non- current assets	8	12
Total assets	<u>3,626</u>	<u>1,128</u>
Current liabilities	180	523
Total liabilities	<u>180</u>	<u>523</u>
Total shareholders' equity	<u>3,446</u>	<u>605</u>
Net profit/(loss)	<u>(1,166)</u>	<u>(998)</u>

At December 31, 2012 and 2011, the carrying value of this equity investment was not in excess of the Company's share of the underlying equity in the net assets of the investee.

8. STOCKHOLDERS EQUITY

Common Stock

Between January 1, 2001 and December 31, 2007, the Company issued 65,582,358 shares of Common Stock raising A\$29,761,285. The Company also issued 21,031,700 shares of Common Stock in lieu of services for a value of A\$1,374,839. The Company issued a further 89,442,267 shares of Common Stock upon the cashless exercise of options. The Company issued a further 500,000 shares of Common Stock for part settlement of acquisition of exploration permits amounting to A\$518,000. The Company issued a further 200,000 shares of Common Stock as a result of delays in lodging a registration statement amounting to A\$364,805. The Company issued a further 112,500 shares of Common Stock valued at A\$35,416 to settle outstanding matters with an external party.

Between January 1, 2008 and December 31, 2008, the Company issued 42,000,000 shares of Common Stock raising A\$110,028,293. The Company also issued 30,800 shares of Common Stock in lieu of services for a value of A\$147,588. The Company issued a further 1,522,358 shares of Common Stock upon the cashless exercise of options and 435,600 shares of Common Stock upon the exercise of options raising A\$51,494. The Company issued a further 457,809 shares of Common Stock as a result of delays in lodging a registration statement amounting to A\$900,495.

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

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

During the third quarter of 2008, the 5,000,000 options issued to IFFCO, at an exercise price of US\$2.50 per share and expiring 60 days from July 11, 2008 were exercised on August 11, 2008 and pursuant to the Share Options Agreement, received a 1.2% discount on the exercise price. The total amount received was A\$13,672,091 and the Company issued 5,000,000 shares of common stock. The 8,000,000 options expiring 12 months after July 11, 2008, the 8,000,000 options expiring 18 months after July 11, 2008 and the 9,000,000 options expiring 24 months after July 11, 2008 were not exercised and were forfeited. IFFCO holds 15.2% of the shares of common stock of the Company.

Between January 1, 2009 and December 31, 2009, an additional 18,000 options were exercised for US\$0.111, total amount received A\$2,763 and the Company issued 18,000 shares of common stock. Between January 1, 2010 and December 31, 2010, an additional 333,334 options were exercised using the cashless exercise feature and the Company issued 66,282 shares of common stock. Between January 1, 2010 and December 31, 2010, Legend issued 1,000,000 options with an exercise price of US\$1.00 and expiring on September 1, 2014 for consulting fees amounting to A\$247,000. Between January 1, 2011 and December 31, 2011, an additional 9,000 options were exercised using the cashless exercise feature and the Company issued 7,572 shares of common stock. Between January 1, 2012 and December 31, 2012, the Company issued 22,640,725 shares of Common Stock raising A\$2,255,726.

Share Option Plan

The Company has a Stock Incentive Plan ("Stock Plan") for executives and eligible employees and contractors. Under this Stock Plan, options to purchase shares of stock can be granted with exercise prices not less than the fair market value of the underlying stock at the date of grant. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to or greater than the market price of the Company's stock at the date of grant; those option awards generally vest 1/3 after 12 months, 1/3 after 24 months and the balance after 36 months with a 10-year contractual term. The expected life of the options is generally between 5½ to 6½ years. Certain option and share awards provide for accelerated vesting if there is a change in control (as defined in the Stock Plan). The maximum aggregate number of Shares which may be optioned and sold under the Stock Plan is 10% of the issued and outstanding shares (on a fully diluted basis).

The fair value of each option award is estimated on the date of grant using the Binomial option valuation model that uses the assumptions noted in the following table. The Binomial option valuation model requires the input of subjective assumptions, including the expected term of the option award and stock price volatility. Expected volatility is based on the historical volatility of our stock at the time grants are issued and other factors, including the expected life of the options of 5 ½ to 6 ½ years. The Company uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding; the range given below results from certain groups of employees exhibiting different behaviour. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	For the year ended December 31, 2012	For the year ended December 31, 2011
Weighted Average Volatility	70%	70%
Dividend Yield	-	-
Expected term (years)	5.5 – 6.5	5.5 – 6.5
Risk-free rate	1.91%	1.91%

A summary of option activity under the Plan as of December 31, 2012, and changes since December 2006 is presented below:

Options	Shares 000s	Weighted-Average Exercise Price
Balance, December 31, 2006	8,100	\$0.83
Granted	6,250	\$0.93
Exercised	-	-
Forfeited and expired	(1,763)	\$0.72
Balance, December 31, 2007	12,587	\$0.79
Granted	11,000	\$1.79
Exercised	-	-
Forfeited and expired	(1,125)	\$0.98
Balance, December 31, 2008	22,462	\$1.19
Granted	1,900	\$1.00
Exercised	-	-
Forfeited and expired	(675)	\$1.00

Options	Shares 000s	Weighted-Average Exercise Price
Balance, December 31, 2009	23,687	\$1.30
Granted	500	\$1.00
Exercised	(333)	\$0.83
Forfeited and expired	(979)	\$0.97
Balance, December 31, 2010	22,875	\$1.32
Granted	-	-
Exercised	-	-
Forfeited and expired	(300)	\$1.00
Balance, December 31, 2011	22,575	\$1.33
Granted	-	-
Exercised	-	-
Forfeited and expired	(675)	\$1.00
Balance, December 31, 2012	21,900	\$1.34
Options exercisable at December 31, 2012	21,900	\$1.34

At the time of an issue of options, management assess the forfeiture rate to be used for the issue based on historical experience and management's view on the likelihood that the individual will continue employment to the end of the vesting period. The forfeiture rates vary between 33.3% and 100%.

For the year ended December 31, 2012, stock-based compensation expense relating to stock options was A\$44,000 (US\$46,000) and is included in exploration expenditure. For the year ended December 31, 2011, stock based compensation expense relating to stock options was A\$452,000 (US\$460,000), A\$173,000 (US\$176,000) of which is included in exploration expenditure and A\$279,000 (US\$284,000) is included in administration expenses. No income tax benefit was recognized in the years ended December 31, 2012 and 2011 for stock-based compensation arrangements because of the valuation allowance. As at December 31, 2012, there was A\$nil (US\$nil) of unrecognized compensation cost, before income taxes, related to unvested stock options.

Exercise Prices US\$	Options Outstanding			Options Exercisable		
	Number Outstanding 000s	Weighted Average Remaining Contractual Life (In Years)	Weighted- Average Exercise Price	Number Exercisable 000s	Weighted Average Remaining Contractual Life (In Years)	Weighted- Average Exercise Price
\$0.444	1,856	3.86		1,856	3.86	
\$1.000	13,144	4.85		13,144	4.85	
\$2.000	5,900	5.17		5,900	5.17	
\$3.480	1,000	5.52		1,000	5.52	
	21,900	4.88	\$1.34	21,900	4.88	\$1.34

The aggregate intrinsic value of outstanding stock options at December 31, 2012 was US\$nil and the aggregate intrinsic value of exercisable stock options was US\$nil. For the year ended December 31, 2012, the aggregate intrinsic value of exercised options was US\$nil (2011: US\$nil).

Merlin Diamonds Limited

Options

The number of MED options outstanding over unissued ordinary shares at December 31, 2012 is nil. For the year ended December 31, 2012, 3,656,000 options were exercised at A\$0.16 and MED issued 3,656,000 shares for net consideration of A\$580,000.

Directors, Officers and other Permitted Persons MED Option Plan

At December 31, 2012, no options are on issue under this plan.

9. RECLAMATION AND REHABILITATION

	December 31, 2012 A\$000s	December 31, 2011 A\$000s
Balance January 1	969	926
Increase (Decrease) as a result of rehabilitation requirement on exploration undertaken during year	159	169
Decrease as a result of rehabilitation performed during the year	(35)	(126)
Closing balance December 31	<u>1,093</u>	<u>969</u>

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 rehabilitation costs are based principally on legal and regulatory requirements.

10. LEASE LIABILITY

A\$000s

The Company entered into capital finance lease agreements for motor vehicles. The leases are non-cancellable and require total monthly repayments of A\$25,000 (2011:A\$26,000) and expire at various dates from 2013 to 2016. Future minimum payments due for the remaining term of the leases as of December 31, 2012 are as follows:

2013	156
2014	59
2015	14
2016	40
	<u>269</u>
Less amounts representing interest	<u>17</u>
	<u>252</u>
Current liability	143
Non-current liability	109
	<u>252</u>
At December 31, 2012, the net book value of the motor vehicles under capital leases amounts to:	<u>435</u>

11. OTHER INVESTMENTS

During December 2009, the Company invested A\$2,784,000 in exchange for shares in a Fund that purchases shares in companies quoted on international stock exchanges. The fair value of the equity security is not readily determinable from published information. The Company accounts for these investments at cost and reviews the carrying amount for impairment at each balance sheet date. During 2011, the Company redeemed the investment and at December 31, 2011, had received A\$1,695,000 of the redeemed investment. At December 31, 2011 the Company assessed the current net asset value of the remaining investment from information provided by the Fund Manager and determined that a provision for impairment was appropriate of A\$719,000. The Company considers the provision remains appropriate as at December 31, 2012

12. AFFILIATE TRANSACTIONS

Legend advances to and receives advances from various affiliates. All advances between consolidated affiliates are eliminated on consolidation.

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 ten 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.

Legend holds a 9.09% interest in AXIS at a cost of A\$1 and which is accounted for under the cost method. The majority shareholder (72.73%) of AXIS is a third party independent of Legend Directors and management. J I Gutnick and his family or any of their private companies do not hold any shares in AXIS.

During 2011, AXIS charged the Company A\$5,939,000 for management and administration services and A\$7,228,000 for exploration services. The Company paid A\$17,697,000 for 2011 charges and funding advances. The amount owed by AXIS at December 31, 2011 was A\$7,484,000 (September 2011: A\$6,740,000). For 2011, the Company charged AXIS interest of A\$136,000 at a rate of 11.19%. At December 31, 2011, management considered the recoverability of the amount owed by AXIS and in accordance with the requirements of accounting standards provided A\$6,839,000 provision for doubtful receivable in 2011. The amount owed by AXIS at December 31, 2011 of A\$645,000 is included under non-current assets – receivables affiliates.

During 2012, AXIS charged the Company A\$6,202,000 (US\$6,433,000) for management and administration services and A\$3,023,000 (US\$3,136,000) for exploration services. The Company paid A\$7,728,000 (US\$8,016,000) for 2012 charges and funding advances. For 2012 Axis repaid A\$915,000 (US\$949,000) to the Company and accordingly, the Company recorded an adjustment to the provision of A\$2,340,000 (US\$2,427,000). Accordingly, the balance of the provision for the amounts due from AXIS at December 31, 2012 amounts to A\$4,499,000. For 2012, the Company charged AXIS interest of A\$72,000 (US\$75,000) at a rate between 9.84% and 10.24%. The net amount owed by AXIS at December 31, 2012 of A\$645,000 (US\$669,000) is included under current and non-current assets – receivables affiliates.

During the 2009 year, the Company invested in MED through on-market purchases on ASX and through a takeover offer. The Company's President and Chief Executive Officer and two of its independent Directors are Executive Chairman and Managing Director, and Directors respectively of MED. At December 31, 2011, the Company's holding in MED was 50.69%.

In January 2012, MED issued 3,656,000 shares for net consideration of A\$580,000 (US\$602,000) due to the exercise of 3,656,000 options. On June 28, 2012, MED issued 12,071,221 shares through a private placement for net consideration of A\$2,647,000 (US\$2,746,000). During 2012, the Company acquired 165,000 additional shares in MED at a cost of A\$32,000 (US\$33,000). On December 14, 2012 MED advised that it has entered into application for shares agreements with four international investors to place 43 million fully paid ordinary shares at a price of 21 cents each raising A\$9,030,000 (US\$9,367,000). On December 31, 2012, MED issued 9,000,000 shares under these agreements. The net dilutive effect of the issues and acquisitions reduced the Company's interest to approximately 41.95% at December 31, 2012. Since that date, MED has issued further shares to third parties and at March 15, 2013, Legend's interest in MED had reduced to 33.84%

During the 2009 year, the Company and MED entered into a camp access agreement and airfield access agreement relating to the Merlin camp and airstrip to allow the Company to utilize these facilities. At December 31, 2012, the amount due to MED was A\$12,000 (US\$12,000) and at December 31, 2011, A\$45,000. The Company through its investment in MED holds a 31.14% interest in TEM. During the 2012 year, MED charged TEM for corporate and direct costs. The amount owed by TEM at December 31, 2012 was A\$200,000 (US\$207,000) and is included in current assets – receivables – affiliates.

During the 2010 and 2011 years, the Company took a private placement of shares of common stock in NCRC. At December 31, 2012, the Company held 31.50% of the shares of NCRC (2011: 31.50%). The Company's President and Chief Executive Officer and one of its independent Directors are President and Chief Executive Officer and Director respectively of NCRC. The amount owed by NCRC at December 31, 2012 included under non-current assets – advances to affiliates was A\$nil (2011: A\$63,000).

During the 2011 year, Edinox Pty Ltd (“Edinox”), a company associated with Mr J I Gutnick, advanced the Company A\$2,264,000. The Company has provided security in the form of properties owned by Legend for the advance. Under the terms of the agreement the advance was repayable on April 2, 2012 but has been extended to at call. For 2012, Edinox charged the Company interest at a rate between 6.32% and 4.92% and costs of A\$171,000 (US\$177,000) (2011: A\$31,000). For 2012 the Company paid A\$201,000 (US\$208,000) (2011: A\$nil) to Edinox for interest and costs. At December 31, 2012, the Company owed Edinox A\$2,264,000 (US\$2,348,000) (2011: A\$2,295,000).

13. GOODWILL

Goodwill was recorded as part of the acquisition of MED during 2009. The goodwill amount of A\$1,093,000 was calculated as the difference between the fair value of the MED net assets acquired of A\$12,541,000 (net of non-controlling interest) and total consideration of A\$13,633,000. In accordance with Topic 350, Intangibles – Goodwill and Other, the Company completed an impairment test and determined that the goodwill recorded at the acquisition date was not impaired.

14. MINERAL RIGHTS

Mineral rights were recorded upon the acquisition of MED during 2009 based upon an independent expert’s report prepared for NADL as part of its Target’s Statement to respond to the on market takeover offer by the Company, which included a valuation of Mineral Rights of the mineral properties of MED with mineralized material which were valued at A\$18,873,000. The underlying mineral property licenses have a set term and the Mineral Rights are being amortized over the term of the licenses. The amortization charge for the twelve months ended December 31, 2012 is A\$1,398,000 (2011: A\$1,398,000) and the net carrying value of Mineral Rights at December 31, 2012 is A\$14,095,000 (US\$14,621,000).

15. CONVERTIBLE NOTES

Effective as of February 7, 2012, the Company entered into a convertible note agreement via its wholly-owned subsidiary, Paradise, with two Australian investment funds, pursuant to which Paradise issued A\$7.5 million in principal amount of notes due 12 months from the issue, which bear interest at a nominal rate of 10% per annum (the actual amount of effective interest depends upon the event that triggers repayment). If, within 12 months of the completion date of the agreement, Paradise conducted a public offering of securities in Australia and those securities were listed on ASX, then the convertible notes would be converted into ordinary shares of Paradise at a conversion rate which is based on the pre-money value of Paradise at the time of the public offering of securities. The note agreement calls for an adjustment to the repayment factor if Paradise does not complete the public offering, as defined. On April 30, 2012, Paradise raised a further A\$2.5 million via an increase in the convertible note facility on the same terms and conditions set out for the A\$7.5 million. As at December 31, 2012 interest of \$851,000 (US\$883,000) has been incurred on the convertible notes which is included in current liabilities – accrued financing costs. The A\$10 million convertible note was due for repayment on March 10, 2013. Acorn has agreed to extend the repayment date for 2 months under certain conditions including the finalisation of a term sheet for an off-take agreement prior to March 10, 2013. Paradise has entered into a term sheet with a third party and the repayment date has been extended to May 10, 2013.

Paradise did not proceed with the IPO and listing on ASX due to market conditions and the advanced state of strategic partners at the time.

The approximate cash repayment due at May 10, 2013 is A\$17,900,000 (US\$18,500,000), made up of the principal amount of \$10,000,000 plus interest of approximately \$1,200,000 multiplied by a repayment factor of 0.625, equating to A\$6,700,000.

The Company expects to repay the convertible note by April 10, 2013, and therefore as of December 31, 2012, Paradise has accrued additional financing cost representing the repayment factor of .66 equating to A\$5,590,000 (US\$5,798,000) which is included in financing cost expense and in current liabilities – accrued financing costs in the accompanying 2012 financial statements.

16. LONG-TERM DEBT

During November 2010, the Company entered into a loan facility agreement, which provides for a US\$3.2 million credit facility and has a term of five years. Interest on borrowings under the agreement will be fixed at 6.70% per annum.

Borrowings under this agreement amounted to A\$2.51 million (US\$2.60 million) at December 31, 2012 owed to the financier by our wholly owned subsidiary are secured by certain equipment purchased by the Company. This debt matures in 2015 with the aggregate amount of payment obligations after December 31, 2012 as follows:

Year	A\$000s
2013	310
2014	332
2015	<u>1,867</u>
Total	<u>\$2,509</u>

17. INCOME TAXES

The Company has adopted the provisions of ASC Topic 740 "Income Taxes". ASC 740 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.

ASC Topic 740 prescribes how a company should recognise, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. Additionally for tax positions to qualify for deferred tax benefit recognition under ASC 740, the position must have at least a "more likely than not" chance of being sustained upon challenge by the respective taxing authorities, and whether or not it meets that criteria is a matter of significant judgement. The Company believes that it does not have any uncertain tax positions that would require the recording or disclosure of a potential tax liability.

The Company is subject to taxation in both the USA and Australia.

At December 31, 2012 and 2011, deferred taxes consisted of the following:

	USA 2012 A\$000s	Australia 2012 A\$000s	Total 2012 A\$000s
Deferred tax assets			
Net operating loss carry-forward	5,059	5,060	10,119
Exploration expenditure	5,138	-	5,138
Less valuation allowance	<u>(10,197)</u>	<u>(5,060)</u>	<u>(15,257)</u>
Net deferred taxes	<u>-</u>	<u>-</u>	<u>-</u>
	USA 2011 A\$000s	Australia 2011 A\$000s	Total 2011 A\$000s
Deferred tax assets			
Net operating loss carry-forward	14,534	27,744	42,502
Exploration expenditure	19,702	-	21,157
Less valuation allowance	<u>(34,236)</u>	<u>(27,744)</u>	<u>(63,659)</u>
Net deferred taxes	<u>-</u>	<u>-</u>	<u>-</u>

Under ASC 740, tax benefits are recognised only for tax positions that are more likely than not to be sustained upon examination by tax authorities, based on the technical merits of the position. 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.

In February 2012, as a result of the transfer of the phosphate assets to Paradise, Legend has realised its carryforward net operating losses and exploration expenditures. In addition, Legend recorded an estimated current tax liability of A\$650,000 resulting from the transaction. 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. Carry-forward net operating losses will be available to offset future taxable income. Total available net operating loss carryforwards in the United States, which are subject to limitations, amount to approximately A\$14,500,000 at December 31, 2012 and expire in years 2024 through 2031. Net operating loss carryforwards in Australia which do not have a definite expiration date amounted to approximately A\$16,900,000.

The Company's tax returns for all years since December 31, 2008 remain open to examination by most taxing authorities.

18. COMMITMENTS AND CONTINGENCIES

The Company is a party to claims that arose in the normal course of business. Management of the Company believes that the ultimate outcome of these claims will not have a material effect on the consolidated financial statements.

The Company has entered into lease agreements for the rental of office premises and equipment which expire between 2013 and 2014.

	A\$000s
Future minimum contractual obligations under operating leases are as follows:	
2013	57
2014	27
	<u>84</u>

	A\$000s
Future minimum lease payments under the Company's non-cancellable operating leases are as follows:	
2013	145
2014	55
2015	13
2016	39
	<u>252</u>

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:

	2012 A\$000s	2011 A\$000s
Not later than one year	2,473	5,278
Later than one year but not later than five years	5,704	9,532
Later than five years but not later than twenty one years	1,724	1,422
	<u>9,901</u>	<u>16,232</u>

19. SUBSEQUENT EVENTS

The Company has evaluated events and transactions after the balance sheet date through the date the consolidated financial statements were issued and believes that all relevant disclosures have been included herein and there are no other events which require recognition or disclosure in the accompanying consolidated financial statements, other than disclosed herein.

On January 16, 2013 the Company announced that it has placed 150 million shares of Common Stock at a price of 5 cents per share raising \$7.5 million. Closing of 45 million shares for US\$2,250,000 occurred on February 20, 2013. Further, following the placement of shares, the Company intends to undertake a rights issue of shares of Common Stock on a pro-rata basis, to all stockholders, at 5 cents per share.

On January 18, 2013 the Company announced that it has entered into an agreement to sell 24 million ordinary shares (approximately 16.9%) in MED at a price of 21 cents per share which amounts to A\$5.04 million, which will close in 60 days; and on March 12, 2013, it entered into two further contracts to sell a total of 35 million ordinary shares (approximately 19.9% in MED at a price of A\$0.22 per share, which will close in 10 business days. Following closing, Legend will hold less than a 1% interest in MED. Funds raised by the placement, the sale of assets and from the rights issue will be used in the development of the phosphate operations, to retire debt and for working capital purposes.

As a result of the reduction in ownership in the investment in MED, the Company expects it will deconsolidate MED in 2013. The net assets of MED included in the accompanying balance sheet are summarised as follows:

	A\$000s
Total assets	<u>18,671</u>
Total liabilities	<u>(2,042)</u>
Non Controlling Interests	<u>(13,018)</u>
Net assets	<u><u>3,611</u></u>

Total assets noted above includes the A\$14,095,000 mineral rights and A\$1,093,000 of goodwill.

On January 31, 2013, MED announced it has reached an agreement with Innopac Holdings Limited (Innopac) under which Innopac agrees to make a scrip-for-scrip off-market takeover to acquire all of the shares in MED (the Transaction).

Under the Transaction, Innopac will offer 1.67 Innopac shares for every one MED share. This equates to A\$0.28 per MED share (based on S\$0.2145 per Innopac share which is the weighted average price for trades of Innopac's shares done on the SGX-ST Mainboard for 7 consecutive trading days prior to and including January 30, 2013, being the day on which the Takeover Bid Implementation Deed was executed, and at an exchange rate of A\$1.00 to S\$1.28) and represents a premium of approximately 36.59% over the closing price of A\$0.205 on January 30, 2013.

The Transaction is unanimously recommended by the Directors of MED, in the absence of a superior proposal.

Subject to compliance with any law and regulatory approvals, Innopac has agreed to use best endeavours to establish a share sale facility for MED shareholders who accept the offer but do not wish to hold Innopac shares, up to an agreed cap.

Innopac has been listed on the Singapore Stock Exchange mainboard since 1983, and is an investment holding and management company headquartered in Singapore. Its present investments are in telecommunications, investment properties and equities. Innopac is continually looking for new investments that will contribute to and increase its shareholders' value.

The Offer will be subject to a number of conditions which are contained in attachment 1 (defined terms have the meaning given to them in the Takeover Bid Implementation Deed) of the announcement on the Company's website.

The Takeover Bid Implementation Deed also contains:

- no shop, no talk, notification and matching rights in favour of Innopac; and
- a break fee payable by each of Innopac and MED in certain circumstances.

Innopac and MED expect that the Bidder's Statement and Target's Statement in relation to the Offer will be sent to MED Shareholders in March 2013.

On March 1, 2013, shareholders representing more than 50% of the issued shares of Common Stock of Legend approved a resolution to increase the authorized shares of common stock to 1,270,000,000 shares of common stock consisting of 1,250,000,000 shares of Common Stock having a par value of \$.001 per shares and 20,000,000 shares of Preferred Stock having a par value of \$.001 per share and to be issued in such series and to have such rights, preferences, and designation as determined by the Board of Directors of the Corporation.

GLOSSARY

In this Form 10-K, we use certain capitalized and abbreviated terms, as well as technical terms, which are defined below.

ALUMINUM FLUORIDE	AlF ₃ an inorganic compound produced by reacting Aluminium Hydroxide Al(OH) ₃ with Fluorosilicic Acid H ₂ SiF ₆ . It is an important additive for the production of aluminium by electrolysis.
APATITE	A pale green to purple mineral, found in sedimentary rocks, igneous rocks and metamorphosed limestones. It is used in the manufacture of phosphorus, phosphates, and fertilizers. Composition: calcium fluorophosphate or calcium chlorophosphate. General formula: Ca ₅ (PO ₄ ,CO ₃) ₃ (F,OH,Cl). Crystal structure: hexagonal
ASSAY	To analyze the proportions of metals in a specimen of rock or other geological material. Results of a test of the proportions of metals in a specimen of rock or other geological material.
ASSAYING	Qualitative or quantitative analysis of a metal or ore to determine its chemical components.
BACKGROUND	As pertains to geochemical data; the variation in natural abundance of a particular metal or other constituent within a specific geological setting.
BENEFICIATION	Any process that, from an ore feedstock, liberates valuable minerals, in this case phosphates, from most other waste materials.
BPL	The traditional measure known as the Bone Phosphate of Lime, by weight percentage, of calcium phosphate contained in phosphate rock which converts to % P ₂ O ₅ by dividing by 2.185.
BULK DENSITY	A property of powders, granules and other "divided" solids, especially used in reference to mineral components. It is defined as the mass of many particles of the material divided by the total volume they occupy. The total volume includes particle volume, inter-particle void volume and internal pore volume.
CAMBRIAN	The Cambrian is the first geological period of the Paleozoic Era, lasting from 542 ± 0.3 million years ago to 488.3 ± 1.7 million years ago.
CaO	Chemical Symbol for Calcium Oxide
COLLAR	The start or beginning of a drill hole or the mouth of an underground working entrance.
CONE SPLITTER	Sample splitting device attached to the bottom of the cyclone on a RC (reverse circulation) drill rig. Cuttings are gravity fed over a stainless steel cone and multiple outlets capture the divided sample. This splitting method is considered "best practice" within the industry as it eliminates a grainsize bias between samples.
CONFIDENCE LEVEL	The statistical likelihood (probability) that a random variable lies within the confidence interval of an estimate.
CRATON	The relatively stable nucleus of a continent. Cratons are made up of a shield-like core of Precambrian Rock and a buried extension of the shield.

DAP/MAP	Diammonium Phosphate (DAP) and Monoammonium Phosphate (MAP) are phosphate salts produced by reacting phosphoric acid with ammonia. They are both used as fertiliser.
DEVONIAN	The fourth geological period of the Paleozoic Era, spanning 408 to 360 million years ago.
DIAMOND DRILL	A method of extracting core samples from the earth. A series of rods/tubes with a diamond encrusted drill bit on the end are rotated under pressure to cut a drill hole into the earth. The internal core sample is then recovered for testing and study.
DIRECT ACIDULATION	Reaction of phosphate rock or beneficiated phosphate concentrates with sulfuric acid to produce phosphoric acid feedstocks.
DISSEMINATED	Fine grain particles of minerals that occur within the rock
FACIES	A term applied to sedimentary units and the rocks that belong to them
FAULT	A fracture or fracture zone in rock along which there has been displacement of the two sides relative to each other and parallel to the fracture plane.
Fe/Fe ₂ O ₃	Chemical symbol for iron.
Fe ₂ O ₃	Iron Oxide
FLOTATION	The process of using chemicals to move fine grain particles in a solution, one process used in beneficiation
FOB	Acronym meaning “free on board” used in conjunction with a port of reference. It is a shipping term outlining which party pays for transportation costs to port, as well as loading costs.
FRACTURE	A general term for any break in a rock, whether or not it causes displacement.
GOETHITE	FeO(OH) is an iron hydroxide mineral often formed through the weathering of other iron compounds. As a result, it is usually unreactive to acid attack.
ICP ACID DIGEST	Is a technique used for assaying phosphate rock. Commercial laboratories digest the sample in acid and then analyse it using a multi-element inductively coupled plasma atomic emission spectrometer (ICP-AES).
INTRACRATONIC BASIN	A depression in the Earth’s surface caused by subsidence, notable for its lack of significant surrounding highland areas and is usually subsequently filled with sediments.
KIMBERLITE	An intrusive igneous rock sometimes containing diamonds.
KARST	Topography formed by weathered limestone
LATERITE	Weathered material composed principally of the oxides of iron, aluminum, titanium, and manganese; laterite ranges from soft, earthy, porous soil to hard, dense rock.
LITHOLOGY	A set of characteristics particular to a rock formation.
MEAN	The average value of a set of numbers.
MESOZOIC	The era of geologic time from about 245 to 65 million years ago.

METALLURGICAL TEST	A general term for a number of mechanical or chemical processes that are employed to test the amenability of separating metals from their ores.
METAMORPHOSED	Rock or mineral that has undergone mineralogical and/or structural change in response to elevated pressures, temperatures or changes in chemical conditions.
MICACEOUS	Mica's are a group of platy silicate minerals. A rock described as micaceous is either consisting of or pertaining to mica, or has characteristics resembling a mica, either in lustre or in having the property of being easily split into thin sheets.
MICRONS	A unit of measurement equal to the micrometer, or one-millionth of a meter ($1 \times 10^{-6} \text{m}$).
MICROSPHORITE	Very fine grained phosphorite (phosphate rich rock)
MINERALIZATION	The process or processes by which a mineral or minerals are introduced into a rock, resulting in an enriched deposit; or the result of these processes.
MINERALIZED	Rock that has undergone the process of mineralization.
ORDOVICIAN	The second period of the Paleozoic Era, from about 505 to 438 million years ago.
ORE	See RESERVE.
OUTLIER	An outcrop of rocks that is entirely surrounded by older rocks.
OVERTHRUSTING	A reverse fault in which the rocks on the upper surface of a fault plane have moved over the rocks on the lower surface.
P_2O_5	Chemical symbol for phosphorus pentoxide
P_{80}	A measurement of grinding ability, where 80% of the ground ore will pass through mesh of a pre-determined screen. In this case, a P_{80} of 150 microns is required.
PALEO-STREAM	Ancient stream or river beds which have been filled in with younger material.
PALAEOZOIC	The era of geologic time from about 540 to 245 million years ago.
PELLETAL PHOSPHORITE	These particulate rocks vary from pale grey-white to yellowish-brown, are highly porous, with a sandy texture and are friable. Pelletal phosphorites are almost completely comprised of collophane (carbonate fluorapatite) occurring as phosphatic fossil fragments and ovulitic peloids. Grainsize is typically around 0.2 - 1.0 mm with a loose cement of collophane mud.
PERMIAN	The seventh and last period of the Paleozoic Era, from about 286 to 245 million years ago.
PHOSPHORITE	A sedimentary rock that contains at least 20 per cent of phosphate minerals.
PRECAMBRIAN	A period of geologic time earlier than 544 million years before present.

PROBABLE RESERVES	Probable (Indicated) Reserves refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
PROTEROZOIC	The later of the two divisions of the Precambrian Eon, from about 2.5 billion to 540 million years ago.
PROVEN RESERVES	Proven (Measured) Reserves refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings, drillholes; grade and/or quality are computed from the results of detailed sampling and (b) the sites of inspection, sampling and measurement are spaced so closely and geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
QA/QC	Quality Assurance and Quality Control – refers to the procedures and measures put in place and taken during the drilling and assaying process of the deposit that ensure only repeatable and high quality data is obtained.
QUARTZ	A glassy silicate and common rock forming mineral (SiO ₂).
RADIOMETRIC SURVEY	Geophysical survey measuring the emission of gamma radiation from rocks and soils. Used as an exploration tool.
RC DRILLING	Reverse Circulation (RC). Drilling technique used which has a double tube to pass the air down between the inner tube and outer tube, with the sample returned up the inner tube.
REPLACEMENT	Pertaining to a type of mineral deposit that forms by partial or complete replacement of bedrock constituents by new minerals, generally by the action of hydrothermal fluids.
REPLACEMENT PHOSPHORITE	Broken Hill South geologists recognised a more indurated, porcellanous form of phosphorite which they termed 'replacement' phosphorite. Petrographic studies suggested this material originated from the replacement of limestone or dolomite in the sub-stratum by phosphate (Rogers and Keevers, 1976). Replacement phosphorite is white to tan in colour and consists of structureless collophane containing minor silt, chert and clay. Replacement phosphorite is typically of high-grade.
RESERVE	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
RESOURCE	Pertaining to the quantity or bulk of mineralized material without reference to the economic viability of its extraction (see reserve).
REVERSE CIRCULATION	The method of drilling that was used to obtain the majority of data that has been used in this resource estimation process. Pressurised air is forced down the outside of a string of drill rods that contain an inner-tube. The air drives a hammer and drill bit that breaks and pulverises the rock, once broken down the reverse air pressure forces the resulting material back up the inner-tube to be sampled at the top of the hole.
SAMPLE VARIANCE	A measurement of the spread of a set of numbers/results are from each other.

SEDIMENT	Fragmented material that originates from weathering of rocks and that is transported by air, water, ice or other natural agents, and that forms in layers on the Earth's surface at ordinary temperatures in a loose, unconsolidated form; e.g. silt, sand, gravel, etc.
SELECTED SAMPLE	A specimen of a mineralized zone that is not intended to be representative of the deposit as a whole.
SHAPIRO TEST	A chemical visual colorimetric test developed in the 1960's that was used in the field by Legend International Holdings geologists to allow a quantitative estimate of phosphate content of material at the time of sampling.
SILCRETE	A hard surface deposit composed of sand and gravel cemented by chert and quartz, it is formed by chemical weathering and water evaporation in semi-arid environments.
SILICA/SiO ₂	A generic term for silicon dioxide (SiO ₂), the most common form of which is quartz.
SILURIAN	The third period of the Paleozoic Era, from about 438 to 408 million years ago.
SPLIT	A portion of a rock or soil sample that is separated from the bulk of the original before the analytical process so as to provide material for re-analysis as a check of the accuracy of the original procedure should it be required.
STANDARD DEVIATION	A statistic used as a measure of the dispersion or variation in a distribution, equal to the square root of the arithmetic mean of the squares of the deviations from the arithmetic mean.
STANDARD ERROR	The standard deviations of the sample in a frequency distribution, obtained by dividing the standard deviation by the total number of cases in the frequency distribution.
STRATA	Beds or layers of rock.
STRATIGRAPHY	Aspect of the geology of an area that pertains to the character of its stratified rock.
STRIKE	The course or bearing of the outcrop of an inclined bed, vein or fault plane on a level surface; the direction of a horizontal line perpendicular to the dip.
TENEMENT	An area of land leased by a mining company from the government upon which they carry out exploration activities.
TERMS OF REFERENCE	Terms of reference describe the purpose and structure of a project, committee, meeting, negotiation, or any similar collection of people who have agreed to work together to accomplish a shared goal. The terms of reference of a project are often referred to as the project charter.
TERTIARY	The first period of the Cenozoic Era, from about 65 to 2 million years ago.
VEIN	An epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheetlike form, often as a precipitate from a hydrothermal fluid.
WEIGHTED AVERAGE	Value calculated from a number of samples, each of which has been "weighted" by a factor of the individual sample width.

WORKING	A general term for any type of excavation carried out during the course of mining or mining exploration.
XRF	X-Ray Fluorescence Spectroscopy is a means of identifying elements in a compound by bombarding that compound with x-rays and measuring the unique elemental signature produced.

REFERENCES

Association of Fertilizer and Phosphate Chemists. 2010. AFPC Analytical Methods Manual, 10th Edition.

Rogers, J.K. and Keevers, R.E. 1976. Lady Annie-Lady Jane Phosphate Deposits, Georgina Basin, Queensland. In: *Economic Geology of Australia and Papua New Guinea, Vol. 4. Industrial Minerals and Rocks* (Ed C.L. Knight), pp. 251-265. Australasia Institute of Mining and Metallurgy, Monograph 8.

Shergold, J.H. and Druce, E.C. 1980. Upper Proterozoic and Lower Palaeozoic rocks of the Georgina Basin. In: *The Geology and Geophysics of North-Eastern Australia* (Eds R.A. Henderson and P.J. Stephenson), pp. 149 - 174. Geological Society of Australia, Queensland Division, Brisbane.

Thomson, L.D. and Rogers, J.K. 1974. The Discovery and Development of Queensland Phosphates by BH South Limited. *Paper presented to the Regional Meeting of the Australasian Institute of Mining and Metallurgy (North-west Queensland Branch) on August 27th, 1974, Mt Isa*, 26 pp.

Thomson, L.D. and Russell, R.T. 1971. Discovery, Exploration, and Investigations of Phosphate Deposits in Queensland. *Proceedings of the Australian Institute of Mining and Metallurgy*, **240**: 1-14.

Freeman, M.J., Shergold, J.H., Morris, D.G. and Walter, M.R. 1990. Late Proterozoic and Palaeozoic basins of Central and Northern Australia - regional geology and mineralisation. In: *Geology of the Mineral Deposits of Australia and Papua New Guinea* (Ed F.E. Hughes), pp. 1125-1133. The Australasian Institute of Mining and Metallurgy, Melbourne.

Howard, P.F. 1972. Exploration for phosphorite in Australia - a case history. *Economic Geology*, **67**: 1180 - 1192.

Rogers, J.K. 1986. Report on area relinquished – April 1985, Authority to prospect 903M, Northwest Queensland, Queensland Phosphate Ltd, CR15132. 64p.

Rogers, J.K. and Keevers, R.E. 1976. Lady Annie-Lady Jane Phosphate Deposits, Georgina Basin, Queensland. In: *Economic Geology of Australia and Papua New Guinea, Vol. 4. Industrial Minerals and Rocks* (Ed C.L. Knight), pp. 251-265. Australasia Institute of Mining and Metallurgy, Monograph 8.

Shergold, J.H. and Druce, E.C. 1980. Upper Proterozoic and Lower Palaeozoic rocks of the Georgina Basin. In: *The Geology and Geophysics of North-Eastern Australia* (Eds R.A. Henderson and P.J. Stephenson), pp. 149 - 174. Geological Society of Australia, Queensland Division, Brisbane.

Thomson, L.D. and Russell, R.T. 1971. Discovery, Exploration, and Investigations of Phosphate Deposits in Queensland. *Proceedings of the Australian Institute of Mining and Metallurgy*, **240**: 1-14.

Deed

Execution Copy

Investment in Paradise Phosphate Pty Ltd

Deed of Amendment

Convertible Note Agreement

Freehills

MLC Centre Martin Place Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia
Sydney Melbourne Perth Brisbane Singapore

Telephone +61 2 9225 5000 Facsimile +61 2 9322 4000
www.freehills.com DX 361 Sydney
Correspondent offices in Hanoi Ho Chi Minh City Jakarta

Table of contents

1	Definitions and interpretation	2
1.1	Definitions	2
1.2	Interpretation	2
1.3	Interpretation of inclusive expressions.....	3
1.4	Incorporated definitions.....	3
1.5	Incorporated provisions.....	3
1.6	Deed components.....	3
2	Conditions	3
2.1	Conditions precedent.....	3
2.2	Notice to Borrower	4
3	Amendment	4
3.1	Amendment to Note	4
3.2	Amendments not to affect validity, rights, obligations.....	4
3.3	Confirmation.....	4
3.4	Obligor acknowledgments.....	4
4	Second tranche of Subscription Notes	5
4.1	Conditions precedent.....	5
4.2	Acknowledgement.....	5
4.3	Representations and warranties	5
5	General	5
5.1	Notices	5
5.2	Governing law and jurisdiction	5
5.3	Noteholders.....	5
5.4	Further action	5
5.5	Costs and expenses	5
5.6	Stamp duty.....	6
5.7	Counterparts	6
5.8	Attorneys.....	6
5.9	Separate capacities	6
5.10	Waiver	6
5.11	Invalidity and enforceability.....	6
	Schedules	
	Officer’s Certificate	8
	Amended and Restated Note	10
	Signing page	11

Amending deed no. 1

Date ►

Between the parties

Company **Paradise Phosphate Pty Ltd** ACN 154 180 882 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (**Company**)

Legend **Legend International Holdings Inc.** ARBN 120 855 352 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (**Legend**)

Initial Noteholders **Australian Microcap Investments Pty Ltd** ACN 127 745 395 as trustee for Microcap Investment Trust 1 of Level 12, 90 Collins Street, Melbourne 3000 (**MIT 1**)
Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 2 of Level 12, 90 Collins Street, Melbourne VIC 3000 (**MIT 2**)
(Each an **Initial Noteholder** and together the **Initial Noteholders**)

Recitals

- 1 The parties are a party to the agreement entitled “convertible note agreement” dated 7 February 2012 (**Note**).
- 2 The parties wish to amend the Note in the manner set out in this deed.

This deed witnesses that, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this document are set out below.

Term	Meaning
Effective Date	the date of the notice given to the Company by the Initial Noteholders pursuant to clause 2.2 of this deed.
Note	the meaning given in recital 1 of this deed.
Second Completion Date	the Issue Date for the tranche of Notes described in recital 2 of this agreement.

1.2 Interpretation

In this deed:

- (a) Headings and bold type are for convenience only and do not affect the interpretation of this deed.
- (b) The singular includes the plural and the plural includes the singular.
- (c) Words of any gender include all genders.
- (d) Other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning.
- (e) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual.
- (f) A reference to any thing (including any right) includes a part of that thing but nothing in this clause 1.2(f) implies that performance of part of an obligation constitutes performance of the obligation.
- (g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this deed.
- (h) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (i) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.
- (j) A reference to a party to a document includes that party's successors and permitted assignees.

- (k) A reference to an agreement other than this deed includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.
- (l) A reference to a document includes any agreement in writing, or any certificate, notice, instrument or other document of any kind.
- (m) No provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision.
- (n) A reference to a body, other than a party to this deed (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (o) References to time are to Melbourne time.
- (p) Where this agreement confers any power or authority on a person that power or authority may be exercised by that person acting personally or through an agent or attorney.

1.3 Interpretation of inclusive expressions

Specifying anything in this deed after the words 'includes' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary.

1.4 Incorporated definitions

A word or phrase, other than one defined in clause 1.1, defined in the Note has the same meaning when used in this deed.

1.5 Incorporated provisions

Clauses 1.5, 16, 19, 21 of the Note apply to this deed as if set out in full in this deed and as if references in those clauses to 'this agreement' were to 'this deed'.

1.6 Deed components

This deed includes any schedule.

2 Conditions

2.1 Conditions precedent

The Effective Date does not occur until the Initial Noteholders have received the following in form and of substance satisfactory to it:

- (a) **This deed:** an original of this deed executed by each party;
- (b) **Officer's certificates:** a certificate given in respect of the Company and Legend in substantially the form set out in Schedule 1 and dated no more than 5 Business Days before the Second Completion Date;
- (c) **Legal opinion:** a legal opinion in respect of Legend and this deed addressed to the Initial Noteholders confirming its power to enter into this deed and its obligations under each

Security and its cross guarantee and indemnity provided for in clause 18 of the Note continue to apply despite the amendments contemplated or effected by this deed;

- (d) **Fees and expenses:** evidence that all fees and expenses due and payable by the Company or Legend to the Initial Noteholders have been paid or will be paid on or prior to the Second Completion Date; and
- (e) **No Event of Default:** in the opinion of the Initial Noteholders no Event of Default has occurred between the date of this deed and Second Completion Date.

2.2 Notice to Borrower

The Initial Noteholders must give notice to the Company as soon as practicable after the conditions precedent in clause 2.1 have been satisfied.

3 Amendment

3.1 Amendment to Note

On and with effect from the Effective Date, the Note is amended and restated as set out in Schedule 2.

3.2 Amendments not to affect validity, rights, obligations

- (a) The amendments to the Note in clause 3.1 do not affect the validity or enforceability of the Note or any other Transaction Document.
- (b) Nothing in this deed:
 - (1) prejudices or adversely affects any right, power, authority, discretion or remedy arising under the Note or any other Transaction Document before the Effective Date; or
 - (2) discharges, releases or otherwise affects any liability or obligation arising under the Note or any other Transaction Document before the Effective Date.

3.3 Confirmation

- (a) On and with effect from the Effective Date, each party is bound by the Note as amended by this deed.
- (b) Each party acknowledges and agrees that this deed is a 'Transaction Document' as defined in, and for all purposes under, the Note.

3.4 Obligor acknowledgments

Each Obligor confirms that its obligations under each Security and its cross guarantee and indemnity provided for in clause 18 of the Note continue to apply despite the amendments contemplated or effected by this deed.

4 Second tranche of Subscription Notes

4.1 Conditions precedent

- (a) On and with effect from the Effective Date, in respect to the second tranche of Subscription Notes described in recital 2 of the Note:
- (1) the Initial Noteholders agree to waive the conditions precedent in clause 2.1 of the Note; and
 - (2) the parties agree that references to “clause 2.1” in clauses 2.3 and 5.1 of the Note will be read as if those references were to “clause 2.1” of this deed.

4.2 Acknowledgement

For the avoidance of doubt, the parties acknowledge that the second tranche of Subscription Notes will, for the purposes of each Transaction Document and for all other purposes, be issued under clause 3.1 of the Note.

4.3 Representations and warranties

The Company and Legend represent and warrant that each of the representations and warranties given by it in the Note are true in respect of the facts subsisting at the date of this deed.

5 General

5.1 Notices

A notice given under this deed must be given in accordance with the Note.

5.2 Governing law and jurisdiction

- (a) This deed is governed by the laws of Victoria.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria.

5.3 Noteholders

The rights and obligations of each Initial Noteholder are several among the Initial Noteholders.

5.4 Further action

Each party must do all things and execute all further documents necessary to give full effect to this deed.

5.5 Costs and expenses

The Company must pay all reasonable costs and expenses of the Initial Noteholders and the Security Trustee in relation to the negotiation, preparation, execution, delivery, stamping and completion of this deed.

5.6 Stamp duty

The Company must pay any stamp duty or similar Tax which is payable in connection with the execution or performance of this deed.

5.7 Counterparts

- (a) This deed may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A party may execute this deed by signing any counterpart.

5.8 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

5.9 Separate capacities

If a person is a party or a Noteholder in more than one capacity of trustee, responsibility entity, agent, custodian or nominee, the person will for the purposes of this agreement be treated as a separate person in respect of each such capacity.

5.10 Waiver

No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 5.10 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this agreement and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

5.11 Invalidity and enforceability

- (a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 5.11(a) does not apply where enforcement of the provision of this agreement in accordance with clause 5.11(a) would materially affect the nature or effect of the parties' obligations under this agreement.

Table of contents

Officer's Certificate	8
Amended and Restated Note	10

Officer's Certificate

Clause 2.1(b)

To: Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 1 of Level 12, 90 Collins Street, Melbourne 3000

Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 2 of Level 12, 90 Collins Street, Melbourne VIC 3000 (**Initial Noteholders**)

I **[insert name]** am a **[insert capacity - director/secretary]** of each of **[insert names of Transaction Parties]** (each a **Obligor**).

I refer to the amending deed dated **[insert date]** (**Amending Deed**).

A term defined in the Amending Deed has the same meaning when used in this Certificate.

I have been authorised by each Obligor to give this certificate.

I certify as follows:

1 Relevant documents

Attached to this certificate are true, complete and up-to-date copies of each of the following:

- (a) **power of attorney:** if applicable, a duly executed power of attorney granted by each Obligor authorising execution of the Amending Deed;
- (b) **constitution:** constitution of the Company; and
- (c) **resolutions:** a copy of a resolution of the board of directors and shareholders (if applicable) of each Obligor approving the terms of, and the transactions contemplated by the Amending Deed.

2 No revocation

Each document **[and power of attorney]** referred to in clause 1 of this Schedule 1 is in full force and effect and has not been amended, modified or revoked.

3 Officers

[The Officers of each Obligor previously notified to you have not changed].

4 Certification

I certify that:

- (a) each Obligor has, in connection with the execution, delivery and performance of the Amending Deed, complied with Chapter 2E Part 2J.3 of the *Corporations Act 2001* (Cth), where required by law to do so;
- (b) as at the date of execution of the Amending Deed, each Obligor is solvent and will not become insolvent by entering into and performing its obligations under the Amending Deed, the Note as amended by the Amending Deed and the other Transaction Documents to which it is a party;
- (c) entering into the Amending Deed is for the corporate benefit of each Obligor; and
- (d) the constitution of each Obligor that was attached to our certificate dated 7 February 2012 has not changed other than the constitution of the Company which has been amended and which is attached to this certificate as a true, complete and up-to-date copy of that constitution as amended.

sign here ►

**[insert name and capacity –
director/secretary]**

date

Amended and Restated Note

Agreement

Execution Copy

Investment in Paradise Phosphate Pty Ltd

Amended and restated €convertible note agreement

Freehills

101 Collins Street Melbourne Vic 3000 Australia
GPO Box 128A Melbourne Vic 3001 Australia
Sydney Melbourne Perth Brisbane Singapore

Telephone +61 3 9288 1234 Facsimile +61 3 9288 1567
www.freehills.com DX 240 Melbourne

Associated offices in Jakarta Beijing Shanghai Hanoi Ho Chi Minh City

Table of contents

1	Definitions and interpretation	2
1.1	Agreement components	2
1.2	Definitions	2
1.3	Interpretation	17
1.4	Interpretation of inclusive expressions	18
1.5	Business Day	18
1.6	Personal Property Securities (PPS) Law	18
1.7	Termination	19
2	Conditions precedent	19
2.1	Conditions precedent	19
2.2	Cut-off date	20
2.3	Waiver	20
2.4	Transfer of Mining Rights to the Company	20
3	Issue of Notes	20
3.1	Issue of Notes	20
3.2	Ranking of Notes	21
3.3	Use of subscription proceeds	21
3.4	Transfer of Notes	21
4	Interest	22
4.1	Payment	22
4.2	Rate	22
4.3	Calculation	22
4.4	Capitalisation	22
5	Completion	22
5.1	Time and place for Completion	22
5.2	Company actions at Completion	22
5.3	Payment at Completion	23
5.4	Documents to be delivered at Completion	23
5.5	Post Completion actions	23
5.6	Nominee	23
6	Repayment of Notes	23
6.1	Payment on the Scheduled Repayment Date	23
6.2	Method of payment	23
6.3	Redemption of Notes on occurrence of Redemption Event	23
6.4	Redemption Notice	25
6.5	Appropriation	25
7	Conversion	26
7.1	Restriction on Conversion	26
7.2	Mandatory Conversion	26
7.3	Conversion Mechanics	26
7.4	Undertakings relating to Conversion	27
7.5	Post completion	27
7.6	Discharge of Security	27
8	The Conversion Price and adjustment	28
8.1	Initial Conversion Price	28

8.2	Adjustment of Conversion Price.....	28
8.3	Adjustment conditions.....	29
8.4	Appointment of Independent Expert	29
9	Restrictions on the Company	29
9.1	Restrictions	29
10	Warranties	31
10.1	Warranties.....	31
10.2	Noteholder Warranties	31
10.3	Repetition warranties	31
10.4	Survival	31
10.5	Reliance	32
10.6	Independent Warranties.....	32
10.7	Indemnities.....	32
11	Ongoing requirements	32
11.1	Compliance	32
11.2	Remain a company limited by shares.....	32
11.3	Authorisations and consents.....	32
11.4	Maintain records and financial statements	33
11.5	Provision of information to Noteholders.....	33
11.6	Restriction on transfer and issue of equity securities in the Company.....	33
11.7	Notification to Noteholders.....	35
11.8	Noteholder attendance at board and shareholders meetings.....	36
11.9	Payment of tax	36
11.10	Majority Independent Board.....	36
11.11	Maintain assets	36
11.12	Maintain insurance.....	37
11.13	Financial covenant.....	37
11.14	Further assurances regarding Security.....	37
12	Events of default	37
12.1	Events of default	37
12.2	Appointment of a Controller	39
13	Tax Indemnity	40
13.1	Tax indemnity.....	40
13.2	Gross up.....	40
14	Tax Claims	40
14.1	Notice of claims.....	40
14.2	Details required	41
14.3	Payment of Tax Claims.....	41
14.4	Disputing Tax Claims	41
15	Duties, costs and expenses	42
15.1	Duties	42
15.2	Costs and expenses	42
16	GST	42
16.1	Definitions	42
16.2	GST.....	43
16.3	Tax invoices	43
16.4	Reimbursements.....	43

17	Note certificates and register	43
	17.1 Note certificates	43
	17.2 Maintenance of register	44
	17.3 Effect of inscription	44
	17.4 Inspection	44
	17.5 Replacement	44
18	Cross guarantee and indemnity	44
	18.1 Cross guarantee and indemnity	44
	18.2 Extent of cross guarantee and indemnity	45
	18.3 Assignment benefit	45
	18.4 Accession of new Security Provider	45
19	Information	46
	19.1 Confidentiality	46
	19.2 Extent of obligation	46
20	Notices	46
	20.1 How and where Notices may be sent	46
	20.2 When Notices are taken to have been given and received	46
21	Trustee provisions	47
	21.1 Capacity	47
	21.2 Trustee representations and warranties	47
	21.3 Restrictions	48
22	General matters	48
	22.1 Noteholders	48
	22.2 Waiver	48
	22.3 Invalidity and enforceability	49
	22.4 Severance	49
	22.5 Counterparts	49
	22.6 Separate capacities	49
	22.7 Further action to be taken at each party's own expense	49
	22.8 Cumulative rights	49
	22.9 Survival	49
	22.10 Variation	49
	22.11 Governing law and jurisdiction	49
	Schedules	
	Notice details	52
	Form of Note certificate	53
	Warranties	54
	Noteholder Warranties	61
	Form of Redemption Notice	62
	Cash Flow Model	63
	Capital Structure	64
	Mining Rights	65
	Officer's certificate	67

Contents

Signing page **69**

Attachments

Deed of adherence

New Security Provider Accession Deed Poll

Amended and restated cConvertible note agreement

Date ►

Between the parties

Initial Noteholders **Australian Microcap Investments Pty Ltd** ACN 127 745 395 as trustee for Microcap Investment Trust 1 of Level 12, 90 Collins Street, Melbourne 3000 (**MIT 1**)

Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 2 of Level 12, 90 Collins Street, Melbourne VIC 3000 (**MIT 2**)

(Each an **Initial Noteholder** and together the **Initial Noteholders**)

Company **Paradise Phosphate Pty Ltd** ACN 154 180 882 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (**Company**)

Legend **Legend International Holdings Inc. ARBN** 120 855 352 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (**Legend**)

Recitals 1 On 10 February 2012 (First Completion Date), the Company wishes to issue the first tranche of the Notes to the Initial Noteholders, and the Initial Noteholders wish to subscribe for the first tranche of Notes, on the terms and conditions of this agreement, in the following proportion:

- MIT 1, 1,965,000 Notes; and
- MIT 2, 5,535,000 Notes.

2 The parties have agreed to amend and restate this agreement and the Company has agreed to issue, and the Initial Noteholders have agreed to subscribe for, a second tranche of Notes, on the terms and conditions of this agreement, in the following proportion:

- MIT 1, 655,250 Notes; and
- MIT 2, 1,844,750 Notes.

The parties agree as follows:

1 Definitions and interpretation

1.1 Agreement components

This agreement includes any schedule.

1.2 Definitions

The meanings of the terms used in this agreement are set out below.

Term	Meaning
Acceptable Bank	Westpac Banking Corporation, National Australia Bank Limited, Australia and New Zealand Banking Corporation, Commonwealth Banking Corporation or other bank or financial institution approved by the Noteholders.
Accounting Standards	<ol style="list-style-type: none">1 the accounting standards required under the Corporations Act (including the Approved Accounting Standards issued by the Australian Accounting Standards Board) and other mandatory professional reporting requirements issued by the joint accounting bodies (including the Australian Accounting Standards issued either jointly by CPA Australia and the Institute of Chartered Accountants in Australia or by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia); and2 if no accounting standard applies under the Corporations Act or other mandatory professional reporting requirements, the principles set out in Australian Statements of Accounting Concepts.
Accounts	all of the audited accounts of the Company for 3 years preceding the Accounts Date.
Accounts Date	date of execution of this agreement.
Acorn	Acorn Capital Limited ACN 082 694 531 of Level 12, 90 Collins Street Melbourne, VIC 3000.
Action	action, dispute, claim, counter-claim, demand, investigation, inquiry, prosecution, litigation, proceeding, arbitration, mediation or dispute resolution.

Term	Meaning
ASIC	Australian Securities and Investment Commission.
Asset Sale	a sale of all, or substantially all, the assets of the Company.
Associate	the same meaning as in section 9 of the Corporations Act.
ASX	Australian Securities Exchange.
Authorisation	includes: <ol style="list-style-type: none"> 1 any consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Government Agency; and 2 in relation to anything that a Government Agency may prohibit or restrict within a specific period, the expiry of that period without intervention or action or notice of intended intervention or action.
Available Cash	at any time, cash at bank (including on term deposit) credited to an account in the name of the Company with an Acceptable Bank for so long as: <ol style="list-style-type: none"> 1 that cash is payable to the Company on demand; 2 repayment of that cash is not contingent on the prior discharge of any other Financial Indebtedness of the Company or of any other person whatsoever or on the satisfaction of any other condition; and 3 there is no Security Interest over that cash other than a Security.
Business Day	a day on which banks are open for business in Melbourne excluding a Saturday, Sunday or public holiday in that city.
Business Hours	9.00am to 5.00pm on a Business Day.
Cash Equivalent Investments	at any time: <ol style="list-style-type: none"> 1 certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank; 2 any investment in marketable debt obligations issued or guaranteed by the federal government of Australia or the government of any State or Territory of Australia or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security; 3 any investment accessible within 30 days in money market funds which have a credit rating of either B+ or higher by Standard & Poor's Rating Services or AA or higher by Fitch Ratings or Aa2 or higher by Moody's Investor Services and which invest substantially

Term	Meaning
	<p>all their assets in securities of the types described in paragraphs 1 and 2 above; or</p> <p>4 any other debt security approved by the Noteholders.</p>
Cash Flow Model	the 12 month cash flow model set out in Schedule 6.
Change in Control	<p>1 a person who Controls the Company ceasing to do so; or</p> <p>2 another person acquiring Control of the Company.</p>
Child Entity	in respect of an entity, each entity Controlled by that entity.
<u>Company Equity Issue</u>	<u>the meaning given in clause 11.6(b).</u>
Completion	the settlement of the issue of <u>a tranche of</u> the Subscription Notes under this agreement.
Completion Date	<u>in relation to a Note, the Issue Date of the Note-date of Completion as determined in clause 5.1.</u>
Contested Taxes	a Tax payable by the Company when the Company is contesting its liability to pay that Tax, and has reasonable grounds to do so.
Control	the meaning given in section 50AA of the Corporations Act and includes the possession of the power, directly or indirectly, whether by contract (but excluding any contract of employment or similar whereby a person is employed in an executive capacity, e.g. Chief Executive Officer) or ownership, to direct or cause the direction of the management and affairs of a person or entity, including investment decisions, and Controlling and Controlled will be construed accordingly.
Conversion	the repayment of the Outstanding Amount and the application of the proceeds to subscribe for that number of Ordinary Shares as is determined by clause 7.3 and convert has a corresponding meaning.
Conversion Date	in respect of a Note, the date of Conversion as determined in clause 7.2.
Conversion Price	the price per Ordinary Share, as determined under clause 8.

Term	Meaning
Conversion Shares	the aggregate number of Ordinary Shares that a Noteholder is entitled to on Conversion of that Noteholder's Notes as determined under clause 7.3.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Deed of Adherence	a deed of adherence in the form of Attachment 1.
Disputing Action	in respect of Tax Claim, any action to cause the Tax Claim to be withdrawn, reduced or postponed or to avoid, resist, object to, defend, appear against or compromise the Tax Claim and any judicial or administrative proceedings arising out of that action.
Effective Consideration per Share	<p>the aggregate consideration receivable by the Company for the relevant issue of Equity Securities plus the additional minimum consideration (if any) to be received by the Company on (and assuming) the conversion, exchange or exercise of the relevant Equity Securities (without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue) divided by the number of Shares comprised in the relevant Equity Securities or into or for which the relevant Equity Securities may be converted, exchanged or exercised.</p> <p>Where the consideration receivable or the number of shares is subject to adjustment for future events such consideration and number of shares is to be determined as if conversion, exchange or exercise occurred at the time of the calculation and on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Effective Consideration is being calculated.</p>
Effective Consideration per Sale Share	$\frac{A}{B}$ <p>where:</p> <p>A =</p> <p>1 in the case of a Legend Sell Down, the aggregate consideration receivable by Legend (and any Related Party of Legend) for the relevant disposal of Ordinary Shares held by Legend plus the:</p> <ul style="list-style-type: none"> • completion adjustments to the purchase price (if in favour of Legend); • additional minimum consideration (if any) to be received by Legend (and any Related Party of Legend) on (and assuming) the occurrence of certain future events (where such additional minimum consideration is calculated on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Effective Consideration per Sale Share is being calculated); and • indirect consideration (by way of holding Ordinary Shares) to be

Term	Meaning
	<p>received by Legend (and any Related Party of Legend) on (and assuming) the provision of benefits to the Company including:</p> <ul style="list-style-type: none"> • providing, or arranging for the provision of, funding to the Company; • providing, or arranging for the provision of, goods or services to the Company; • offtake arrangements; and • any other benefit indirectly or directly receivable by the Company in connection with, or as a consequence of, the Legend Sell Down, <p>OR</p> <p>2 in the case of a Company Equity Issue, the aggregate consideration receivable by the Company (and any Related Party of the Company) for the issue of Equity Securities plus the:</p> <ul style="list-style-type: none"> • additional minimum consideration (if any) to be received by the Company on (and assuming) the conversion, exchange or exercise of the relevant Equity Securities without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue (where the consideration receivable or the number of shares is subject to adjustment for future events such consideration and number of shares is to be determined as if conversion, exchange or exercise occurred at the time of the calculation and on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Effective Consideration per Sale Share is being calculated); and • increase in the value of the Company in connection with, or as a consequence of, the Company Equity Issue on (and assuming) the provision of benefits to the Company including: <ul style="list-style-type: none"> • providing, or arranging for the provision of, funding to the Company; • providing, or arranging for the provision of, goods or services to the Company; • offtake arrangements; and • any other benefit indirectly or directly receivable by the Company in connection with, or as a consequence of, the Company Equity Issue. <p>B =</p> <p>1 in the case of Legend Sell Down, the number of Ordinary Shares disposed of to a third party pursuant to the Legend Sell Down; or</p> <p>2 in the case of Company Equity Issue, the number of Shares comprised in the relevant Equity Securities or into or for which the relevant Equity Securities may be converted, exchanged or exercised.</p>
Equity Securities	<p>in respect of a company, each class of shares in the capital of the company, any note or other financial accommodation that is convertible into shares in the capital of the company or repayable by way of the issue of shares in the capital of the company and any option to be</p>

Term	Meaning
	issued shares in the capital of the company.
Excluded Issue	any issue of Ordinary Shares pursuant to the conversion of the Notes
Excluded Taxes	<ol style="list-style-type: none"> 1 any Tax imposed on or calculated by reference to the net income of a Noteholder; 2 any Tax which a Noteholder is entitled to claim as a deduction or credit against, relief or remission from any Tax.
Existing Security Interest	<ol style="list-style-type: none"> 1 Joint Venture/Farm In Agreement between Legend and King Eagle Resources Pty Ltd; 2 Compensation Agreement – D-Tree North between Bezuma Pastoral Co Pty Ltd and Legend; 3 Compensation Agreement – Paradise North between Bezuma Pastoral Co Pty Ltd and Legend; 4 Compensation Agreement – Paradise North Project - between Calton Hills Pty Ltd and Legend & Supplementary Agreement dated 24 January 2011; 5 Compensation Agreement – Access land for mining lease ML 90191 between Kalkadoon People #4 and Legend & Supplementary Agreement dated 20 January 2011; 6 Joint Venture Agreement (D-Tree) between Mt Isa Metals Limited and Legend & Deed of Variation dated 19 October 2009; 7 Section 31 (Native Title) Deed between The State of Queensland, Legend and Indjalandji-Dhidhanu (ML 90190) & Section 31 (Native Title) Deed between The State of Queensland, Legend and Indjalandji-Dhidhanu (ML 90191); 8 D-Tree North DSO and Paradise North DSO Mining Projects Ancillary agreement between Indjalandji-Dhidhanu people and Legend; 9 Share Sale Agreement between Real Grumpy Pty Ltd & Ernst Alfred Kohler and Legend; and 10 Royalty obligations to the State of Queensland.
Event of Default	any of the events or circumstances described in clause 12.1.
Face Value	in respect of a Note, \$1.
Financial Indebtedness	any indebtedness, present or future, actual or contingent, in respect of moneys borrowed or raised in any financial accommodation whatever including, without limitation, under or in respect of any overdraft facility, bill, bond, note, certificate of deposit, transferable or negotiable instrument, acceptance, guarantee, redeemable or repurchasable share or stock, discounting arrangement, finance lease, swap, option, futures contract or analogous transaction, put option, hire purchase, deferred

Term	Meaning
	purchase price (for more than 90 days) of any asset or service, or any obligation to deliver goods or provide services paid for in advance by any financier or in connection with any other financing transaction.
<u>First Completion Date</u>	<u>the meaning given in recital 1 of this agreement.</u>
Government Agency	any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
Group Entity	<ol style="list-style-type: none"> 1 a Parent Entity; 2 a Child Entity; 3 a Sibling Entity; or 4 a Related Body Corporate.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Group	has the same meaning as that term is defined in the GST Law.
GST Law	A New Tax System (Goods and Services Tax) Act 1999 (Cth).
IFFCO	Indian Farmers Fertiliser Cooperative Limited
IFFCO Bulk Sample Arrangement	the document setting out the details of the arrangement between the Company and IFFCO for the extraction, transportation, testing and analysis of a bulk sample of phosphate extracted from the Mining Rights including the indicative timetable for undertaking these activities and providing the results of the testing.
Indirect TFA	an agreement between the members of a GST Group which is intended to allocate the funding of GST liabilities within the GST Group.
Indirect TSA	an agreement between the members of a GST Group which takes effect as an indirect tax sharing agreement under section 444-90 of Schedule 1 of the <i>Taxation Administration Act 1953</i> .
Independent Director	a non-executive director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to

Term	Meaning
	interfere with, the independent exercise of their judgment as a director.
Independent Expert	the person nominated by the Company with the prior approval of the Noteholders or, in the absence of such approval, an independent firm of accountants appointed by the president for the time being of the Institute of Chartered Accountants in Australia.
Interest Period	<ol style="list-style-type: none"> 1 the period from the Completion Date <u>Issue Date</u> to first Interest Payment Date; and 2 each subsequent period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.
Interest Payment Date	<p>in relation to a Note:</p> <ol style="list-style-type: none"> 1 30 June 2012, and each subsequent 31 December and 30 June until the Note is converted or repaid; and 2 the date immediately prior to the earlier of: <ul style="list-style-type: none"> • the date of conversion of that Note; and • the date of repayment of that Note.
IPO	an initial public offering of Ordinary Shares.
IPO Price	the price per Ordinary Share at which Ordinary Shares are offered to the public pursuant to a Qualifying IPO.
<u>Issue Date</u>	<u>the date on which a Note is issued by the Company under this agreement.</u>
Key Mining Rights	<ol style="list-style-type: none"> 1 MLA 90197; 2 EPM 16942; 3 ML 90190; 4 EPM 15763; 5 EPM 14753; 6 EPM 174467; 7 EPM 17333; 8 ML 90191; and 9 EPM 17330.
King Eagle Tenements	EPM 14905, EPM 14906, EPM 14912 and each other tenement held by King Eagle Resources Pty Limited as at the date of this agreement in which the Company or Legend is proposed to acquire an interest

Term	Meaning
	pursuant to the joint venture agreement between Legend and King Eagle Resources Pty Limited.
Law	includes any law, statute, regulation, ordinance, authorisation, ruling, judgement and any order or decree of any Government Agency in any jurisdiction.
<u>Legend Sell Down</u>	<u>the meaning given in clause 11.6(a).</u>
Legend Services Agreement	the services agreement to be entered into between Legend and the Company under which Legend will provide head office services, and the use of facilities and equipment, to the Company.
Legend Transfer Agreement	the asset transfer agreement to be entered into between Legend and the Company under which Legend agrees to transfer the Phosphate Assets to the Company.
Liquid Assets	at any time, the aggregate of the Company's: <ol style="list-style-type: none"> <li data-bbox="576 1066 828 1088">1 Available Cash; and <li data-bbox="576 1111 932 1133">2 Cash Equivalent Investments, in either case to which the Company is alone beneficially entitled at that time and which is not subject to any Security Interest other than a Security.
Loss	losses, liabilities, damages, costs, charges and expenses and includes Taxes and expenses relating to Taxes except Excluded Taxes.
Marketable Securities	<ol style="list-style-type: none"> <li data-bbox="576 1433 1310 1456">1 the meaning given to that expression in the Corporations Act; and <li data-bbox="576 1478 1326 1556">2 any units (whatever called) in a trust estate which represent a legal or beneficial interest in any of the income or assets of that trust estate and includes any options to acquire any units as described.
Material Adverse Change	any event or circumstance or series of events or circumstances which alone or together have or could reasonably be expected to have a Material Adverse Effect.
Material Adverse Effect	a material adverse effect on: <ol style="list-style-type: none"> <li data-bbox="576 1821 1329 1877">1 on the business, assets, liabilities, financial position or prospects of an Obligor; <li data-bbox="576 1899 1294 1971">2 the ability of an Obligor to perform and comply with any material provision of any Transaction Document or the Legend Transfer Agreement; or

Term	Meaning
	3 the rights of the Noteholders under, or the enforceability of, a Transaction Document.
Mining Rights	<ol style="list-style-type: none"> 1 any tenement listed in Schedule 8; 2 any access rights or rights to use infrastructure or extract water listed in Schedule 8; and 3 any tenement granted pursuant to an application listed in Schedule 8.
New Security Provider Accession Deed	the accession deed in the form of Attachment 2.
Nominee	National Nominees Limited (in its capacity as custodian for the relevant Noteholder).
Note	a convertible note issued in accordance with clause 3.1 which has not been repaid or converted in accordance with this agreement.
Noteholder	<ol style="list-style-type: none"> 1 each Initial Noteholder; and 2 any person to whom a Note is transferred in accordance with this agreement.
Noteholder Warranties	the representations and warranties set out in Schedule 4.
Note Certificate	a certificate in the form set out in Schedule 2.
Obligor	<ol style="list-style-type: none"> 1 the Company; and 2 each Security Provider.
Ordinary Shares	fully paid ordinary shares in the capital of the Company.
Outstanding Amount	<p>in respect of a Note:</p> <ol style="list-style-type: none"> 1 the Outstanding Principal in respect of the Note; and 2 the accrued but uncapitalised and unpaid interest from time to time payable by the Company in respect of the Note under this agreement.

Term	Meaning
Outstanding Principal	<p>in respect of a Note:</p> <ol style="list-style-type: none"> 1 the Face Value of the Note; and 2 any interest in respect of the Note which has been capitalised under this agreement.
Paradise Employment Contracts	employment contracts entered into between the Company and each of Craig Michael and Ed Walker.
Paradise Phosphate Project	the exploration and mining project in the Georgina Basin, Queensland which includes the phosphate deposits known as Paradise South, Paradise North and D-Tree.
Parent Entity	in respect of an entity, each entity which Controls that entity.
Permitted Financial Accommodation	<p>any financial accommodation or any guarantee provided by an Obligor in respect of financial accommodation:</p> <ol style="list-style-type: none"> 1 under the Transaction Documents; 2 in the ordinary course of business up to a maximum aggregate amount of \$250,000; or 3 with the prior written consent of the Noteholders.
Permitted Financial Indebtedness	<ol style="list-style-type: none"> 1 any liability incurred, under any agreement entered into for the acquisition of any asset or service, in relation to expenditure permitted under the Cash Flow Model; 2 any Financial Indebtedness incurred or permitted to be incurred under any Transaction Document; or 3 any other Financial Indebtedness incurred or permitted to be incurred with the prior written consent of the Noteholders.
Permitted Security Interest	<ol style="list-style-type: none"> 1 every lien created by operation of law (other than the <i>Personal Property Securities Act 2009</i> (Cth)) securing an obligation that is not yet due; 2 every lien or retention of title arrangement securing the unpaid balance of purchase money for property acquired in the ordinary course of ordinary business under an instalment contract on the supplier's standard terms where such unpaid balance is not yet due; 3 every lien for the unpaid balance of moneys owing for repairs where such unpaid balance is not yet due; 4 any Security Interest arising under a bailment, hiring arrangement or lease where an Obligor is the bailee, hirer or lessee, provided that the aggregate value of all assets or property secured under each such Security Interest does not exceed \$250,000; or

Term	Meaning
	5 an Existing Security Interest.
Permitted Transferee	<ol style="list-style-type: none"> 1 Acorn or a Related Body Corporate of Acorn; or 2 a trustee or responsible entity, or any custodian, sub-custodian or nominee of any trustee or responsible entity, of any trust managed by Acorn or a Related Body Corporate of Acorn.
Phosphate Assets	the meaning given to Assets in the Legend Transfer Agreement.
Private Sale Price	the price, or the implied price as determined by the Company in the case of an Asset Sale, per Ordinary Share in a Share Sale or Asset Sale or, if the price is determined pursuant to clause 6.3(d) that price.
Qualifying IPO	<p>an IPO on the ASX having a Post-IPO Equity Value of at least \$50 million pursuant to which the public subscribes for, and the Company issues:</p> <ol style="list-style-type: none"> 1 more than 10% of the total number of Ordinary Shares on issue immediately after the date of the prospectus lodged with ASIC in respect of an IPO; <p>and</p> <ol style="list-style-type: none"> 2 in the case of a Pre-IPO Equity Value equal to or less than \$50 million, Ordinary Shares to the value of at least \$20 million (calculated by reference to the IPO Price); or 3 <u>in the case of a Pre-IPO Equity Value of more than \$50 million but less than 100 million, Ordinary Shares to the value of at least the amount calculated in accordance with the following formula (up to a maximum of \$30 million):</u> $A + \left(B \times \frac{C \times D}{E} \right)$ <p>where:</p> <p>A = \$10 million</p> <p>B = \$10 million</p> <p>C = Number of Ordinary Shares on issue immediately prior to date of the prospectus in respect of a IPO</p> <p>D = IPO Price</p> <p>E = \$50 million; <u>or</u></p> 4 <u>in the case of a Pre-IPO Equity Value of more than \$100 million, Ordinary Shares to the value of at least \$30 million.</u> <p>in this definition:</p> <p>Post-IPO Equity Value means the implied value of all Ordinary Shares on issue (calculated by reference to the IPO Price) immediately after issue of Ordinary Shares applied for under the prospectus and any</p>

Term	Meaning
	<p>Ordinary Shares issued pursuant to clause 7.3: and</p> <p>Pre-IPO Equity Value means the implied value of all Ordinary Shares on issue (calculated by reference to the IPO Price) immediately prior to the date of the prospectus in respect of a Qualifying IPO.</p>
Redemption Event	<p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> 1 an Event of Default; 2 a Change in Control; 3 the entry into an arrangement to undertake an Asset Sale; 4 the entry into an arrangement to undertake a Share Sale; 5 the Minister notifies the Company or Legend that it does not approve the assignment of the Mining Rights from Legend to the Company; 6 the Company has not lodged a prospectus with ASIC in connection with a Qualifying IPO within 9 months of the Completion Date on or before 1 August 2012; or 7 the Company has not completed a Qualifying IPO by the Scheduled Repayment Date.
Redemption Notice	<p>in respect to a Note, a notice given by a Noteholder substantially in the form set out in Schedule 4.</p>
Related Body Corporate	<p>the meaning given in section 9 of the Corporations Act.</p>
Related Party	<p>the meaning it would have in section 228 of the Corporations Act if all references in that section to a 'public company' were to a 'public company or proprietary company'.</p>
Related Party Transaction	<p>a transaction which is governed by Chapter 2E of the Corporations Act, or would be governed by Chapter 2E of the Corporations Act if:</p> <ol style="list-style-type: none"> 1 the Company (and each Subsidiary of the Company) was a public company; and 2 each Group Entity or Associate of Legend was a Related Party.
Same Day Funds	<p>immediately available and freely transferable funds.</p>
Scheduled Repayment Date	<p>the date that is 12 months after the First Completion Date or any other date agreed between the Company and the Noteholders, provided that such date can never be more than 9 years and 11 months after Completion.</p>

Term	Meaning
<u>Second Completion Date</u>	<u>the Issue Date for the second tranche of Notes described in recital 2 of this agreement.</u>
Security Provider	<ol style="list-style-type: none"> 1 Legend; and 2 each new Security Provider that accedes to this agreement as a Security Provider by executing a New Security Provider Accession Deed.
Security	<ol style="list-style-type: none"> 1 the general security agreement between the Company and the Security Trustee the form which was agreed on or about the date of this agreement; 2 the share mortgage between Legend and the Security Trustee the form which was agreed on or about the date of this agreement; 3 the mining mortgage between Legend and the Security Trustee the form which was agreed on or about the date of this agreement; 4 the security agreement between Legend and the Security Trustee the form which was agreed on or about the date of this agreement; 5 the mining mortgage between the Company and the Security Trustee the form which was agreed on or about the date of this agreement; 6 any other Security Interest granted by an Obligor in favour of the Security Trustee to secure obligations under this agreement; and 7 any other document which at a time the Beneficiaries (as defined in the Security Trust Deed) at that time, the Security Trustee and each Obligor at that time agree at any time, now or in the future, is a "Security".
Security Interest	<p>any interest or power:</p> <ol style="list-style-type: none"> 1 reserved in or over an interest in any asset including, but not limited to, any retention of title; or 2 created or otherwise arising in or over any interest in any asset under a bill of sale, security agreement, mortgage, charge, lien, pledge, trust or power, <p>by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes, but is not limited to, any agreement to grant or create any of the above and includes a security interest under section 12(1) of the <i>Personal Property Securities Act 2009</i> (Cth).</p>
Security Trust Deed	the security trust deed made by each Obligor and the Security Trustee in favour of each Beneficiary (as defined in the Security Trust Deed) dated on or about the date of this agreement.
Security Trustee	Acorn.

Term	Meaning
Share	an Ordinary Share or any other share of any class in the capital of the Company which is on issue or to be issued.
Share Sale	a sale or transfer of all the Ordinary Shares.
Subscription Notes	in respect to each Initial Noteholder, the number of Notes that the Initial Noteholder subscribes for, <u>and the Company issues, as described in the recitals to this agreement, under this agreement, which is in relation to:</u> <u>1MIT1, 1,965,000 Notes; and</u> <u>2MIT2, 5,535,000 Notes.</u>
Subscription Price	in respect to a Note, \$1.
Subscription Payment	in respect to each Initial Noteholder, the Subscription Price multiplied by the number of Subscription Notes <u>to be issued on the Issue Date,</u> <u>which is in relation to:</u> <u>1MIT1, \$1,965,000; and</u> <u>2MIT2, \$5,535,000.</u>
Subsidiary	the meaning given in the Corporations Act.
Tax	<ol style="list-style-type: none"> 1 any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or 2 any income, stamp or transaction duty, tax or charge, <p>which is assessed, levied, imposed or collected by any Government Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above. For the avoidance of doubt, Tax includes GST.</p>
Tax Act	the <i>Income Tax Assessment Act 1997</i> (Cth) or the <i>Income Tax Assessment Act 1936</i> (Cth) as applicable.
Tax Claim	<ol style="list-style-type: none"> 1 an assessment from a Government Agency requiring the payment of any Tax; 2 any document received from a Government Agency administering any Tax assessing, imposing, claiming or indicating an intention to claim any Tax; or 3 lodgement of a tax return or a request for an amendment under a law about self-assessment of Tax.
Tax Consolidated	a consolidated group or an MEC group as defined in the Tax Act.

Term	Meaning
Group	
Tax Cost	all costs, and expenses incurred in: <ol style="list-style-type: none"> 1 managing an inquiry; or 2 conducting any Disputing Action in relation to a Tax Claim, in relation to Tax, but does not include a Tax.
Tax Law	any law relating to Tax.
Transaction Documents	<ol style="list-style-type: none"> 1 this agreement; 2 the Security Trust Deed; 3 the Security; and 4 any other document which at a time the Beneficiaries (as defined in the Security Trust Deed) at that time, the Security Trustee and each Obligor at that time agree at any time, now or in the future, is a "Transaction Document".
Warranties	the representations and warranties set out in Schedule 3.

1.3 Interpretation

In this agreement:

- (a) Headings and bold type are for convenience only and do not affect the interpretation of this agreement.
- (b) The singular includes the plural and the plural includes the singular.
- (c) Words of any gender include all genders.
- (d) Other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning.
- (e) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual.
- (f) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this agreement and a reference to this agreement includes any schedule, attachment and exhibit.
- (g) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (h) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

- (i) A reference to a party to a document includes that party's successors and permitted assignees.
- (j) A reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.
- (k) No provision of this agreement will be construed adversely to a party because that party was responsible for the preparation of this agreement or that provision.
- (l) A reference to '\$' or "dollars" means the lawful currency of Australia.

1.4 Interpretation of inclusive expressions

Specifying anything in this agreement after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.5 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.6 Personal Property Securities (PPS) Law

- (a) If:
 - (1) a PPS Law applies, or will at a future date apply to any of the Transaction Documents or any of the transactions contemplated by them, or a Noteholder determines that a PPS Law applies, or will at a future date apply, to any of the Transaction Documents or any of the transactions contemplated by them; and
 - (2) in the opinion of the Noteholder, the PPS Law:
 - (A) adversely affects or would or may adversely affect an Noteholder's or Security Trustee's security position or the rights or obligations of a Noteholder or the Security Trustee under or in connection with the Transaction Documents; or
 - (B) enables or would enable a Noteholder's or the Security Trustee's security position to be improved without adversely affecting the Obligors,

the Noteholder may (acting reasonably) from time to time give notice to the Obligors requiring the Obligors to do anything, including:

- (3) promptly providing all necessary information and taking all necessary action (including obtaining any consent or agreement or giving any notice) to enable a Noteholder or the Security Trustee to register fully valid and effective financing statements or financing change statements with respect to any PPSA security interest held or intended to be held by the person under the Transaction Documents at any time; and/or
- (4) amending any Transaction Document or executing any new Transaction Document,

that in the Noteholders' opinion is necessary to ensure that, to the maximum possible extent, the Noteholders' and the Security Trustee's security position, and rights and obligations, are not adversely affected as contemplated by clause 1.6(a)(2)(A) (or that any such adverse effect is overcome to the maximum extent possible) or that the Noteholders' and the Security Trustee's

security position is improved as contemplated in clause 1.6(a)(2)(B). The Obligors must comply with the requirements of that notice within the time stipulated in the notice provided the stipulated time is a reasonable time having regard to the circumstances.

(b) In this clause:

PPSA means the *Personal Property Securities Act 2009* (Cth).

PPS Law means:

- (1) the PPSA;
- (2) any regulations made at any time under the PPSA;
- (3) any provision of the PPSA or regulations referred to in 2;
- (4) any amendment to any of the above, made at any time; or
- (5) any amendment made at any time to the Corporations Act or any other legislation in connection with the implementation or as a consequence of the PPSA.

1.7 Termination

- (a) This agreement terminates at the time on which no Notes are held by or on behalf of any Noteholder.
- (b) Subject to clause 22.9, a Noteholder who ceases to hold a Note (or have a Note held on its behalf), ceases to have any further rights or obligations under this agreement in that capacity as a Noteholder.

2 Conditions precedent

2.1 Conditions precedent

The Initial Noteholders are not obliged to pay the Subscription Price for the Subscription Notes under clause 3.1 unless and until:

- (a) the Initial Noteholders have received all of the following in form and of substance satisfactory to the Initial Noteholders (acting reasonably):
 - (1) (**officer's certificate**) an officer's certificate in the form of Schedule 9 given in respect of each Obligor and dated no more than 5 Business Days before the Completion Date;
 - (2) (**Transaction Documents**) originals of each Transaction Document duly executed by all parties to them other than the Noteholders;
 - (3) (**Legend Transfer Agreement**) certified copy of the Legend Transfer Agreement (on terms acceptable to the Noteholders) duly executed by all parties to them;
 - (4) (**Paradise Employment Contracts**) certified copies of the Paradise Employment Contracts (on terms acceptable to the Investors) duly executed by all parties to them;
 - (5) (**caveator consent**) certified copy of documents recording the consent of Real Grumpy Pty Ltd & Ernst Alfred Kohler (including two copies of the form number MRA -23 (consent of caveator) executed by each of Real Grumpy Pty Ltd & Ernst Alfred Kohler) to any security taken over, and the transfer of all right, title and interest in, the mining

- lease 90191 pursuant to the Security and the Legend Transfer Agreement;
- (6) (**DERM risk assessment report waiver**) certified copy of documents recording the waiver of the requirement to undertake a DERM risk assessment before Legend can deal with its interest under the compensation agreements entered into between Bezuma Pastoral Co Pty Ltd and Legend;
 - (7) (**fees and expenses**) evidence that all fees and expenses due and payable by the Company under the Transaction Documents have been paid or will be paid on the Completion Date out of the proceeds of the Notes; and
 - (8) (**Indirect TSA and Indirect TFA**) Legend and the Company have entered into an Indirect TSA and an Indirect TFA, each of which is in a form satisfactory to the Noteholders.
- (b) (**no Event of Default**) in the opinion of the Noteholders no Event of Default has occurred between the date of this agreement and Completion; and
 - (c) (**Completion of Restructure**) completion has occurred under the Legend Transfer Agreement in accordance with the terms of that agreement to the reasonable satisfaction of the Noteholders.

2.2 Cut-off date

Legend and the Company must use reasonable endeavours to satisfy the conditions precedent in clause 2.1 as soon as are reasonably practical and, in any event by, 21 February 2012. If the conditions precedent are not satisfied by this date either Initial Noteholder may terminate this agreement by providing written notice to the Company.

2.3 Waiver

The conditions in clause 2.1 are for the benefit of the Initial Noteholders and may only be waived by the Initial Noteholders.

2.4 Transfer of Mining Rights to the Company

Legend and the Company must:

- (a) take any and all steps necessary or desirable to perfect the transfer of Legend's right, title and interest in the Mining Rights to the Company, including registration thereof, as soon as practicable including by promptly complying with any requests for information from the relevant Government Authority; and
- (b) keep the Noteholders informed of its progress towards satisfying its obligation under sub-clause (a).

3 Issue of Notes

3.1 Issue of Notes

On the Completion Date the Company must issue, and each Initial Noteholder must subscribe, or procure that the Nominee subscribes for, its Subscription Notes for the Subscription Price in accordance with this agreement.

3.2 Ranking of Notes

The Subscription Notes will:

- (a) be senior, unsubordinated and secured by each Security; and
- (b) be convertible in accordance with clause 7 into fully paid-up Ordinary Shares (unless the Notes are earlier repaid).

3.3 Use of subscription proceeds

- (a) The Company must use the proceeds from the issue of the Subscription Notes for:
 - (1) progressing the bulk sample and offtake with IFFCO;
 - (2) progressing the preparation for a Qualifying IPO on the ASX; and
 - (3) such purposes as set out, and expenditure provided for, in the Cash Flow Model approved by the Noteholders,in accordance with the annual budget and Cash Flow Model of the Company.
- (b) The Company is entitled to incur an over-expenditure up to 15% of the authorised amount for any line item in the Cash Flow Model approved by the Noteholders, without further approval by the Noteholders, provided the over-expenditure does not relate to a Related Party Transaction.
- (c) The Company must not incur any over-expenditure on a Related Party Transaction unless prior written approval is given by the Noteholders.
- (d) The Company must not use the proceeds from the issue of the Subscription Notes to:
 - (1) satisfy any consideration payable under the Legend Transfer Agreement;
 - (2) pay for any services provided to Legend (including adviser fees) in connection with the Legend Transfer Agreement; or
 - (3) pay for any costs in relation to the Phosphate Assets incurred by Legend at a time while the Phosphate Assets were owned by Legend.

3.4 Transfer of Notes

- (a) A Noteholder must not transfer its Notes other than:
 - (1) to a Permitted Transferee; or
 - (2) if a Redemption Event has occurred to any person who comes within section 708(8), (10) or (11) of the Corporations Act,and, subject to paragraph (b), the Company must register the transfer on receipt of a document executed by the transferor and the transferee that constitutes the transfer.
- (b) A transferee of Notes must execute and deliver a Deed of Adherence before the Company is required to register the transfer of those Notes.
- (c) A Noteholder may only transfer all (but not some) of the Notes held by or on behalf of it.

4 Interest

4.1 Payment

- (a) Subject to clauses 4.1(b) and 4.4, the Company must pay interest in arrears on the Outstanding Principal for each Interest Period on each Interest Payment Date.
- (b) Interest is not payable on the Outstanding Principal for the first Interest Period if a Qualifying IPO occurs during that Interest Period.

4.2 Rate

The rate of interest payable under clause 4.1 is:

- (a) 10% per annum in respect of an amount that is not overdue and no Event of Default subsists; and
- (b) 14% per annum in respect of an amount that is overdue or during any period during which an Event of Default subsists.

4.3 Calculation

The interest payable under clause 4.1 is calculated on the daily balances on the basis of a 365 day year and for the actual number of days elapsed from and including the first day of each Interest Period to, but excluding, the last day of the Interest Period or, if earlier, the Scheduled Repayment Date.

4.4 Capitalisation

- (a) Interest under clause 4.1 which remains unpaid at midnight on each Interest Payment Date will be capitalised, unless a notice has been given by the Company under clause 4.4(b).
- (b) The Company may notify the Noteholders not less than 10 Business Days before the end of an Interest Period that interest for that Interest Period will not capitalise and be payable on the Interest Payment Date.

5 Completion

5.1 Time and place for Completion

Completion must take place:

- (a) as soon as practical, and in any event within 5 Business Days, after the satisfaction or waiver of all of the conditions precedent in clause 2.1;
- (b) at the office of Freehills at Level 42, 101 Collins Street, Melbourne or at any other place the parties agree; and
- (c) at the time (but during banking hours at that place) that the parties agree.

5.2 Company actions at Completion

At Completion, the Company must issue the Subscription Notes to each Initial Noteholder or the Nominee (as directed by each Initial Noteholder) free from any Security Interest or other third party rights.

5.3 Payment at Completion

At Completion, each Initial Noteholder must pay, or cause to be paid, to the Company the Subscription Payment in Same Day Funds.

5.4 Documents to be delivered at Completion

At Completion, the Company must:

- (a) **(Note certificates)** issue the Note Certificates in the name of each Initial Noteholder or the Nominee (as the case may be) for its Subscription Notes; and
- (b) **(register of Noteholders)** give to each Noteholder a certified copy of the register of noteholders of the Company showing each Noteholder or the Nominee (as the case may be) as a registered holder of its Subscription Notes.

5.5 Post Completion actions

(a) The Company will procure that the relevant ASIC forms are lodged to reflect the issue of the Subscription Notes as soon as practicable, and in any event within 15 days, after Completion.

(b) The Company must, in consultation with the Noteholders, use reasonable endeavours to appoint an investor and media relations consultant to assist the Company with investor and media communication matters within 10 Business Days of the Second Completion Date.

5.6 Nominee

If an Initial Noteholder elects to have its Notes held by the Nominee on its behalf, the Initial Noteholder must procure that the Nominee acts in accordance with this agreement at all times.

6 Repayment of Notes

6.1 Payment on the Scheduled Repayment Date

The Company must pay the sum of the Outstanding Amount divided by 0.70 (**Scheduled Repayment Amount**) in respect of each Note on the Scheduled Repayment Date to the relevant Noteholder.

6.2 Method of payment

- (a) The Company must make all payments due under this agreement in A\$ in Same Day Funds and not later than midday in Melbourne on the due date.
- (b) The Company must make all payments due under this agreement without any set-off, counterclaim or condition, or any deduction or withholding for any Tax or any other reason (other than a deduction or withholding which is required by applicable Law).

6.3 Redemption of Notes on occurrence of Redemption Event

- (a) If a Redemption Event occurs the Company must immediately give written notice to the Noteholders (copied to Security Trustee):
 - (1) specifying that a Redemption Event has occurred; and

- (2) setting out reasonable details of the event or circumstances constituting the Redemption Event including the calculation of the Private Sale Price (if applicable).
- (b) If a Redemption Event occurs then a Noteholder may at any time following the occurrence of the Redemption Event give a Redemption Notice to the Company (copied to the Security Trustee) requiring the Company to redeem all the Notes held by or on behalf that Noteholder in accordance with the Redemption Notice by paying to that Noteholder:
- (1) in the case of an event specified in items 3 or 4 of the definition of Redemption Event, the greater of the amounts (or if the amounts calculated under each alternative formula is the same then that amount) calculated as follows:

$$A \times \frac{10}{7}$$

OR

$$A \times \frac{B}{C}$$

where:

A = the Outstanding Amount on the date of repayment of the Notes

B = the Private Sale Price

C = the Conversion Price on the date of repayment of the Notes

- (2) in the case of the events specified in items 6 or 7 of the definition of Redemption Event, the Outstanding Amount divided by 0.7;
- (3) in the case of an Event of Default where an Obligor does not pay when due the amount determined in clause 11.6(f), that amount; or
- (4) in the case of any other Redemption Event, the Outstanding Amount, in respect of a Note multiplied by the outstanding Notes held by or on behalf of that Noteholder (**Redemption Amount**).
- (c) In the case of an event specified in items 3 or 4 of the definition of Redemption Event, if the Noteholders reasonably consider that the Private Sale Price specified in the notice given pursuant to clause 6.3(a) does not take account of all benefits and consideration receivable by Legend (and any Related Party of Legend) and the Company as a direct or indirect result of the transactions contemplated by the relevant Asset Sale or Share Sale, the Noteholders must set out in reasonable detail in the Redemption Notice its reasons as to why the Private Sale Price specified in the notice given pursuant to clause 6.3(a) does not fully reflect the value received under the Asset Sale or Share Sale (as applicable).
- (d) If the Company and the Noteholders cannot agree on the Private Sale Price within 10 Business Days of the date of the Redemption Notice, the Company must appoint an Independent Expert to determine the Private Sale Price by:
- (1) taking into account the amount which a willing (but not anxious) seller would be prepared to accept and a willing (but not anxious) buyer would be prepared to pay for the Ordinary Shares or assets the subject of the Asset Sale;
- (2) taking into account all the direct and indirect benefits and consideration (including deferred consideration and adjustments to the purchase price (if in favour of the Company or Legend)) to be received by Legend (and any Related Party of Legend) and the Company as a

- direct or indirect result of the transactions contemplated by the relevant Asset Sale or Share Sale (where the value of such benefits and consideration are calculated on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Private Sale Price is being calculated);
- (3) ignoring any premium or discount relating to whether the transfer of those Ordinary Shares could give rise to a controlling or minority stake in the Company; and
 - (4) ignoring any Tax consequences to the extent that the Tax arises as a direct or indirect result of the implementation of the transactions contemplated by the Asset Sale or Share Sale (as applicable); and
 - (5) ignoring any restrictions on transfer of the Ordinary Shares or assets the subject of the Asset Sale in this agreement or the Constitution.
- (e) Payment of the amount payable under clause 6.3(b) must be made:
- (1) in the case of an event specified in items 3 or 4 of the definition of Redemption Event:
 - (A) where the Company and Noteholders agree on the Private Sale Price, on the date of completion under the Asset Sale or Share Sale;
 - (B) where the Independent Expert determines the Private Sale Price, within 2 Business Days of the determination of the Independent Expert; or
 - (2) in case of any other Redemption Event within 2 Business Days of the date of the Redemption Notice.

6.4 Redemption Notice

A Redemption Notice:

- (a) is irrevocable; and
- (b) must be accompanied by the Note Certificates for the relevant Notes (or such other evidence of title to the Notes as is reasonably acceptable to the Company).

6.5 Appropriation

- (a) All payments by the Company to a Noteholder following an Event of Default or Redemption Event may be appropriated as between principal, interest and other amounts as the Noteholder determines in its absolute discretion.
- (b) However, if the Noteholder does not make a determination, the Company may at any other time appropriate such payments in the following order:
 - (1) first, towards all fees, costs, expenses, charges, damages and indemnities (other than interest) payable by the Company to the Noteholder under this agreement;
 - (2) second, towards payment of uncapitalised interest payable by the Company to the Noteholder under this agreement;
 - (3) third, towards payment of capitalised interest payable by the Company to the Noteholder under this agreement; and
 - (4) fourth, towards payment of the Outstanding Principal in respect of the Notes held by or on behalf of the Noteholder.

- (c) All payments by the Company to a Noteholder following an Event of Default or Redemption Event may be appropriated as between principal, interest and other amounts despite and prevalent to any appropriation made by the Company.
- (d) All payments by the Company to Noteholders will be made on a pro rata basis.

7 Conversion

7.1 Restriction on Conversion

Subject to clause 7.2, the Company must not convert the Notes until after the expiry of 3 years from the date of execution of the Legend Transfer Agreement.

7.2 Mandatory Conversion

If the Company lodges a prospectus with ASIC for a Qualifying IPO, then all the Notes will automatically convert on the date of, and immediately following, the issue of Ordinary Shares applied for under the prospectus for a Qualifying IPO (**Conversion Date**).

7.3 Conversion Mechanics

- (a) On the Conversion Date, the Company must issue to the relevant Noteholder the number of Ordinary Shares (**Conversion Shares**) calculated as follows:

If the Conversion Price is equal to or more than the IPO Price multiplied by 0.70:

$$\left(\frac{A \times \frac{10}{7}}{B} \right) \times C$$

OR

If the IPO Price multiplied by 0.70 is more than the Conversion Price:

$$\frac{A \times \left(\frac{\text{IPO Price}}{\text{Conversion Price}} \right) \times C}{B}$$

where:

A = the Outstanding Amount in respect of a Note on the Conversion Date;

B = the IPO Price on the Conversion Date; and

C = the number of outstanding Notes held by or on behalf of the relevant Noteholder.

- (b) On Conversion of any Notes, the Company must issue the Conversion Shares in the name of the Noteholder or as otherwise directed by it in writing no later than 5 Business Days prior to the date of issue.
- (c) No fractional Ordinary Shares will be issued upon conversion in accordance with this agreement and any fractional Ordinary Shares to which the Noteholder would otherwise be entitled will be rounded up to the nearest whole Ordinary Share.
- (d) The Conversion Shares issued on the Conversion of any Notes will:

- (1) be fully paid and free from any Security Interest or other third party rights; and
- (2) rank in all respects equally, and form one class with, all other Ordinary Shares.

7.4 Undertakings relating to Conversion

The Company undertakes to each Noteholder that it will:

- (a) be able to issue Ordinary Shares to satisfy the conversion rights attaching to the Notes;
- (b) ensure that the Conversion Shares are freely transferrable without any requirement for disclosure to investors under Part 6D.2 of the Corporations Act; and
- (c) obtain, maintain and promptly renew (if appropriate) from time to time, all such authorisations, approvals, consents, licences and exemptions as may be required under any applicable Law, regulation to enable it to perform its obligations under this agreement and the Notes or which are required for the validity or enforceability of the Notes.

7.5 Post completion

- (a) The Company will procure that the relevant ASIC forms are lodged within 1 Business Day to reflect the issue of the Conversion Shares.
- (b) The Company must procure the official quotation of the Ordinary Shares (including Conversion Shares) on the ASX.

7.6 Discharge of Security

- (a) The Noteholders will within 20 Business Days of the quotation of the Conversion Shares on the ASX:
 - (1) do all things necessary to withdraw and remove any and all of the Security, and caveats registered in relation to the Security, including the provision of a letter or letters in a form approved by the Company and addressed to the relevant Government Agency authorising and requesting the removal of the caveats and Security;
 - (2) cause the Security Trustee to execute a deed of release in respect of the Security; and
 - (3) return the Note Certificates to the Company,
provided that the Company and/or Legend have paid the Secured Moneys (as defined in the Security Trust Deed) due by it in accordance with the Transaction Documents and each other obligation under the Transaction Documents has been fully and finally discharged.
- (b) Each release and/or discharge referred to in clause 7.6(a) is conditional and subject to reinstatement if a Noteholder is obliged to repay to any person under any law relating to bankruptcy, winding up or the protection of creditors any money which it has received under any Transaction Document.

8 The Conversion Price and adjustment

8.1 Initial Conversion Price

- (a) The initial Conversion Price is A\$0.50.
- (b) The Conversion Price will be adjusted in accordance with clause 8.2.

8.2 Adjustment of Conversion Price

The Conversion Price will from time to time be adjusted in accordance with the following provisions:

- (a) **Consolidation, sub-division or reclassification:** If there is any consolidation, sub-division or reclassification of Ordinary Shares, the Conversion Price in force immediately prior to that event must be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

- A = the aggregate number of Ordinary Shares on issue immediately before such consolidation, reclassification or sub-division; and
- B = the aggregate number of Ordinary Shares on issue immediately after, and as a result of, such consolidation, reclassification or sub-division.

Each such adjustment will be effective from the close of business on the day immediately preceding the date on which the consolidation, reclassification or sub-division becomes effective.

- (b) **Issue of Equity Securities:** If the Company issues any Equity Securities (other than Ordinary Shares), and the Effective Consideration per Share receivable for such Equity Securities is less than the Conversion Price in force, the Conversion Price will be adjusted to equal that lower Effective Consideration per Share. Each such adjustment will be effective as at the date on which such issue of Equity Securities takes effect.
- (c) **Issue of Ordinary Shares:** If the Company issues any Ordinary Shares at a price per Ordinary Share which is less than the Conversion Price in force, the Conversion Price will be adjusted to equal that lower price. Each such adjustment will be effective as at the date on which such issue takes effect.
- (d) **Other events:** If the Noteholders:
 - (1) disagree with the amount of any adjustment to the Conversion Price made by the Company as a result of an event or circumstance referred to in this clause 8.2; or
 - (2) determine that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this clause 8.2,

the Noteholders may give a written notice to the Company (copied to the Security Trustee) setting out in reasonable detail, the adjustment to the Conversion Price taking into account the relevant event or circumstance (**Adjustment Notice**).

The Company and the Noteholders must use reasonable endeavours to agree the adjustment to the Conversion Price. If the Company and the Noteholders cannot agree on that adjustment within 10 Business Days of the date of the Adjustment Notice, the Company must appoint an Independent Expert to

determine the fair and reasonable adjustment to the Conversion Price after taking into account the relevant event or circumstance. Each such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) will take effect in accordance with the Independent Expert's determination.

8.3 Adjustment conditions

- (a) Notwithstanding anything to the contrary contained in this agreement, no adjustment will be made to the Conversion Price when Ordinary Shares or other Equity Securities are issued, offered or granted pursuant to an Excluded Issue.
- (b) An adjustment to the Conversion Price must not involve an increase in the Conversion Price (except upon any consolidation of the Shares pursuant to clause 8.2(a)) and where an adjustment may be made under more than one clause, the Company or Independent Expert (as applicable) must apply the adjustment mechanism that results in the greatest reduction to the Conversion Price.
- (c) Any adjustment to the Conversion Price must be made to the nearest one tenth of one cent so that any amount under one fiftieth of a cent will be rounded down and any amount of one fiftieth of a cent or more will be rounded up.

8.4 Appointment of Independent Expert

- (a) Any Independent Expert appointed:
 - (1) under clause 8.2 to determine the Conversion Price;
 - (2) under clause 6.3(d) to determine the Private Sale Price; and
 - (3) under 11.6(e) to determine the Effective Consideration per Sale Share,must act as an expert and not as an arbitrator.
- (b) The costs of the Independent Expert will be borne by the Company.
- (c) In the absence of manifest error, the Independent Expert decision will be conclusive and binding on the Company and the Noteholders and all persons claiming through or under them respectively.
- (d) For so long as any amount of the Notes remains outstanding, the Company must make available for inspection at the Company's offices a signed copy of the Independent Expert's determination and a certificate signed by a director of the Company setting out brief particulars of the event giving rise to the adjustment, the Conversion Price in force prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

9 Restrictions on the Company

9.1 Restrictions

Except with the written consent of a Noteholder, the Company must not, and Legend must ensure that the Company does not:

- (a) modify the rights attaching to the Ordinary Shares or create or issue or permit to be in issue any other class of Equity Securities carrying any right to income or capital which is more favourable than the corresponding right attaching to the Ordinary Shares;

- (b) create or permit to subsist any Security Interest over all or any part of its assets other than the Securities or an asset which is, upon its acquisition, subject to a Permitted Security Interest;
- (c) undertake an IPO other than a Qualifying IPO;
- (d) pay, make or declare any dividend or other distribution other than by a Subsidiary of the Company to the Company;
- (e) purchase its own shares or any other Equity Securities of any company, reduce its share capital, return capital to shareholders or in any other way restructure its capital;
- (f) enter into any merger or consolidation or make any acquisition of any other entity, company or business or do anything which would have the effect that it is operating a business or an activity which is not within the course of, or directly connected with, a business carried on by it as at the date of this agreement;
- (g) incur any Financial Indebtedness other than Permitted Financial Indebtedness;
- (h) deposit or invest money in or with any person except in the ordinary course of ordinary business and on ordinary commercial terms;
- (i) subject to clause 11.10(b), amend or replace its constitution;
- (j) take any action which constitutes or results in any material alteration to the nature of its business;
- (k) sell, assign, transfer or otherwise dispose of or part with possession of any of its assets except:
 - (1) an asset which is replaced by one or more assets having similar function and of comparable or superior type, value and quality on usual commercial terms;
 - (2) phosphate extracted from an area contained in the Mining Rights and sold on usual commercial terms or delivered to IFFCO pursuant to IFFCO Bulk Sample Arrangement; or
 - (3) as permitted under clause 9.1(v);
- (l) allow any other person to have a right or power to receive or claim any rents, profits, receivables, royalties, money or moneys worth (whether capital or income) in respect of its assets other than under a Transaction Document or Existing Security Interest;
- (m) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts in circumstances where the arrangement is in connection with:
 - (1) the raising of Financial Indebtedness; or
 - (2) the acquisition of an asset,except for a netting-off or set-off arrangement in the ordinary course of its ordinary banking arrangements for the purpose of netting debit and credit balances;
- (n) enter into any arrangement which, if complied with, would prevent it from complying with their obligations under the Transaction Documents or Legend Transfer Agreement;
- (o) provide any financial accommodation, or give any guarantee in respect of any financial accommodation, to or for the benefit of any person, other than Permitted Financial Accommodation;
- (p) other than a Related Party Transaction approved pursuant to clause 11.10:
 - (1) enter into an agreement with a Related Party;

- (2) acquire or dispose of an asset from or to a Related Party;
 - (3) obtain or provide a service from or to a Related Party;
 - (4) obtain a right or incur an obligation from or to a Related Party; or
 - (5) implement any other transaction from or to a Related Party.
- (q) pay any director fees, management fees, consultancy fees or other like payments to any director, associate, or Related Body Corporate of it unless those fees or other payments are:
- (1) subject to clause 11.10, reasonable and are no more or less favourable than it is reasonable to expect would be the case if the relevant persons were dealing with each other at arm's length; or
 - (2) paid with the prior written consent of the Noteholders;
- (r) enter into any partnership or joint venture with any other person;
- (s) amend, or enter into any arrangement intended to amend, the Legend Transfer Agreement;
- (t) incorporate or acquire a new Subsidiary unless that Subsidiary complies with clause 14.4:
- (u) allow creditors (other than the Noteholders) to exceed \$100,000 in aggregate or to allow aged creditors (other than the Noteholders) of 90 days greater to exist unless being disputed in good faith and notified to the Noteholders; or
- (v) dispose of, encumber, surrender, allow to lapse or otherwise cease to enjoy the benefit of or compromise the Mining Rights other than the surrender, expiry or relinquishment of an area subject to the Mining Rights not required for the Paradise Phosphate Project as required under the terms of the Mining Right or any applicable Law or as otherwise contemplated by this agreement.

10 Warranties

10.1 Warranties

Each Obligor gives the Warranties to and for the benefit of each Noteholder.

10.2 Noteholder Warranties

Each Noteholder gives the Noteholder Warranties to and for the benefit of the Company.

10.3 Repetition warranties

- (a) Each Warranty and Noteholder Warranty expressed to be given on a particular date is given on that date.
- (b) Any other Warranty or Noteholder Warranty, not expressed to be given on a particular date, is given on the date of this agreement and immediately before Completion except Warranty 1.7 which is given only at the date of Completion.

10.4 Survival

The Warranties and Noteholder Warranties survive the execution and Completion of this agreement.

10.5 Reliance

- (a) Each Obligor acknowledges that each Noteholder enters into this agreement in reliance on the Warranties.
- (b) Each Noteholder acknowledges that each Obligor enters into this agreement in reliance on each Noteholder Warranty.

10.6 Independent Warranties

Each Warranty and Noteholder Warranty is separate and independent and not limited by reference to any other Warranty or Noteholder Warranty or any notice or waiver given by any party in connection with anything in this agreement.

10.7 Indemnities

The Obligors jointly and severally indemnify each Noteholder against any Loss suffered or incurred by the Noteholder as a result of a breach of Warranty 3.

11 Ongoing requirements

11.1 Compliance

- (a) Each Obligor must comply with all of its obligations under each Transaction Document to which it is a party.
- (b) Each Obligor must comply with:
 - (1) the Law; and
 - (2) all of its obligations under any Authorisation or Mining Right to which it is a holder.

11.2 Remain a company limited by shares

The Company and each Subsidiary must maintain its status as a company limited by shares incorporated under the Corporations Act. The Company and each Subsidiary must not transfer nor permit the transfer of its jurisdiction of incorporation outside Australia.

11.3 Authorisations and consents

- (a) Each Obligor must obtain, maintain and comply with any authorisations which it requires to carry out the transactions contemplated in, and to ensure the validity, enforceability and admissibility in evidence of, the Transaction Documents or Legend Transfer Agreement and not do anything which would prevent the renewal of any authorisation referred to in this clause 11.3(a) or cause it to be renewed on less favourable terms.
- (b) Each Obligor must comply with any conditions attaching to any approval or consent given by the Noteholders in connection with the Transaction Documents.
- (c) Each Obligor must comply with any conditions attaching to any approval or consent given by a Government Agency in connection with carrying out the transactions contemplated in the Legend Transfer Agreement.

11.4 Maintain records and financial statements

- (a) The Company must keep accounting records which give a true and fair view of its financial condition and state of affairs.
- (b) The Company must ensure that the financial statements it provides to each Noteholder under clause 11.5(b) are prepared in accordance with the requirements in the Corporations Act for financial statements for a financial year.

11.5 Provision of information to Noteholders

- (a) Each Obligor must provide any information in respect of it (including details of the Equity Securities of the Company) when reasonably requested by a Noteholder for the purposes of evaluating or otherwise considering Conversion or redemption of a Note.
- (b) The Company must provide the following information to each Noteholder:
 - (1) within one month after each calendar quarter, quarterly management accounts (including a profit and loss statement, balance sheet and cash flow analysis, a comparison and commentary on actual performance for the previous quarter and year to date against budget, and a forecast of future performance), a rolling 12-month cashflow forecast and a chief executive officer's report in a form acceptable to the Noteholders;
 - (2) within 3 months after the end of each financial year, audited annual financial statements of the Company and its Subsidiaries prepared in accordance with the Accounting Standards;
 - (3) all correspondence sent to, or received from, a Government Agency in connection with performing the transactions contemplated by the Legend Transfer Agreement or any Transaction Document;
 - (4) at least one month before the start of each financial year of the Company, an annual budget for the Company and its Subsidiaries;
 - (5) all correspondence and materials, at the time and in the form sent, to directors of the Company and its Subsidiaries including board papers and minutes of board meetings;
 - (6) copies of all documents issued by the Company or any of its Subsidiaries to holders of its Marketable Securities at the same time as their issue; and
 - (7) at the reasonable request of a Noteholder, any other information in respect of the financial condition or state of affairs of the Company or any of its Subsidiaries and any of its assets.
- (c) The Noteholders may access the site of the Paradise Phosphate Project and meet any employees, officers or contractors of the Company or Legend on giving reasonable notice.

11.6 Restriction on transfer and issue of equity securities in the Company

Legend must:

- (a) not transfer or grant, or agree to transfer or grant, any right, title or interest in or to the Ordinary Shares held or controlled by Legend (**Legend Sell Down**); and
- (b) procure that the Company does not, and the Company must not, issue, or agree to issue, Equity Securities (**Company Equity Issue**),

unless:

- (1) Legend continues to hold, or control the exercise of voting rights attaching to, 90% or more of the total number of Ordinary Shares on issue post completion of the Legend Sell Down or Company Equity Issue (as applicable); and
 - (2) the Noteholders have provided their prior written approval to the Legend Sell Down or Company Equity Issue (as applicable).
- (c) If the Noteholders do not approve the Legend Sell Down or Company Equity Issue (as applicable), the Company may give written notice to the Noteholders (copied to the Security Trustee):
- (1) that it intends to redeem all (but not some) of the Notes held by or on behalf of the Noteholders; and
 - (2) setting out its calculation of the Effective Consideration per Sale Share,

(Compulsory Redemption Notice).

- (d) If the Noteholders disagree with the Effective Consideration per Sale Share calculated by the Company, the Noteholders must set out in reasonable detail the reasons why it disagrees with the Effective Consideration per Sale Share within 5 Business Days of the date of the Compulsory Redemption Notice.
- (e) The Company and Noteholders must use reasonable endeavours to agree the Effective Consideration per Sale Share. If the Company and the Noteholders cannot agree on the Effective Consideration per Sale Share within 10 Business Days of the date of notice given pursuant to clause 11.6(d), the Company must appoint an Independent Expert to determine the Effective Consideration per Sale Share by:
- (1) in the case of a Legend Sell Down:
 - (A) taking into account the amount which a willing (but not anxious) seller would be prepared to accept and a willing (but not anxious) buyer would be prepared to pay for the Ordinary Shares the subject of the Legend Sell Down (**Legend Transfer Shares**); and
 - (B) taking into account all direct and indirect benefits and consideration to be received by Legend (and any Related Party of Legend) as a result of the Legend Sell Down (including forms of consideration and benefits set out in the definition of Effective Consideration per Sale Share); and
 - (C) ignoring any premium or discount relating to whether the transfer of those Legend Transfer Shares could give rise to a controlling or minority stake in the Company,
 - (2) in the case of a Company Equity Issue:
 - (A) taking into account the amount which a willing (but not anxious) issuer would be prepared to accept and a willing (but not anxious) subscriber would be prepared to pay for the Equity Securities the subject of the Company Equity Issue (**New Company Equity Securities**);
 - (B) taking into account all direct and indirect benefits and consideration to be received by the Company (and any Related Party of the Company) as a result of the Company Equity Issue (including forms of consideration and benefits set out in the definition of Effective Consideration per Sale Share); and

- (C) ignoring any premium or discount relating to whether the issue of those New Company Equity Securities could give rise to a controlling or minority stake in the Company,
- (3) ignoring any negative effects of the Legend Sell Down or Company Equity Issue (as applicable) on the prospects of undertaking a Qualifying IPO in accordance with this agreement;
- (4) ignoring any Tax consequences to the extent that the Tax arises as a direct or indirect result of the implementation of the transactions contemplated by the Legend Sell Down or Company Equity Issue (as applicable); and
- (5) ignoring any restrictions on transfer of the Legend Transfer Shares, or issue of Equity Securities, in this agreement or the Constitution.
- (f) If the Company gives a Compulsory Redemption Notice, it must redeem all the Notes held by or on behalf of the Noteholders by paying to each Noteholder the greater of the amounts (or if the amounts calculated under each alternative formula is the same then that amount) calculated as follows:

$$A \times \frac{10}{7}$$

OR

$$A \times \frac{B}{C}$$

where:

A = the Outstanding Amount on the date of repayment of the Notes

B = the Effective Consideration per Sale Share receivable by (1) Legend in undertaking the Legend Sell Down or (2) the Company undertaking the Company Equity Issue (as applicable)

C = the Conversion Price on the date of repayment of the Notes, in respect of a Note multiplied by the outstanding Notes held by or on behalf that Noteholder.

- (g) Payment of the amount payable under clause 11.6(f) must be made:
- (1) in the case where the Noteholders and Company agree on the Effective Consideration per Sale Share, on the date of completion of the Legend Sell Down or Company Equity Issue (as applicable); or
- (2) in the case where the Independent Expert determines the Effective Consideration per Sale Share, the date determined by the Independent Expert.

11.7 Notification to Noteholders

Each Obligor must notify the Noteholders as soon as reasonably practicable after it becomes aware of any of the following:

- (a) the occurrence or potential occurrence of any Event of Default;
- (b) any Action in respect of it or any of their assets being commenced or threatened which is either:
- (1) in respect of an amount in excess of \$250,000; or

- (2) if adversely determined would have or be likely to have a Material Adverse Effect;
- (c) any Security Interest that exists over any of its assets;
- (d) any proposal of any Government Agency to compulsorily acquire any of its assets; and
- (e) the acquisition by it or any of its Subsidiaries of any interest in real property.

11.8 Noteholder attendance at board and shareholders meetings

Without prejudice to the rights of a Noteholder in its capacity (if any) as a shareholder of the Company, at the request of a Noteholder from time to time, the Company must permit the Noteholder or its representative to attend but not to speak or vote at any meeting of the board of directors and any general meeting of members of the Company or any of its Subsidiaries.

11.9 Payment of tax

- (a) Each Obligor must pay all Taxes when due, other than Contested Taxes.
- (b) Each Obligor must pay all Contested Taxes when the terms of any final determination or settlement require those Contested Taxes to be paid.

11.10 Majority Independent Board

- (a) The Company must ensure that, within 32 months from the First Completion Date, the majority of its directors are Independent Directors (**Majority Independent Board**) and the Company must not appoint an Independent Director without the prior written approval of the Noteholders~~must keep the Noteholders informed of its progress towards satisfying this obligation.~~
- (b) The constitution of the Company must be amended within 2 months of the First Completion Date to require the Company to have at all times a majority of Independent Directors.
- (c) Subject to clause 11.10(d), prior to the appointment of the Independent Directors necessary to constitute the Majority Independent Board, the Company and Legend must not enter into, renew, amend, vary, alter, release or waive any provision of any Related Party Transaction without the consent of the Noteholders.
- (d) The Company must not pay, or agree to pay, to any Related Party any amount other than:
 - (1) pursuant to a services agreement between that Related Party and the Company on arm's length terms acceptable to the Noteholders (acting reasonably); or
 - (2) without the prior written approval of the Noteholders.
- (e) Subject to clause 11.10(d), following the constitution of the Majority Independent Board, any entry, renewal, variation, alteration, release or waiver of any provision of any Related Party Transaction must be approved by the board of directors of the Company in consultation with the Noteholders.

11.11 Maintain assets

Each Obligor must maintain the assets the subject of the Security in good working order and condition, subject to fair wear and tear, and make all necessary repairs and replacements of assets the subject of the Security.

11.12 Maintain insurance

Each Obligor must insure and keep insured all its insurable assets the subject of the Security with an insurance company of repute to the full replacement value and for full reinstatement of those assets against all risks which are usually insured by companies which conduct similar types of business to that which is conducted by the Obligor and shall ensure that the Security Trustee is named as a loss payee.

11.13 Financial covenant

The Company must maintain Liquid Assets of at least \$1,000,000.

11.14 Further assurances regarding Security

Each Obligor must:

- (a) do anything which a Noteholder or the Security Trustee reasonably requests which more satisfactorily charges or secures the priority of its Security, or secures to the Security Trustee its secured property under the Security in a manner consistent with any provision of any Transaction Document, or aids in the exercise of any Power (as defined in a document granting a Security) of a Noteholder or the Security Trustee, including, the execution of any document, the delivery of Mining Rights, King Eagle Tenements or the execution and delivery of blank transfers;
- (b) when a Noteholder or the Security Trustee requests, execute a legal or statutory mortgage or other security document in favour of the Security Trustee over any real property or Mining Rights, King Eagle Tenements or any other tenements acquired by it on or after the date of this agreement in form and substance satisfactory to the Noteholders; and
- (c) use its best endeavours to register any such new mortgage or other security document.

12 Events of default

12.1 Events of default

Each of the following is an Event of Default:

- (a) an Obligor fails to pay interest when due, or fails to pay within 2 Business Days of its due date any other amount payable, under any of the Transaction Documents or Legend Transfer Agreement;
- (b) an Obligor fails to comply with any provision of a Transaction Document or the Legend Transfer Agreement and that failure, if capable of remedy, has not been remedied within 5 Business Days after the earlier of a Noteholder receiving the notice of the Event of Default or a Noteholder requesting the Obligor in writing to remedy the default;
- (c) any representation, warranty or statement made or repeated in or in connection with the Transaction Documents or Legend Transfer Agreement by an Obligor is untrue or misleading (whether by omission or otherwise) in a material particular or to a material extent when so made or repeated or becomes untrue or misleading (or, in the case of financial forecasts, unfair or unreasonable) in a material particular or to a material extent when taken as a whole;
- (d) an order is made for the winding up of an Obligor or for the appointment of a liquidator in respect of an Obligor;

- (e) an Obligor passes a resolution for its winding up;
- (f) an Obligor is deregistered, or any steps are taken to deregister an Obligor under the Corporations Act;
- (g) a judgment in an amount exceeding \$250,000 is obtained against an Obligor and is not set aside or satisfied within 20 Business Days;
- (h) a distress, attachment, execution or other process of a Government Agency is issued against, levied or entered upon a asset of an Obligor in an amount exceeding \$250,000 and is not set aside or satisfied within 10 Business Days;
- (i) a receiver, controller (within the meaning of section 9 of the Corporations Act) or analogous person is appointed to, or the holder of a Security Interest takes possession of, all or any part of the assets of an Obligor;
- (j) an Obligor:
 - (1) suspends payment generally;
 - (2) becomes an externally-administered body corporate within the meaning of the Corporations Act;
 - (3) becomes subject to administration under Part 5.3A of Chapter 5 of the Corporations Act,; or
 - (4) is or states that it is, or is deemed by applicable Law to be, unable to pay its debts;
- (k) pursuant to section 459F of the Corporations Act an Obligor is taken to have failed to comply with a statutory demand;
- (l) an Obligor takes any step for the purpose of entering into a compromise or arrangement with its members or creditors generally;
- (m) anything which is analogous or has an effect which is substantially similar to any of the events in clauses 12.1(d) to 12.1(l) of this definition occurs under any Law;
- (n) an Obligor implements a merger, demerger or scheme of arrangement with any person without the prior approval of the Noteholders;
- (o) an Obligor ceases to carry on, or suspends operation of its, business;
- (p) a material provision of a Transaction Document or Legend Transfer Agreement is held by a court of competent jurisdiction to be illegal, void, voidable or unenforceable;
- (q) any person purports to terminate, rescind or avoid any material provision of any Transaction Document or Legend Transfer Agreement;
- (r) the execution, delivery or performance of the Transaction Documents (including the issue and Conversion of the Notes) or Legend Transfer Agreement by an Obligor:
 - (1) breaches its constitution or other constituent documents (as applicable); or
 - (2) breaches any Law or obligation, by which it is bound and which would prevent it from entering into and performing all or any material obligations under this agreement;
- (s) the process of any court of authority is invoked against an Obligor or a material part of the property of an Obligor to enforce any judgement or order for any amount;
- (t) any of the following occurs:

- (1) any Financial Indebtedness of an Obligor becomes due (other than at the option of that Obligor) prior to its stated maturity;
 - (2) any Financial Indebtedness of an Obligor is not paid when due or within any applicable period of grace;
 - (3) any Security Interest granted by an Obligor is enforced by reason of the occurrence of an event of default or analogous occurrence (however described); or
 - (4) any stock, shares, debenture, bond or similar instrument issued by the an Obligor is required to be redeemed or repurchased prior to its stated maturity by reason of the occurrence of an event of default or analogous occurrence (however described);
- (u) if any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Noteholders and an Obligor does not comply with those conditions or those conditions are not fulfilled (whether by an Obligor or any other person) or are or become incapable of fulfilment;
- (v) a person is appointed under any legislation to manage any part of the affairs of an Obligor;
- (w) all or a material part of the assets of an Obligor are compulsorily acquired by any Government Agency or an Obligor sells or divests all or a material part of its assets pursuant to a binding order from a Government Agency and full compensation is not received for the acquisition, sale or divestiture;
- (x) all or any material provision of any of the Transaction Documents or Legend Transfer Agreement:
- (1) does not have effect or ceases to have effect in accordance with its terms;
 - (2) is held to be or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally; or
 - (3) is claimed by an Obligor to be any of the matters referred to in clause 12.1(x)(1) or 12.1(x)(2) or an Obligor or any other person commences any court proceedings to establish any of the matters referred to in clause 12.1(x)(1) or 12.1(x)(2) to be the case;
- (y) any event occurs which has or is likely to have a Material Adverse Effect;
- (z) the abandonment, suspension, cessation, destruction or shutdown of all or a substantial part of the Paradise Phosphate Project;
- (aa) termination or revocation of any of the Key Mining Rights or associated Authorisations or arrangements (including compensation and land access arrangements);
- (bb) the commencement, or pending or threatened commencement, of any Action against any Obligor which is reasonably likely to have a Material Adverse Effect;
- (cc) an Obligor ceases for any reason to be able lawfully to carry out all the transactions contemplated in any of the Transaction Documents or Legend Transfer Agreement; or
- (dd) the Company becomes a member of a Tax Consolidated Group

12.2 Appointment of a Controller

- (a) If the Security Trustee appoints a Controller (as defined in the Security Trust Deed) under a Security (as defined in the Security Trust Deed) on occurrence of

an Event of Default referred to in clauses 12.1(b), 12.1(o), 12.1(y), 12.1(z) or 12.1(bb), then that Controller must not enter into any agreement to sell the assets the subject of the Security for a period of 45 days from the date of its appointment.

- (b) For the avoidance of doubt, clause 9.2(a):
 - (1) only applies to the first appointment of a Controller and clause 9.2(a) does not apply to any subsequently appointed Controller provided that 45 days has expired since the date of first appointment of a Controller;
 - (2) in no way restricts or fetters the rights of the Controller to undertake a sale process for the assets the subject of the Security; and
 - (3) must in no way interfere with the performance by the Controller of its obligations under the Corporations Act.

13 Tax Indemnity

13.1 Tax indemnity

Legend indemnifies (and must keep indemnified) the Company from and against the amount of any:

- (a) Tax payable by the Company to the extent that the Tax:
 - (1) relates to any period, or part period, up to and including Completion; or
 - (2) arises as a result of entry into this agreement or Completion (other than any duty to be paid by the Noteholders under clause 14.4(g)); and
- (b) Tax Costs incurred by or on behalf of the Company to the extent that the Tax Costs arise from or relate to any of the matters for which Legend may be liable under clause 13.1(a).

13.2 Gross up

If the amount received by the Company is treated as income under the Tax Law such that the payment increases the income tax payable by the Company under the Tax Law, then the payment must be grossed-up by such amount as is necessary to ensure that the net amount retained by the Company after deduction of Tax or payment of the increased income tax equals the amount the Company would have retained had the Tax or increased income tax not been payable, after taking into account any benefits or relief relating to Tax.

14 Tax Claims

14.1 Notice of claims

The Company must promptly notify Legend if:

- (a) a Tax Claim is made which the Company believes will give rise to a claim under clause 13;
- (b) the Company decides to make a claim under clause 13; or

- (c) the Company becomes aware of any events, matters or circumstances (including any potential or threatened Tax Claim) which are reasonably likely to give rise to a claim under clause 13, whether alone or with any other claim or circumstances.

14.2 Details required

The Company must include in a notice given under clause 14.1:

- (a) all relevant details (including the amount) then known to the Company of the Tax Claim;
- (b) the events, matters or circumstances giving rise to the Claim;
- (c) an extract of any part of a Tax Claim that identifies the liability or amount to which the Tax Claim relates or other evidence of the amount of the Tax Claim; and
- (d) if available or relevant, any corresponding part of any adjustment sheet or other explanatory material issued by a Government Agency which specifies the basis for the Tax Claim or other evidence of that basis.

14.3 Payment of Tax Claims

The Company may not:

- (a) accept, compromise or pay,
- (b) agree to arbitrate, compromise or settle; or
- (c) make any admission or take any action in relation to,

a Tax Claim without the prior consent of Legend. However, nothing in this clause shall prevent the Company from making payments of Tax, where such payments are due under a Tax Law.

14.4 Disputing Tax Claims

- (a) Following receipt of a notice under clause 14.1 in respect of a Tax Claim, Legend may by written notice to the Company (but no later than 5 Business Days before the due date for payment of the relevant Tax) advise the Company that it wishes to contest the Tax Claim.
- (b) If Legend advises the Company that it wishes to contest the Tax Claim then:
 - (1) Legend must pay the Company so much of the Tax as is required by the relevant Government Agency to be paid while any action is being taken under this clause 12.4 by the later of:
 - (A) 2 Business Days before the due date for payment to the Government Agency; and
 - (B) 10 Business Days after receipt of the notice given by the Buyer under clause 14.1;
- (c) At Legend's written request, the Company must take, or procure that the person required to pay the Tax takes such Disputing Action in a timely manner in relation to the Tax Claim as Legend may reasonably require.
- (d) The Company will not be obliged to take any Disputing Action under this clause 14.4 unless the grounds of objection are considered to have a reasonable chance of success.

- (e) The Company must follow, all reasonable directions of Legend relating to the conduct of any Disputing Action referred to in this clause 14.4 including using professional advisers nominated by Legend.
- (f) In making any directions under this clause 14.4, Legend must;
 - (1) act in good faith;
 - (2) liaise with the Company in relation to conduct of Disputing Action; and
 - (3) provide the Company with reasonable access to a copy of any notice, correspondence or other document relating to that Disputing Action; and
 - (4) act reasonably in all the circumstances, including, having regard to the likelihood of success and the effect of the directions on the goodwill or reputation of the Company or any party to this agreement.
- (g) The Company must provide Legend with all reasonable assistance requested by it in relation to the Tax Claim and the Disputing Action, including providing, at Legend's cost, access to witnesses and documentary or other evidence relevant to the Tax Claim or the Disputing Action, allowing it and its legal advisers to inspect and take copies of all relevant books, records, files and documents, and providing it with reasonable access to the personnel, premises and chattels of the Company.

15 Duties, costs and expenses

15.1 Duties

The Noteholders must pay all duty in respect of the execution, delivery and performance of this agreement and any agreement or document entered into or signed under this agreement, however the Company is liable for any duty payable on the transactions contemplated in the Legend Transfer Agreement.

15.2 Costs and expenses

- (a) The Company must pay each Noteholders' costs and expenses in relation to the negotiation, preparation, execution and delivery of the Transaction Documents.
- (b) Unless otherwise provided for in this agreement, each party must pay its own costs and expenses in respect of the negotiation, preparation, execution, delivery and registration of this agreement and any other agreement or document entered into or signed under this agreement and each Transaction Agreement.
- (c) Any action to be taken by the Noteholders or Legend in performing its obligations under this agreement must be taken at its own cost and expense unless otherwise provided in this agreement.

16 GST

16.1 Definitions

Words used in this clause 16 which have a defined meaning in the GST Law have the same meaning as in the GST Law unless the context indicates otherwise.

16.2 GST

- (a) Unless expressly included, the consideration for any supply under or in connection with this agreement does not include GST.
- (b) To the extent that any supply made under or in connection with this agreement is a taxable supply (other than any supply made under another agreement which contains a specific provision dealing with GST), the recipient must pay, in addition to the consideration provided under this agreement for that supply (unless it expressly includes GST) an amount (additional amount) equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. The recipient must pay the additional amount at the same time as the consideration to which it is referable.
- (c) Whenever an adjustment event occurs in relation to any taxable supply to which this clause 16.2 applies:
 - (1) the supplier must determine the amount of the GST component of the consideration payable; and
 - (2) if the GST component of that consideration differs from the amount previously paid, the amount of the difference must be paid by, refunded to or credited to the recipient, as applicable.

16.3 Tax invoices

The supplier must issue a Tax Invoice to the recipient of a supply to which clause 16.2 applies no later than 7 days following payment of the GST inclusive consideration for that supply under that clause.

16.4 Reimbursements

If either party is entitled under this agreement to be reimbursed or indemnified by the other party for a cost or expense incurred in connection with this agreement, the reimbursement or indemnity payment must not include any GST component of the cost or expense to the extent that the cost or expense is the consideration for a creditable acquisition made by the party being reimbursed or indemnified, or by its representative member.

17 Note certificates and register

17.1 Note certificates

- (a) Upon registration of a transfer of Notes, the Company must cancel the Note Certificate in respect of those Notes and re-issue a Note Certificate in respect of the Notes to the transferee (and, if the transferor has retained any Notes represented by the cancelled Note Certificate, re-issue a Note Certificate in respect of those Notes to the transferor).
- (b) Upon repayment of the amount due in respect of Notes on redemption of the Notes or Conversion of Notes, the Company must cancel the Note Certificate in respect of those Notes and re-issue a Note Certificate in respect of the remaining Notes (if any) represented by the cancelled Note Certificate to the holder of those remaining Notes.

17.2 Maintenance of register

The Company must prepare and maintain a register of the Noteholders containing all usual and proper information relating to the Notes including, without limitation:

- (a) the name and address of each Noteholder;
- (b) the number and Face Value of Notes held by or on behalf of each Noteholder;
- (c) whether Notes held by or on behalf of a Noteholder have been repaid, converted or issued to or transferred to or from the Noteholder;
- (d) the date of issue, transfer, repayment or conversion of each Note;
- (e) if a Note held by or on behalf of the Noteholder has been converted into Ordinary Shares, the number and class of Ordinary Shares issued pursuant to the conversion; and
- (f) the number of each Note Certificate.

17.3 Effect of inscription

- (a) Each inscription in the register of Noteholders is sufficient and conclusive evidence to all persons and for all purposes that the person whose name is so inscribed is the registered holder of the Note, except in the case of manifest error, fraud or a breach by the Company of its obligations under clause 17.2.
- (b) The Company must, if directed by a Noteholder, record on the register of Noteholders that a Noteholder (or nominee) holds Notes as trustee or custodian for another party.

17.4 Inspection

The Company must make the register of Noteholders available for inspection by Noteholders during Business Hours and as required by the Corporations Act.

17.5 Replacement

If any Note Certificate:

- (a) becomes worn out or defaced, the Company must upon the Note Certificate being provided to the Company and upon request by the Noteholder who holds the Notes represented by the Note Certificate cancel the Note Certificate and issue a replacement Note Certificate to the Noteholder; and
- (b) is lost or destroyed, the Company must upon request by the Noteholder who holds the Notes represented by the Note Certificate cancel the Note Certificate and issue a replacement Note Certificate to the Noteholder.

18 Cross guarantee and indemnity

18.1 Cross guarantee and indemnity

Each Obligor:

- (a) unconditionally and irrevocably guarantees to the Noteholders on demand, the due and punctual performance of each Obligor's obligations under this agreement, including without limitation the payment of any Scheduled Repayment Amount or Redemption Amount; and

- (b) as a separate and additional liability, indemnifies the Noteholders against all Loss, actions, proceedings and judgments of any nature, incurred by, brought, made or recovered against the Noteholders arising from any default or delay in the due and punctual performance of an Obligor's obligations under this agreement including without limitation the payment of any Scheduled Repayment Amount or Redemption Amount.

18.2 Extent of cross guarantee and indemnity

The liability of each Obligor under this clause 18 is not affected by anything which, but for this clause 18 might operate to release or exonerate any Obligor in whole or in part from its obligations including any of the following, whether with or without the consent of any Obligor:

- (a) the grant to any Obligor or any other person of any time, waiver or other indulgence, or the discharge or release of any Obligor or any other person from any liability or obligations;
- (b) any transaction or arrangement that may take place between any Obligor, the Noteholders or any other person;
- (c) the Noteholders exercising or refraining from exercising their rights under any security or any other rights, powers or remedies against any Obligor or any other person;
- (d) the amendment, replacement, extinguishment, unenforceability, failure, loss, release, discharge, abandonment or transfer either in whole or in part, and either with or without consideration, of any security now or in the future held by the Noteholders from any Obligor or any other person or by taking of or failure to take any security;
- (e) the failure or omission or any delay by any Obligor or the Noteholders to give notice to any Obligor of any default by any Obligor under this agreement; and
- (f) any legal limitation, disability, incapacity or other circumstances related to any Obligor or any other person.

18.3 Assignment benefit

The Noteholders may assign the benefit of this clause 18 without the consent of any Obligor if the Noteholders assign the benefit of this agreement with the consent of the Company.

18.4 Accession of new Security Provider

If the Company incorporates or acquires a new Subsidiary, then within 10 Business Days following incorporation or acquisition of the new Subsidiary, the Company must procure that the Subsidiary:

- (a) becomes a party to this agreement as a Security Provider by executing a New Security Provider Accession Deed;
- (b) becomes party to the Security Trust Deed in the capacity of a Security Provider by executing an 'Accession Deed (Security Provider)'; and
- (c) provides Security Interests over its assets to the Security Trustee, and provides copies of all relevant documents to the parties (copied to the Security Trustee).

19 Information

19.1 Confidentiality

Each party (**recipient**) must keep secret and confidential, and must not divulge or disclose any information relating to another party or its business (which is disclosed to the recipient by the other party, its representatives or advisers), this agreement or the terms of the Notes other than to the extent that:

- (a) the information is in the public domain as at the date of this agreement (or subsequently becomes in the public domain other than by breach of any obligation of confidentiality binding on the recipient);
- (b) the recipient is required to disclose the information by applicable law, order of court of competent jurisdiction, order of Government Authority having the power to do so or the rules of any recognised stock exchange on which its shares or the shares of any of its related bodies corporate are listed, provided that the recipient has to the extent possible having regard to the required timing of the disclosure consulted with the provider of the information as to the form and content of the disclosure;
- (c) the disclosure is made by the recipient to its financiers or lawyers, accountants, investment bankers, consultants, Permitted Transferee, investors, potential investors, or other professional advisers to the extent necessary to enable the recipient to properly perform its obligations under this agreement or to conduct their business generally, in which case the recipient must ensure that such persons keep the information secret and confidential and do not divulge or disclose the information to any other person;
- (d) the disclosure is required for use in legal proceedings regarding this agreement or the Notes; or
- (e) the party to whom the information relates has consented in writing before the disclosure.

19.2 Extent of obligation

Each recipient must ensure that its directors, officers, employees, agents, investors, potential investors, representatives, financiers, advisers and related bodies corporate (collectively "**Confidential Associates**") comply in all respects with the recipient's obligations under clause 19.1 and shall be liable in full for any disclosure by such Confidential Associate.

20 Notices

20.1 How and where Notices may be sent

A notice or other communication under this agreement (**Notice**) must be in writing and delivered by hand or sent by pre-paid post to a party at the address for that party in Schedule 1 or as otherwise specified by a party by Notice.

20.2 When Notices are taken to have been given and received

- (a) A Notice sent by post is regarded as given and received on the second Business Day following the date of postage.

- (b) A Notice delivered or received other than on a Business Day or after 5.00pm (recipient's time) is regarded as received at 9.00am on the following Business Day and a Notice delivered or received before 9.00am (recipient's time) is regarded as received at 9.00am.

21 Trustee provisions

21.1 Capacity

- (a) Each of MIT 1 and MIT 2 (in this clause 21, each a **Trustee**) enters into this agreement only in its capacity as trustee, of Microcap Investment Trust 1 and Microcap Investment Trust 2, respectively (in this clause 21, each a **Trust**) and in no other capacity.
- (b) Any obligation or liability of whatever kind undertaken or incurred by, or devolving upon a Trustee under or in respect of this agreement (**Obligation**) is incurred by that Trustee in its capacity as trustee of the Trust and the Trustee will cease to have any such obligation or liability under this agreement if it ceases for any reason to be the trustee or responsible entity (as the case may be) of Trust. This limitation does not apply to any obligation or liability incurred by a Trustee which arises under this agreement before it ceases to be the trustee of the Trust and which does not become a liability of the new trustee under any applicable law.
- (c) No Trustee will be liable to pay or satisfy any Obligation except out of the assets of the Trust against which it is entitled to be indemnified in respect of any Liability incurred by it as trustee or responsible entity (as the case may be) of the Trust.
- (d) A party may enforce its rights against a Trustee arising from non-performance or breach of the Obligations only to the extent that the Trustee is entitled to be indemnified out of the assets of the Trust.
- (e) If a party does not recover under clauses 21.1(c) or 21.1(d) all money owing to it arising from non-performance or breach of the Obligations, it may not seek to recover the shortfall by:
 - (1) bringing proceedings against the Trustee (as relevant) in its personal capacity; or
 - (2) applying to have the Trustee wound up or proving in the winding up of the Trustee.
- (f) Nothing in this clause 21.1 limits the Trustee's personal liability to the extent such liability results from the Trustee's fraud, dishonesty, negligence, default or breach of trust or breach of duty.

21.2 Trustee representations and warranties

Each Trustee represents and warrants to each other party that, in respect of the Trust of which it is trustee:

- (a) it is the only trustee of the Trust and no action has been taken or is proposed to remove it as trustee of the Trust;
- (b) it has the power under the terms of the Trust to enter into and comply with its obligations under this agreement;
- (c) it has carefully considered the purpose of this agreement and considers that entry into this agreement is for the benefit of the beneficiaries of the Trust;

- (d) it has a right to be fully indemnified out of the Trust assets in respect of obligations incurred by it under this agreement and the assets of the Trust are sufficient to satisfy that right of indemnity and all other obligations in respect of which the Trustee has a right to be indemnified out of the Trust assets;
- (e) it is not, and has never been, in default under the terms of the Trust;
- (f) no action has been taken or proposed to terminate the Trust; and
- (g) as far as it is aware, it and its directors and other officers have complied with their obligations in connection with the Trust.

21.3 Restrictions

Until all obligations under this agreement are discharged, each Trustee must not, unless required by law or by a contractual arrangement with any beneficiary of the Trust, without the prior written consent of all other parties (not to be unreasonably withheld), do anything which:

- (a) could restrict the Trustee's right of indemnity from the Trust assets in respect of obligations incurred by the Trustee under this agreement; and
- (b) could restrict or impair the ability of the Trustee to comply with its obligations under this agreement.

22 General matters

22.1 Noteholders

The rights and obligations of each Noteholder are several among the Noteholders.

22.2 Waiver

No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 22.2 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this agreement and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

22.3 Invalidity and enforceability

- (a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 22.3(a) does not apply where enforcement of the provision of this agreement in accordance with clause 22.3(a) would materially affect the nature or effect of the parties' obligations under this agreement.

22.4 Severance

If any provision of this agreement is void, illegal or unenforceable, it may be severed without affecting the enforceability of the other provisions in this agreement.

22.5 Counterparts

This agreement may be executed in any number of counterparts. All counterparts taken together, constitute one instrument. A party may execute this agreement by signing any counterpart.

22.6 Separate capacities

If a person is a party or a Noteholder in more than one capacity of trustee, responsibility entity, agent, custodian or nominee, the person will for the purposes of this agreement be treated as a separate person in respect of each such capacity.

22.7 Further action to be taken at each party's own expense

Subject to clause 15, the Company must do, and must ensure that each Subsidiary does, at its own expense, all things and execute all documents necessary to give full effect to this agreement and the transactions contemplated by it.

22.8 Cumulative rights

The rights, powers, authorities, discretions and remedies which arise out of or under this agreement are cumulative and do not exclude any other rights, powers, authorities, discretions and remedies of a party (including those which arise as a result of a breach of this agreement or of any other obligation).

22.9 Survival

Clauses 1.1 - 1.5, 7.5, 7.6, 19, 20, 21.1 and any rights, powers, authorities, discretions, remedies and obligations which arise in respect of a breach of this agreement survive termination of this agreement.

22.10 Variation

A variation of any term of this agreement must be in writing and signed by the parties.

22.11 Governing law and jurisdiction

- (a) This agreement is governed by the law in force in State of Victoria.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in State of Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement.

Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

Table of contents

Notice details	52
Form of Note certificate	53
Warranties	54
Noteholder Warranties	61
Form of Redemption Notice	62
Cash Flow Model	63
Capital Structure	64
Mining Rights	65
Officer's certificate	67

Notice details

Company and Legend

Address Level 8, 580 St Kilda Road, Melbourne, 3004
Attention Craig Michael/Tony Chay
Phone +613 85322866

Noteholders

Address Acorn Capital Limited, Level 12, 90 Collins Street, Melbourne 3000
Attention Robert Routley / Matthew Sheehan
Phone +613 9639 0522

Form of Note certificate

Convertible Note Certificate

Certificate Number: [insert number]

Insert name, ACN and name of underlying beneficiary (if any)

(the Company)

THIS IS TO CERTIFY that [insert name, ACN or ABN (if any) and address] in its capacity as custodian for [**insert Noteholder**] (the Noteholder) is the registered holder of [insert number] convertible notes with a face value of \$1 each issued under the convertible note agreement dated [insert date] between [insert parties] [\(as amended\)](#).

The common seal of
[insert name of company]
is fixed to this document in the presence of

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

This certificate must be surrendered to the Company on transfer, conversion, repayment or purchase by the Company of any convertible note represented by it.

Warranties

1 General

1.1 Registration

Each Obligor is a corporation registered (or taken to be registered) and validly existing under the Laws of its incorporation.

1.2 Incorporation

Each Obligor is validly incorporated, organised and subsisting in accordance with the Laws of its place of incorporation.

1.3 Power and capacity

Each Obligor has full power and capacity to enter into and perform its obligations under this agreement.

1.4 Corporate authorisations

All necessary authorisations for the execution, delivery and performance by each Obligor of this agreement in accordance with its terms have been obtained or will be obtained prior to Completion or other date required for their performance under a Transaction Document.

1.5 No legal impediment

The execution, delivery and performance by each Obligor of this agreement:

- (a) complies with its constitution; and
- (b) does not constitute a breach of any law or obligation, or cause or result in a default under any agreement, or Security Interest, by which each Obligor is bound.

1.6 Solvency

- (a) No Obligor has gone, or proposed to go, into liquidation.
- (b) No Obligor has passed a winding-up resolution or commenced steps for winding-up or dissolution.
- (c) No Obligor has been presented or threatened with a petition or other process for winding-up or dissolution and there are no circumstances justifying a petition or other process.
- (d) No receiver, receiver and manager, judicial manager, liquidator, administrator, official manager has been appointed, or is threatened or expected to be appointed, over the whole or a substantial part of the undertaking or property of an Obligor, and there are no circumstances justifying such an appointment.

- (e) No Obligor has entered into, or taken steps or proposed to enter into, any arrangement, compromise or composition with or assignment of the benefit of its creditors or class of them.
- (f) Each Obligor is solvent and will not become insolvent by entering into and performing its obligations under each Transaction Document to which is a party.

1.7 Capital Structure

The capital structure of the Company is as set out in Schedule 7.

1.8 Ownership

- (a) Each Noteholder will acquire at Completion the full legal and beneficial ownership of the Notes free and clear of all Security Interests, subject to registration of the Noteholder in the register of noteholders.
- (b) The Notes are free of competing rights, including pre-emptive rights or rights of first refusal and are fully paid and have no money owing in respect of them.

2 Business Warranties

2.1 The Notes

- (a) The Notes have been duly authorised by the Company and, when issued in accordance with this agreement, will constitute valid and legally binding obligations of the Company.
- (b) The Company has authority to allot and issue, free from pre-emption rights, sufficient Ordinary Shares to enable the conversion rights attaching to the Notes and all other rights on issue of and Conversion into Ordinary Shares to be satisfied in full.
- (c) The Ordinary Shares to be issued on Conversion of the Notes will:
 - (1) not violate any pre-emptive rights of any holder of Ordinary Shares;
 - (2) be issued credited as fully-paid and will not be subject to calls for further funds; and
 - (3) rank *pari passu* with the outstanding Ordinary Shares on the relevant Conversion Date.
- (d) There are no restrictions upon the voting or transfer of any of the Ordinary Shares whether pursuant to the Company's constitution, any Law or any agreement or otherwise.
- (e) No action or thing is required to be taken, fulfilled or done (including without limitation the obtaining of any consent or licence or the making of any filing or registration) for the issue of the Notes, the issue of Ordinary Shares on Conversion of the Notes, or the compliance by each Obligor with the terms of the Notes and the agreement as the case may be.
- (f) The execution, delivery and performance of this agreement by an Obligor, does not and will not breach any applicable Law, rule, regulation, or breach any judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over any Obligor.

2.2 The Mining Rights

- (a) The Obligors (as applicable) have, or will be entitled to, a 100% legal and beneficial right and title to and interest in the Mining Rights, free of all Security Interests (save for the Existing Security Interests and Securities contemplated under this agreement) and other third party rights.
- (b) Other than the Mining Rights and the applications for Mining Rights, the Obligors:
 - (1) do not have an interest in any tenements;
 - (2) have not applied for any tenements;
 - (3) do not have any access rights or rights to infrastructure (other than as a member of the public); and
 - (4) do not have any water licencesrelating to the Paradise Phosphate Project.
- (c) All operations in respect to the Mining Rights have been conducted in all material respects in accordance with applicable Laws and the terms or conditions of the Mining Rights and there have not been any breaches or defaults that give rise, or may give rise, to:
 - (1) liabilities under any environmental law or practice or form the basis of reclamation or remediation requirements; or
 - (2) grounds for the forfeiture, cancellation or revocation of the Mining Rights.
- (d) Any material Tax which is payable in respect of the Mining Rights has been paid when due.
- (e) No notice has been served on Legend or an Obligor in respect of any of the Mining Rights which might materially impair, prevent or otherwise interfere with the use of or any of the proprietary rights in the Mining Rights.
- (f) Any tenements overlapping the Mining Rights does not extend over any area relating to the Paradise Phosphate Project where such overlap, will, or would reasonably be likely to have, a Material Adverse Effect.

2.3 Intellectual Property

The Company owns or has an enforceable right to use any and all intellectual property necessary or desirable to develop and exploit (including by beneficiation) the Paradise Phosphate Project (**Paradise IP**). The Paradise IP does not infringe the intellectual property of any third party. All registrations relating to the Paradise IP are valid and enforceable.

2.4 Contractual Arrangements

The Company is not a party to any contract, arrangement or understanding that has not been disclosed to the Noteholders.

2.5 Related Party Loans

Except as specifically provided in this agreement, the Company does not owe any amount of money, or is otherwise indebted, to any Related Party.

2.6 Related Party Contracts

The Company is not a party to any Related Party Transaction other than the Legend Transfer Agreement, the Legend Services Agreement and this agreement.

2.7 The Accounts

- (a) The Accounts:
- (1) have been prepared in accordance with the Accounting Standards;
 - (2) show a true and fair view of the financial position and the assets and liabilities of the Obligors on a consolidated basis at the Accounts Date and of the income, expenses and results of the operations of the Obligors for the financial period ended on the Accounts Date;
 - (3) are not affected by any unusual or non-recurring item;
 - (4) take account of all gains or losses, whether realised or unrealised, arising from foreign currency transactions;
 - (5) provide appropriately for all liabilities of the Obligors at the Accounts Date; and
 - (6) note all contingent liabilities of the Obligors as at the Accounts Date.
- (b) Since the Accounts Date:
- (1) the business of each Obligor has been conducted in the ordinary course of ordinary business and in a proper and efficient manner;
 - (2) no Obligor has entered into a contract or assumed or incurred any liability or obligation or made any payment not provided for in the Accounts except in the ordinary course of ordinary business;
 - (3) no dividend or other distribution or repayment of any loan is in arrears or has been declared or paid by the Company; and
 - (4) there has been no Material Adverse Change affecting any Obligor.

2.8 Compliance with laws

- (a) Each Obligor has complied in all material respects with applicable Laws and administrative requirements, where non-compliance will, or would reasonably be likely to, have a Material Adverse Change.
- (b) Each Obligor has, or will have at Completion all necessary Authorisations material to conduct the business as it is being carried on at Completion and has paid all fees due in relation to them as they fell due.
- (c) No Obligor is in default, or would be in default but for the requirements of notice or lapse of time, under any agreement to which it is a party, where such default will, or would reasonably be likely to, have a Material Adverse Effect on the Obligor.

2.9 No litigation

No Obligor is or has in the last 3 years been:

- (a) a party to any investigation, prosecution, litigation, arbitration proceedings or any other form of mediation or dispute resolution; or
- (b) subject to any investigation by any Government Agency; and

- (c) no investigation, prosecution, litigation, proceeding or any other form of mediation or dispute resolution is pending or threatened by, against or in respect of any Obligor, and there are no circumstances which might give rise to any such investigation, prosecution, litigation, proceeding or other form of mediation or dispute resolution.

2.10 Corporate structure

Except as specifically provided under this agreement (or under any transactions contemplated by this agreement), no Obligor is under any obligation to:

- (a) grant or create any Security Interest over any interest in any security; or
- (b) issue, allot, create, sell, transfer or otherwise dispose of any interest in any security.

2.11 Information

- (a) All information given by, or on behalf of, an Obligor or their advisers to a Noteholder or its advisers is accurate, complete and not misleading in any material respect (including by omission) and is all information that would be material to the assessment of the value, nature and the amount of risk undertaken by a prudent investor intending to invest in a company holding the legal and beneficial interest in the Mining Rights.
- (b) No information has been included in, or omitted from, the:
 - (1) McCullough Robertson independent solicitors report; or
 - (2) Cornwall Stodart due diligence report,provided to the Noteholders that would render that due diligence report misleading in any material respect.
- (c) All budgets, forecasts and projections given by, or on behalf of, an Obligor or their advisers to a Noteholder or its advisers have been honestly and carefully prepared with due care and diligence on a reasonable basis.

3 Tax Warranties

3.1 Withholding

Any obligation on the Company under any Tax Law to withhold amounts at source has been complied with.

3.2 Records

The Company has maintained proper and adequate records to enable it to comply in all material respects with its obligations to:

- (a) prepare and submit any information, notices, computations, returns and payments required in respect of any Tax Law;
- (b) prepare any accounts necessary for compliance with any Tax Law; and
- (c) support any position taken by the Company; and
- (d) retain necessary records as required by any Tax Law.

So far as the Obligors are aware, such records are accurate in all material respects.

3.3 Returns submitted

- (a) The Company has submitted any necessary information, notices, computations and returns to the relevant Governmental Agency in respect of any Tax relating to the Company.
- (b) So far as the Obligors are aware, any information, notice, computation and return which has been submitted by the Company to a Government Agency in respect of any Tax:
 - (1) discloses all material facts required to be disclosed under any Tax Law;
 - (2) is not misleading in any material particular; and
 - (3) has been submitted with the relevant Government Agency.

3.4 Audit and disputes

- (a) The Obligors are not aware of any pending or threatened Tax audit relating to the Company.
- (b) There are no disputes between any of the Company, Legend, or any Government Agency in respect of any Tax.

3.5 Stamping

All documents and transactions entered into by the Legend or the Company which are required to be stamped have been duly stamped.

3.6 No tainting

The Company's share capital account:

- (a) is not tainted within the meaning of Division 197 of the Tax Act; and
- (b) is not taken to be tainted under section 197-20 of the Income Tax (Transitional Provisions) Act 1997.

3.7 GST

- (a) The Company has complied in all material respects with all laws, contracts, agreements or arrangements binding on it relating to GST and, where the Company has the right to require another party to any such agreement or arrangement to pay to it an amount on account of GST, it has enforced that right.
- (b) The Company:
 - (1) is registered for GST;
 - (2) as far as Legend is aware, has complied with the GST Law;
 - (3) as far as each of Legend is aware, has adequate systems established for it to ensure it complies with the GST Law;
 - (4) is a member of Legend's GST Group.
- (c) So far as the Obligors are aware, the representative member of Legend's GST Group has paid or accounted for all GST on supplies made by that entity and has accounted to that entity for all input tax credits and decreasing adjustments for creditable acquisitions and creditable importations of that entity.

- (d) So far as the Obligors are aware, for each period when the Company was not a member of Legend's GST group, the Company has paid or accounted for all GST on supplies for which that entity was liable and has always remitted correct net amounts relating to GST to the relevant Government Agency.
- (e) So far as the Obligors are aware, there is no contract, agreement or arrangement requiring a the Company to supply anything where the consideration for the supply does not include an amount in respect of GST and which does not contain a provision enabling the Company as supplier to recover from the other party to the contract, agreement or arrangement an amount equal to the amount of GST payable on the supply.

Noteholder Warranties

1 Power and Capacity

Each Noteholder has full power and capacity to enter into and perform its obligations under this agreement.

2 Corporate authorisations

Each Noteholder has obtained, or will obtain prior to Completion, all necessary authorisations for the execution, delivery and performance of this agreement in accordance with its terms.

3 No legal impediment

The execution, delivery and performance by each Noteholder of this agreement:

- (a) complies with the Noteholder's constitution or constituent documents (as applicable); and
- (b) does not constitute a breach of any law or obligation, or cause or result in a default under any agreement, or Security Interest, by which the Noteholder is bound.

Form of Redemption Notice

REDEMPTION NOTICE

To: The Directors
Paradise Phosphate Pty Ltd

I/We refer to the agreement (as amended) constituting ~~4~~year-secured unsubordinated convertible notes (Notes) executed by, among others, Paradise Phosphate Pty Ltd (the Company) on [*] 2011 (the Agreement).

Capitalised terms used but not defined in this notice have the meanings given in the Agreement.

We, being the holder(s) of *[insert number]* Notes (or on whose behalf the Notes are held), hereby exercise our right under clause **[to be inserted]** of the Agreement to redeem *[insert number of Notes]* on *[insert date]* (Redemption Date).

We require the Company to pay *[insert amount]* in Same Day Funds into *[insert account details]* on **[to be inserted]**.

The original certificate for the Notes is enclosed.

[Insert execution block]

Dated: [*]

Cash Flow Model

Paradise Phosphate P/L

	2012												Total	
	January	February	March	April	May	June	July	August	September	October	November	December		
Revenue														
Phosphate Rock (3rd quarter sale)	-	-	-	-	-	-	-	-	-	1,400,000	-	-	-	-
Operating Costs (Bulk Samples)														
Phosphate Rock Costs (over 6 months)	-	50,000	50,000	50,000	100,000	100,000	500,000	800,000	800,000	750,000	-	-	-	3,200,000
	-	50,000	50,000	50,000	100,000	100,000	500,000	800,000	800,000	750,000	-	-	-	3,200,000
	-	(50,000)	(50,000)	(50,000)	(100,000)	(100,000)	(500,000)	(800,000)	(800,000)	(750,000)	-	-	-	(3,200,000)
<u>Other Income</u>														
Interest on Deposits	12,500	19,637	13,036	8,892	13,661	10,350	98,959	94,854	88,680	81,850	75,916	72,926	591,261	
	12,500	19,637	13,036	8,892	13,661	10,350	98,959	94,854	88,680	81,850	75,916	72,926	591,261	
	12,500	(30,363)	(36,964)	(41,108)	(86,339)	(89,650)	(401,041)	(705,146)	(711,320)	(668,150)	75,916	72,926	-	2,608,739
<u>Employment Expenses</u>														
Per C/Note terms.														
Salary & Wages - Exec	77,588	77,588	77,588	77,588	77,588	77,588	77,588	77,588	77,588	77,588	77,588	77,588	931,057	
Salary & Wages - Finance, Legal, Admin	52,628	52,628	52,628	52,628	52,628	52,628	52,628	52,628	52,628	52,628	52,628	52,628	631,534	
Salary & Wages - Bus. Dev & Relations	9,731	9,731	9,731	9,731	9,731	9,731	9,731	9,731	9,731	9,731	9,731	9,731	116,767	
Salary & Wages - Project	133,476	133,476	133,476	133,476	133,476	133,476	133,476	133,476	133,476	133,476	133,476	133,476	1,601,709	
Salary & Wages - Exploration	76,343	76,343	76,343	76,343	76,343	76,343	76,343	76,343	76,343	76,343	76,343	76,343	916,117	
	349,765	349,765	349,765	349,765	349,765	349,765	349,765	349,765	349,765	349,765	349,765	349,765	4,197,184	
<u>Other Costs</u>														
Accounting & Tax Fees	-	-	10,000	10,000	10,000	-	-	30,000	40,000	20,000	10,000	-	130,000	
Consultants	-	-	50,000	-	-	50,000	-	100,000	100,000	100,000	-	-	400,000	
Insurance	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	200,000	
Rent & Outgoings	37,872	37,872	37,872	37,872	37,872	37,872	37,872	37,872	37,872	37,872	37,872	37,872	454,461	
Travel	23,925	23,925	32,625	23,125	23,925	21,825	32,625	23,125	23,925	23,125	23,925	23,125	299,200	
Vehicle Costs	7,662	7,662	7,662	7,662	7,662	7,662	7,662	7,662	7,662	7,662	7,662	7,662	91,942	
Telecommunications	25,409	25,409	25,409	25,409	25,409	25,409	25,409	25,409	25,409	25,409	25,409	25,409	304,908	
Information Technology	28,004	93,004	46,754	48,004	28,004	48,004	28,004	28,004	28,004	45,204	28,004	28,004	476,998	
Reimbursement to Legend for costs incurred on behalf of Paradise	625,983	-	-	-	-	-	-	-	-	-	-	-	625,983	
Other Expenses	35,440	35,440	37,940	37,940	37,940	37,940	37,940	37,940	37,940	37,940	37,940	37,940	450,280	
	800,961	239,978	264,928	206,678	187,478	245,378	186,178	306,678	317,478	313,878	187,478	176,678	3,433,772	
<u>Development Project</u>														
Environment - EIS	-	200,000	-	50,000	50,000	-	50,000	50,000	-	-	-	-	400,000	
Development - Consultants	-	-	-	25,000	75,000	60,000	100,000	100,000	100,000	-	75,000	-	535,000	
Development - Permitting	-	-	-	-	-	400,000	-	-	-	-	-	-	400,000	
Development - Beneficiation Plant Tender Documents	-	100,000	100,000	-	-	-	-	-	-	-	-	-	200,000	
Development - Metallurgy	-	80,000	-	-	-	-	-	-	-	-	-	-	80,000	
Engineering/Transport	35,000	135,000	135,000	35,000	35,000	85,000	35,000	85,000	85,000	135,000	135,000	35,000	970,000	
Development - Other	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	
	45,000	525,000	245,000	120,000	170,000	555,000	195,000	245,000	195,000	145,000	220,000	45,000	2,705,000	
<u>Exploration Costs</u>														
Exploration	57,046	157,046	157,046	57,046	57,046	57,046	57,046	157,046	107,046	157,046	57,046	57,046	1,134,553	
Exploration - Rent	11,689	1,143	-	12,282	-	10,037	10,122	26,122	5,717	2,287	-	11,689	91,087	
Exploration - King Eagle Minimum	-	-	-	-	-	17,808	-	-	-	31,655	46,164	-	95,627	
Exploration - King Eagle JV	-	-	-	-	-	-	-	-	-	100,000	100,000	-	200,000	
Exploration - Native Title	150,000	-	-	-	-	-	-	50,000	50,000	-	-	-	250,000	
	218,735	158,189	157,046	69,328	57,046	84,891	67,168	233,168	162,763	290,988	203,210	68,735	1,771,267	
Total Expenditure	1,414,461	1,272,933	1,016,740	745,772	764,290	1,235,035	798,112	1,134,611	1,025,007	1,099,631	960,454	640,178	12,107,224	
Net Outflow	(1,401,961)	(1,303,296)	(1,053,704)	(786,880)	(850,629)	(1,324,685)	(1,199,152)	(1,839,757)	(1,736,327)	(1,767,781)	(884,538)	(567,252)	(14,715,963)	
<u>Other</u>														
Funds from Convertible Note	7,500,000	-	-	2,500,000	-	-	-	-	-	-	-	-	10,000,000	
C/Note & Initial IPO Costs	(207,000)	(677,000)	(189,500)	(282,500)	(142,500)	(292,500)	(32,500)	(12,500)	(312,500)	(12,500)	(12,500)	(12,500)	(2,186,000)	
	\$ 5,891,039	(\$1,980,296)	(\$1,243,204)	\$ 1,430,620	(\$993,129)	(\$1,617,185)	(\$1,231,652)	(\$1,852,257)	(\$2,048,827)	(\$1,780,281)	(\$897,038)	(\$579,752)	(\$6,901,963)	
Cumulative	5,891,039	3,910,742	2,667,539	4,098,159	3,105,030	1,487,845	256,193	(1,596,064)	(3,644,892)	(5,425,173)	(6,322,211)	(6,901,963)	(6,901,963)	
Funds from IPO??	-	-	-	-	-	30,000,000	-	-	-	-	-	-	30,000,000	
IPO Underwriting Fee	-	-	-	-	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)	
IPO Listing Costs??	-	-	-	-	-	(300,000)	-	-	-	-	-	-	(300,000)	
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,200,000	
Cumulative	\$ 5,891,039	\$ 3,910,742	\$ 2,667,539	\$ 4,098,159	\$ 3,105,030	\$ 29,687,845	\$ 28,456,193	\$ 26,603,936	\$ 24,555,108	\$ 22,774,827	\$ 21,877,789	\$ 21,298,037	\$ 21,298,037	

NOTE: Does not include Infrastructure Costs, Beneficiation Plant or any associated costs.

Capital Structure

100,000,002 Ordinary Shares

Mining Rights

4 Granted mining tenements

Project	Tenement
Paradise South	EPM 16942 EPM 17447
Paradise North	ML 90191 EPM 17330 EPM 17441 EPM 15015 EPM 15014
D-Tree	ML 90190 EPM 14753 EPM 15763 EPM 17446 EPM 17333
Other tenements	Farm in Rights under King Eagle Farm-In/Joint Venture Agreement EPM 14905 EPM 14906 EPM 14912

5 Applications for mining tenements

Project	Application
Paradise South	MLA 90197

Paradise North	EPMA 17087
	EPMA 18209

D-Tree	EPMA 17443
--------	------------

Other tenements

6 Access, water and infrastructure rights

Project	Application
----------------	--------------------

Paradise South	MLA 90221
	MLA 90222
	MLA 90223
	MLA 90224
	MLA 90225
	MLA 90226
	MLA 90227

Paradise North	MLA 90210
----------------	-----------

D-Tree

Other tenements

Officer's certificate

To: **[Acorn Capital Limited]**
(the Noteholders)

I refer to the convertible note agreement between Paradise Phosphate Pty Ltd, [insert Acorn entities] (Convertible Note Agreement).

I [*insert name*] am a director of [*insert name(s) of Company / Security Providers*] (each an **Obligor**).

A term defined in the Convertible Note Agreement has the same meaning when used in this certificate.

I have been authorised by each Obligor to give this certificate.

I certify as follows:

1 Relevant Documents

Attached to this certificate are true, complete and up-to-date copies of each of the following:

- (a) **constitution**: the constitution of each Obligor;
- (b) **power of attorney**: a duly executed power of attorney granted by the each Obligor authorising execution of the Transaction Documents to which it is a party;]
- (c) **board minutes**: extracts of minutes of a meeting of the directors of the each Obligor approving the execution and performance of its obligations under the Transaction Documents to which it is expressed to be a party and the granting of the power of attorney referred to in clause 1(b).]

2 No revocation

Each document[, power of attorney] and resolution referred to in clause 1 is in full force and effect and has not been amended, modified or revoked.

3 Officers

The following signatures are the true signatures of each of the officers of the each Obligor as at the date of this certificate:

Name	Position	Signature
<hr/>		

[insert name] *[insert details of position]*

[insert name] *[insert details of position]*

[insert name] *[insert details of position]*

4 Representations

I represent and warrant that no Event of Default has occurred which is continuing or will occur as a result of the issue of the Notes.

5 Certification

I certify that as at the date of execution of each Transaction Document:

- (a) each Obligor, before entering into any Transaction Document to which it is a party, has, in connection with the execution, delivery and performance of each such Transaction Document, complied with chapter 2E and Part 2J.3 of the Corporations Act; and
- (b) each Obligor is solvent and will not become insolvent by entering into and performing its obligations under each Transaction Document to which is a party.

sign here ►

Director *[insert name and capacity – director/secretary]*

date

Executed as an agreement

Initial Noteholder

Executed by Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 1
by

sign here ► _____
Director

print name _____

sign here ► _____
Director/Secretary

print name _____

Initial Noteholder

Executed by Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 2
by

sign here ► _____
Director

print name _____

sign here ► _____
Director/Secretary

print name _____

Company

Executed by
Paradise Phosphate Pty Ltd
by

sign here ▶ _____
Company Secretary/Director

print name _____

sign here ▶ _____
Director

print name _____

Legend

Executed by
Legend International Holdings, Inc
by

sign here ▶ _____

print name _____

sign here ▶ _____

print name _____

Table of contents

Deed of adherence

New Security Provider Accession Deed Poll

Deed of adherence

Date ▶

This deed poll is made by

New Noteholder *[insert name of New Noteholder]*
[insert address of New Noteholder]

- Recitals
- 1 *[insert name of transferor]* proposes to transfer the Relevant Notes to the New Noteholder in accordance with the Convertible Note Agreement.
 - 2 The New Noteholder wishes to make this deed poll to enable such transfer of the Relevant Notes to occur.
-

This deed witnesses as follows:

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this deed, including the recitals to this deed, are set out below.

Term	Meaning
Applicable Provisions	the terms and conditions of the Convertible Note Agreement, except to the extent that any such terms and conditions: <ol style="list-style-type: none">1 have been fully performed before Registration; or2 are incapable of application to the New Noteholder.
Convertible Note Agreement	the convertible note agreement dated <i>[insert date]</i> between the Company, Legend, MIT 1 and MIT 2 <u>(as amended)</u> .

Term	Meaning
Party	a party to the Convertible Note Agreement.
Registration	the entry of the New Noteholder in the register of Noteholders of the Company as the holder of any Note.
Relevant Notes	<i>[insert number and class of Notes which are to be transferred to the New Noteholder].</i>

1.2 Definitions in Convertible Note Agreement

A word or phrase defined in the Convertible Note Agreement has the same meaning when used in this agreement (except as otherwise specified or the context otherwise provides).

2 Adherence

Subject to the transfer of the Relevant Notes from ***[insert name of transferor]*** to the New Noteholder being executed and delivered to the New Noteholder, the New Noteholder agrees for the benefit of the Parties to observe and perform and be bound by the Applicable Provisions to the intent and effect that the New Noteholder will as from Registration be deemed to:

- (a) be a party to the Convertible Note Agreement; and
- (b) have the rights and obligations of a Noteholder under the Applicable Provisions.

3 Amendment

For the purpose of clause 20 of the Convertible Note Agreement, the address details of the New Noteholder are as follows:

The address of ***[insert name of new Noteholder]*** is:

[insert address of new Noteholder]

Attention: ***[insert name of contact for new Noteholder]***

Facsimile: ***[insert facsimile number of new Noteholder]***

4 One instrument

This deed poll will be read together with the Convertible Note Agreement, both of which will together be construed as one and the same instrument.

Executed as a deed poll

[insert relevant execution clause]

Term	Meaning
	2 are incapable of application to the New Security Provider.
Effective Date	the date of this deed poll.
Convertible Note Agreement	the convertible note agreement dated [<i>insert date</i>] between the Company, Legend, MIT 1 and MIT 2 (as amended).
Party	a party to the Convertible Note Agreement

1.3 Definitions and Interpretation

A word or phrase defined, and the interpretation provisions, in the Convertible Note Agreement apply to this deed poll as if set out in full in this deed poll.

2 New Security Provider becomes a party

With effect on and from the Effective Date, the New Security Provider agrees for the benefit of the Parties:

- (a) to be a party to the Convertible Note Agreement;
- (b) bound by the Applicable Provisions and has the same rights and assumes the same obligations as if it were a party to the Convertible Note Agreement as a Security Provider; and
- (c) each reference in the Convertible Note Agreement to 'Security Provider' includes a reference to the New Security Provider.

3 Acknowledgments

3.1 Copies of documents

The New Security Provider acknowledges that it has received a copy of the Convertible Note Agreement together with the other information it has required in connection with this deed poll.

4 Notices

For the purposes of clause 20 of the Convertible Note Agreement, the details of the New Security Provider are as follows:

Name:

Office:

Address:

Attention:

Facsimile:

5 One instrument

This deed poll will be read together with the Convertible Note Agreement, both of which will together be construed as one and the same instrument.

6 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of revocation of the attorney's power of attorney.

Executed as a deed poll

[insert execution clauses]

Executed as a deed

Initial Noteholder

Signed, sealed and delivered for Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 1
by

sign here ► _____
Director

print name _____

sign here ► _____
Director/Secretary

print name _____

Initial Noteholder

Signed, sealed and delivered for Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 2
by

sign here ► _____
Director

print name _____

sign here ► _____
Director/Secretary

print name _____

Company

Signed, sealed and delivered for
Paradise Phosphate Pty Ltd
by

sign here ▶ _____
Company Secretary/Director

print name _____

sign here ▶ _____
Director

print name _____

Legend

Signed, sealed and delivered for
Legend International Holdings, Inc
by

sign here ▶ _____

print name _____

sign here ▶ _____

print name _____



Deed

Execution Copy

Investment in Paradise Phosphate Pty Ltd

Second Deed of Amendment (Convertible Note Agreement)

Paradise Phosphate Pty Ltd
(as the **Company**)

Legend International Holdings Inc.
(as **Legend**)

Australian Microcap Investments Pty Ltd as trustee
for Microcap Investment Trust 1

Australian Microcap Investments Pty Ltd as trustee
for Microcap Investment Trust 2

(each an **Initial Noteholder** and together the **Initial
Noteholders**)

Table of contents

1	Definitions and interpretation	4
	1.1 Definitions	4
	1.2 Interpretation	4
	1.3 Interpretation of inclusive expressions	5
	1.4 Incorporated definitions	5
	1.5 Incorporated provisions	5
	1.6 Deed components.....	5
2	Amendment	5
	2.1 Amendment to Relevant Document.....	5
	2.2 Amendments not to affect validity, rights, obligations.....	5
	2.3 Confirmation.....	6
	2.4 Obligor acknowledgments	6
3	Conditions	6
	3.1 Conditions precedent.....	6
	3.2 Notice to Company	6
4	Representations and Warranties	7
5	General	7
	5.1 Notices	7
	5.2 Governing law and jurisdiction.....	7
	5.3 Further action.....	7
	5.4 Noteholders.....	7
	5.5 Costs and expenses	7
	5.6 Stamp duty.....	7
	5.7 Counterparts	7
	5.8 Attorneys.....	7
	5.9 Separate capacities	8
	5.10 Waiver.....	8
	5.11 Invalidity and enforceability.....	8
	Schedules	
	Officer's Certificate	10
	Amended and Restated Relevant Document	12
	Signing page	13

Herbert Smith Freehills owns the copyright in this document and using it without permission is strictly prohibited.



Second Deed of Amendment (Convertible Note Agreement)

Date ► 17 January 2013

Between the parties

Company	Paradise Phosphate Pty Ltd ACN 154 180 882 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (Company)
Legend	Legend International Holdings Inc. ARBN 120 855 352 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (Legend)
Initial Noteholders	Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 1 of Level 12, 90 Collins Street, Melbourne 3000 (MIT 1) Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 2 of Level 12, 90 Collins Street, Melbourne VIC 3000 (MIT 2) (Each an Initial Noteholder and together the Initial Noteholders)

Recitals	<ol style="list-style-type: none">1 The parties are party to the Relevant Document.2 The parties wish to amend the Relevant Document in the manner set out in this deed.
----------	---

This deed witnesses: that, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:



1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this document are set out below.

Term	Meaning
Effective Date	the date on which the Initial Noteholders notify the Company in accordance with clause 3.2.
Relevant Document	the Convertible Note Agreement' between the parties to this deed dated 7 February 2012, as amended and restated on or about 28 April 2012.

1.2 Interpretation

In this deed:

- (a) Headings and bold type are for convenience only and do not affect the interpretation of this deed.
- (b) The singular includes the plural and the plural includes the singular.
- (c) Words of any gender include all genders.
- (d) Other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning.
- (e) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual.
- (f) A reference to any thing (including any right) includes a part of that thing but nothing in this clause 1.2(f) implies that performance of part of an obligation constitutes performance of the obligation.
- (g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this deed.
- (h) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (i) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.
- (j) A reference to a party to a document includes that party's successors and permitted assignees.
- (k) A promise on the part of 2 or more persons binds them jointly and severally.
- (l) A reference to an agreement other than this deed includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.



- (m) A reference to a document includes any agreement in writing, or any certificate, notice, instrument or other document of any kind.
- (n) No provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision.
- (o) A reference to a body, other than a party to this deed (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (p) References to time are to Melbourne time.
- (q) Where this agreement confers any power or authority on a person that power or authority may be exercised by that person acting personally or through an agent or attorney.

1.3 Interpretation of inclusive expressions

Specifying anything in this deed after the words 'includes' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary.

1.4 Incorporated definitions

A word or phrase, other than one defined in clause 1.1, defined in the Relevant Document has the same meaning when used in this deed.

1.5 Incorporated provisions

Clauses 1.5, 16, 19 and 21 of the Relevant Document apply to this deed as if set out in full in this deed and as if references in those clauses to 'this agreement' were to 'this deed'.

1.6 Deed components

This deed includes any schedule.

2 Amendment

2.1 Amendment to Relevant Document

On and with effect from the Effective Date, the Relevant Document is amended and restated as set out in Schedule 2.

2.2 Amendments not to affect validity, rights, obligations

- (a) The amendments to the Relevant Document in clause 2.1 do not affect the validity or enforceability of the Relevant Document or any other Transaction Document.



- (b) Nothing in this deed:
 - (1) prejudices or adversely affects any right, power, authority, discretion or remedy arising under the Relevant Document or any other Transaction Document before the Effective Date; or
 - (2) discharges, releases or otherwise affects any liability or obligation arising under the Relevant Document or any other Transaction Document before the Effective Date.

2.3 Confirmation

- (a) On and with effect from the Effective Date, each party is bound by the Relevant Document as amended by this deed.
- (b) Each party acknowledges and agrees that this deed is a 'Transaction Document' as defined in, and for all purposes under, the Relevant Document.

2.4 Obligor acknowledgments

Each Obligor confirms that its obligations under each Security and its cross guarantee and indemnity provided for in clause 18 of the Relevant Document continue to apply despite the amendments contemplated or effected by this deed.

3 Conditions

3.1 Conditions precedent

The Effective Date does not occur until the Initial Noteholders have received the following in form and of substance satisfactory to it:

- (a) **This deed:** an original of this deed executed by each party;
- (b) **Officer's certificates:** a certificate in relation to the Company and Legend given by 2 directors in substantially the form set out in Schedule 1;
- (c) **Legal opinions:** a legal opinion from the legal advisers to the Initial Noteholders in respect of the Company and Legend and this deed addressed to the Initial Noteholders;
- (d) **Fees and expenses:** all fees and expenses payable by the Company or Legend to the Initial Noteholders which are due on or prior to the Effective Date including all costs and expenses payable under clause 5.5; and
- (e) **No Event of Default:** in the opinion of the Initial Noteholders no Event of Default has occurred.

3.2 Notice to Company

The Initial Noteholders must give notice to the Company as soon as practicable after the conditions precedent in clause 3.1 have been satisfied.

4 Representations and Warranties

The Company and Legend represent and warrant that each of the representations and warranties given by it in the Relevant Document are true in respect of the facts subsisting at the date of this deed.

5 General

5.1 Notices

A notice given under this deed must be given in accordance with the Relevant Document.

5.2 Governing law and jurisdiction

- (a) This deed is governed by the laws of Victoria.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria.

5.3 Further action

Each party must do all things and execute all further documents necessary to give full effect to this deed.

5.4 Noteholders

The rights and obligations of each Initial Noteholder are several among the Initial Noteholders.

5.5 Costs and expenses

The Company must pay all reasonable costs and expenses of the Initial Noteholders and the Security Trustee in relation to the negotiation, preparation, execution, delivery, stamping and completion of this deed.

5.6 Stamp duty

The Company must pay any stamp duty or similar Tax which is payable in connection with the execution or performance of this deed.

5.7 Counterparts

- (a) This deed may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A party may execute this deed by signing any counterpart.

5.8 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.



5.9 Separate capacities

If a person is a party or a Noteholder in more than one capacity of trustee, responsibility entity, agent, custodian or nominee, the person will for the purposes of this agreement be treated as a separate person in respect of each such capacity.

5.10 Waiver

No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 5.10 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this agreement and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

5.11 Invalidity and enforceability

- (a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 5.11(a) does not apply where enforcement of the provision of this agreement in accordance with clause 5.11(a) would materially affect the nature or effect of the parties' obligations under this agreement.



Schedules

Table of contents

Officer's Certificate	10
Amended and Restated Relevant Document	12



Schedule 1

Officer's Certificate

Clause 3.1(b)

To: Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for
Microcap Investment Trust 1 of Level 12, 90 Collins Street, Melbourne 3000
Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for
Microcap Investment Trust 2 of Level 12, 90 Collins Street, Melbourne VIC 3000
(Initial Noteholders)

I [*insert name*] am a [*insert capacity - director/secretary*] of each of [*insert names of Transaction Parties*] (each an Obligor).

I refer to the deed of amendment dated [*insert date*] (Deed of Amendment).

A term defined in the Deed of Amendment has the same meaning when used in this Certificate.

I have been authorised by each Obligor to give this certificate.

I certify as follows:

1 Relevant documents

Attached to this certificate are true, complete and up-to-date copies of each of the following:

- (a) **power of attorney:** if applicable, a duly executed power of attorney granted by each Obligor authorising execution of the Deed of Amendment;
- (b) **constitution:** the constitution of the Company; and
- (c) **resolutions:** a copy of a resolution of the board of directors and shareholders (if applicable) of each Obligor approving the terms of, and the transactions contemplated by the Deed of Amendment.

2 No revocation

Each document[**and power of attorney**] referred to in clause 1 of this Schedule 1 is in full force and effect and has not been amended, modified or revoked.



3 Officers

The Officers of each Obligor previously notified to you have not changed/The following are signatures of Officers of each Obligor.

Name	Position	Signature
[insert name]	[insert details of position]	
[insert name]	[insert details of position]	
[insert name]	[insert details of position]	

4 Certification

I certify that:

- (a) each Obligor has, in connection with the execution, delivery and performance of the Amending Deed, complied with Chapter 2E and Part 2J.3 of the *Corporations Act 2001* (Cth), where required by law to do so;
- (b) as at the date of execution of the Deed of Amendment, each Obligor is solvent and will not become insolvent by entering into and performing its obligations under the Amending Deed, the Relevant Document as amended by the Amending Deed and the other Transaction Documents to which it is a party;
- (c) entering into the Amending Deed is for the corporate benefit of each Obligor;
and
- (d) **the constitution of each Obligor that was attached to our certificate dated [insert date] has not changed[other than the constitution of [insert details] which has been amended and which is attached to this certificate as a true, complete and up-to-date copy of that constitution as amended].**

date _____

sign here ► _____
[insert name and capacity – director/secretary]

print name _____



Schedule 2

Amended and Restated Relevant Document



Signing page

Executed as a deed

Company

Signed sealed and delivered by
Paradise Phosphate Pty Ltd
by

sign here ▶ /s/ Peter Lee _____
Company Secretary/Director

print name Peter Lee _____

sign here ▶ /s/ Charles Rosedale _____
Director

print name Charles Rosedale _____

Legend

Signed sealed and delivered by
Legend International Holdings, Inc.
by

sign here ▶ /s/ Peter Lee _____

print name Peter Lee _____

sign here ▶ /s/ David Tyrwhitt _____

print name David Tyrwhitt _____



Initial Noteholder

Signed sealed and delivered by
**Australian Microcap Investments Pty Ltd as trustee for Microcap
Investment Trust 1**
by

sign here ► /s/ Matthew Sheehan
Company Secretary/Director

print name Matthew Sheehan

sign here ► /s/ Douglas Loh
Director

print name Douglas Loh

Initial Noteholder

Signed sealed and delivered by
**Australian Microcap Investments Pty Ltd as trustee for Microcap
Investment Trust 2**
by

sign here ► /s/ Matthew Sheehan
Company Secretary/Director

print name Matthew Sheehan

sign here ► /s/ Douglas Loh
Director

print name Douglas Loh

Agreement

Execution Copy

Investment in Paradise Phosphate Pty Ltd

Second amended and restated convertible note agreement

Freehills

101 Collins Street Melbourne Vic 3000 Australia
GPO Box 128A Melbourne Vic 3001 Australia

Sydney Melbourne Perth Brisbane Singapore

Telephone +61 3 9288 1234 Facsimile +61 3 9288 1567
www.freehills.com DX 240 Melbourne

Associated offices in Jakarta Beijing Shanghai Hanoi Ho Chi Minh City

Table of contents

1	Definitions and interpretation	2
1.1	Agreement components.....	2
1.2	Definitions	2
1.3	Interpretation.....	17
1.4	Interpretation of inclusive expressions	18
1.5	Business Day	18
1.6	Personal Property Securities (PPS) Law	18
1.7	Termination	19
1.8	Extension of Scheduled Repayment Date.....	19
2	Conditions precedent	20
2.1	Conditions precedent.....	20
2.2	Cut-off date	20
2.3	Waiver.....	21
2.4	Transfer of Mining Rights to the Company	21
3	Issue of Notes	21
3.1	Issue of Notes	21
3.2	Ranking of Notes	21
3.3	Use of subscription proceeds	21
3.4	Transfer of Notes	22
4	Interest	22
4.1	Payment.....	22
4.2	Rate	22
4.3	Calculation	22
4.4	Capitalisation	22
5	Completion	23
5.1	Time and place for Completion.....	23
5.2	Company actions at Completion.....	23
5.3	Payment at Completion	23
5.4	Documents to be delivered at Completion.....	23
5.5	Post Completion actions	23
5.6	Nominee.....	23
6	Repayment of Notes	24
6.1	Payment.....	24
6.2	Method of payment	24
6.3	Redemption of Notes on occurrence of Redemption Event	24
6.4	Redemption Notice	26
6.5	Appropriation.....	26
7	Conversion	26
7.1	Restriction on Conversion.....	26
7.2	Mandatory Conversion.....	26
7.3	Conversion Mechanics	26
7.4	Undertakings relating to Conversion.....	27
7.5	Post completion	28
7.6	Discharge of Security.....	28

8	The Conversion Price and adjustment	28
8.1	Initial Conversion Price	28
8.2	Adjustment of Conversion Price	28
8.3	Adjustment conditions.....	29
8.4	Appointment of Independent Expert	30
9	Restrictions on the Company	30
9.1	Restrictions	30
10	Warranties	32
10.1	Warranties.....	32
10.2	Noteholder Warranties	32
10.3	Repetition warranties	32
10.4	Survival	32
10.5	Reliance	32
10.6	Independent Warranties	32
10.7	Indemnities.....	32
11	Ongoing requirements	33
11.1	Compliance	33
11.2	Remain a company limited by shares.....	33
11.3	Authorisations and consents.....	33
11.4	Maintain records and financial statements	33
11.5	Provision of information to Noteholders.....	33
11.6	Restriction on transfer and issue of equity securities in the Company.....	34
11.7	Notification to Noteholders.....	36
11.8	Noteholder attendance at board and shareholders meetings	36
11.9	Payment of tax	36
11.10	Majority Independent Board.....	37
11.11	Maintain assets	37
11.12	Maintain insurance.....	37
11.13	Financial covenant.....	37
11.14	Further assurances regarding Security	37
12	Events of default	38
12.1	Events of default	38
12.2	Appointment of a Controller	40
12.3	Investigating accountants	40
13	Tax Indemnity	41
13.1	Tax indemnity.....	41
13.2	Gross up	41
14	Tax Claims	41
14.1	Notice of claims.....	41
14.2	Details required.....	41
14.3	Payment of Tax Claims.....	42
14.4	Disputing Tax Claims	42
15	Duties, costs and expenses	43
15.1	Duties.....	43
15.2	Costs and expenses	43
16	GST	43
16.1	Definitions	43

16.2	GST.....	43
16.3	Tax invoices.....	44
16.4	Reimbursements.....	44
17	Note certificates and register	44
17.1	Note certificates.....	44
17.2	Maintenance of register.....	44
17.3	Effect of inscription.....	45
17.4	Inspection.....	45
17.5	Replacement.....	45
18	Cross guarantee and indemnity	45
18.1	Cross guarantee and indemnity.....	45
18.2	Extent of cross guarantee and indemnity.....	45
18.3	Assignment benefit.....	46
18.4	Accession of new Security Provider.....	46
19	Information	46
19.1	Confidentiality.....	46
19.2	Extent of obligation.....	47
20	Notices	47
20.1	How and where Notices may be sent.....	47
20.2	When Notices are taken to have been given and received.....	47
21	Trustee provisions	47
21.1	Capacity.....	47
21.2	Trustee representations and warranties.....	48
21.3	Restrictions.....	49
22	General matters	49
22.1	Noteholders.....	49
22.2	Waiver.....	49
22.3	Invalidity and enforceability.....	49
22.4	Severance.....	50
22.5	Counterparts.....	50
22.6	Separate capacities.....	50
22.7	Further action to be taken at each party's own expense.....	50
22.8	Cumulative rights.....	50
22.9	Survival.....	50
22.10	Variation.....	50
22.11	Governing law and jurisdiction.....	50
	Schedules	
	Notice details	52
	Form of Note certificate	53
	Warranties	54
	Noteholder Warranties	61
	Form of Redemption Notice	62
	Cash Flow Model	63

Contents

Capital Structure	64
Mining Rights	65
Officer's certificate	67
Signing page	69
Attachments	
Deed of adherence	
New Security Provider Accession Deed Poll	

Second amended and restated convertible note agreement

Date ►

Between the parties

Initial Noteholders **Australian Microcap Investments Pty Ltd** ACN 127 745 395 as trustee for Microcap Investment Trust 1 of Level 12, 90 Collins Street, Melbourne 3000 (**MIT 1**)

Australian Microcap Investments Pty Ltd ACN 127 745 395 as trustee for Microcap Investment Trust 2 of Level 12, 90 Collins Street, Melbourne VIC 3000 (**MIT 2**)

(Each an **Initial Noteholder** and together the **Initial Noteholders**)

Company **Paradise Phosphate Pty Ltd** ACN 154 180 882 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (**Company**)

Legend **Legend International Holdings Inc. ARBN** 120 855 352 of Level 8, 580 St Kilda Road, Melbourne VIC 3004 (**Legend**)

Recitals

- 1 On 10 February 2012 (**First Completion Date**), the Company issued the first tranche of Notes to the Initial Noteholders, and the Initial Noteholders subscribed for the first tranche of Notes, on the terms and conditions of this agreement, in the following proportion:
 - MIT 1, 1,965,000 Notes; and
 - MIT 2, 5,535,000 Notes.
- 2 On or about 28 April 2012, the parties agreed to amend and restate this agreement and the Company agreed to issue, and the Initial Noteholders agreed to subscribe for, a second tranche of Notes, on the terms and conditions of this agreement, in the following proportion:
 - MIT 1, 655,250 Notes; and
 - MIT 2, 1,844,750 Notes.
- 3 The parties have agreed to further amend and restate this agreement on the terms and conditions of this agreement.

The parties agree as follows:

1 Definitions and interpretation

1.1 Agreement components

This agreement includes any schedule.

1.2 Definitions

The meanings of the terms used in this agreement are set out below.

Term	Meaning
Acceptable Bank	Westpac Banking Corporation, National Australia Bank Limited, Australia and New Zealand Banking Corporation, Commonwealth Banking Corporation or other bank or financial institution approved by the Noteholders.
Accounting Standards	<ol style="list-style-type: none">1 the accounting standards required under the Corporations Act (including the Approved Accounting Standards issued by the Australian Accounting Standards Board) and other mandatory professional reporting requirements issued by the joint accounting bodies (including the Australian Accounting Standards issued either jointly by CPA Australia and the Institute of Chartered Accountants in Australia or by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia); and2 if no accounting standard applies under the Corporations Act or other mandatory professional reporting requirements, the principles set out in Australian Statements of Accounting Concepts.
Accounts	all of the audited accounts of the Company for 3 years preceding the Accounts Date.
Accounts Date	date of execution of this agreement.
Acorn	Acorn Capital Limited ACN 082 694 531 of Level 12, 90 Collins Street Melbourne, VIC 3000.
Action	action, dispute, claim, counter-claim, demand, investigation, inquiry, prosecution, litigation, proceeding, arbitration, mediation or dispute resolution.

Term	Meaning
ASIC	Australian Securities and Investment Commission.
Asset Sale	a sale of all, or substantially all, the assets of the Company.
Associate	the same meaning as in section 9 of the Corporations Act.
ASX	Australian Securities Exchange.
Authorisation	includes: <ol style="list-style-type: none">3 any consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Government Agency; and4 in relation to anything that a Government Agency may prohibit or restrict within a specific period, the expiry of that period without intervention or action or notice of intended intervention or action.
Available Cash	at any time, cash at bank (including on term deposit) credited to an account in the name of the Company with an Acceptable Bank for so long as: <ol style="list-style-type: none">5 that cash is payable to the Company on demand;6 repayment of that cash is not contingent on the prior discharge of any other Financial Indebtedness of the Company or of any other person whatsoever or on the satisfaction of any other condition; and7 there is no Security Interest over that cash other than a Security.
Business Day	a day on which banks are open for business in Melbourne excluding a Saturday, Sunday or public holiday in that city.
Business Hours	9.00am to 5.00pm on a Business Day.
Cash Equivalent Investments	at any time: <ol style="list-style-type: none">8 certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;9 any investment in marketable debt obligations issued or guaranteed by the federal government of Australia or the government of any State or Territory of Australia or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;10 any investment accessible within 30 days in money market funds which have a credit rating of either B+ or higher by Standard & Poor's Rating Services or AA or higher by Fitch Ratings or Aa2 or higher by Moody's Investor Services and which invest substantially

Term	Meaning
	<p>all their assets in securities of the types described in paragraphs 1 and 2 above; or</p> <p>11 any other debt security approved by the Noteholders.</p>
Cash Flow Model	the 12 month cash flow model set out in Schedule 8.
Change in Control	<p>12 a person who Controls the Company ceasing to do so; or</p> <p>13 another person acquiring Control of the Company.</p>
Child Entity	in respect of an entity, each entity Controlled by that entity.
Company Equity Issue	the meaning given in clause 11.6(b).
Completion	the settlement of the issue of a tranche of the Subscription Notes under this agreement.
Completion Date	in relation to a Note, the Issue Date of the Note.
Contested Taxes	a Tax payable by the Company when the Company is contesting its liability to pay that Tax, and has reasonable grounds to do so.
Control	<p>the meaning given in section 50AA of the Corporations Act and includes the possession of the power, directly or indirectly, whether by contract (but excluding any contract of employment or similar whereby a person is employed in an executive capacity, e.g. Chief Executive Officer) or ownership, to direct or cause the direction of the management and affairs of a person or entity, including investment decisions, and Controlling and Controlled will be construed accordingly.</p>
Conversion	the repayment of the Outstanding Amount and the application of the proceeds to subscribe for that number of Ordinary Shares as is determined by clause 7.3 and convert has a corresponding meaning.
Conversion Date	in respect of a Note, the date of Conversion as determined in clause 7.2.
Conversion Price	the price per Ordinary Share, as determined under clause 8.

Term	Meaning
Conversion Shares	the aggregate number of Ordinary Shares that a Noteholder is entitled to on Conversion of that Noteholder's Notes as determined under clause 7.3.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Deed of Adherence	a deed of adherence in the form of Attachment 1.
Disputing Action	in respect of Tax Claim, any action to cause the Tax Claim to be withdrawn, reduced or postponed or to avoid, resist, object to, defend, appear against or compromise the Tax Claim and any judicial or administrative proceedings arising out of that action.
Early Repayment Date	10 February 2013, or any other date agreed between the Company and the Noteholders.
Effective Consideration per Share	<p>the aggregate consideration receivable by the Company for the relevant issue of Equity Securities plus the additional minimum consideration (if any) to be received by the Company on (and assuming) the conversion, exchange or exercise of the relevant Equity Securities (without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue) divided by the number of Shares comprised in the relevant Equity Securities or into or for which the relevant Equity Securities may be converted, exchanged or exercised.</p> <p>Where the consideration receivable or the number of shares is subject to adjustment for future events such consideration and number of shares is to be determined as if conversion, exchange or exercise occurred at the time of the calculation and on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Effective Consideration is being calculated.</p>
Effective Consideration per Sale Share	$\frac{A}{B}$ <p>where:</p> <p>A =</p> <p>14 in the case of a Legend Sell Down, the aggregate consideration receivable by Legend (and any Related Party of Legend) for the relevant disposal of Ordinary Shares held by Legend plus the:</p> <ul style="list-style-type: none"> • completion adjustments to the purchase price (if in favour of Legend); • additional minimum consideration (if any) to be received by Legend (and any Related Party of Legend) on (and assuming) the occurrence of certain future events (where such additional minimum consideration is calculated on the basis of the facts and circumstances then existing including facts and

Term	Meaning
	<p>circumstances occurring in connection with the events in respect of which the Effective Consideration per Sale Share is being calculated); and</p> <ul style="list-style-type: none">• indirect consideration (by way of holding Ordinary Shares) to be received by Legend (and any Related Party of Legend) on (and assuming) the provision of benefits to the Company including:<ul style="list-style-type: none">• providing, or arranging for the provision of, funding to the Company;• providing, or arranging for the provision of, goods or services to the Company;• offtake arrangements; and• any other benefit indirectly or directly receivable by the Company in connection with, or as a consequence of, the Legend Sell Down,
	<p>OR</p>
	<p>15 in the case of a Company Equity Issue, the aggregate consideration receivable by the Company (and any Related Party of the Company) for the issue of Equity Securities plus the:</p> <ul style="list-style-type: none">• additional minimum consideration (if any) to be received by the Company on (and assuming) the conversion, exchange or exercise of the relevant Equity Securities without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue (where the consideration receivable or the number of shares is subject to adjustment for future events such consideration and number of shares is to be determined as if conversion, exchange or exercise occurred at the time of the calculation and on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Effective Consideration per Sale Share is being calculated); and• increase in the value of the Company in connection with, or as a consequence of, the Company Equity Issue on (and assuming) the provision of benefits to the Company including:<ul style="list-style-type: none">• providing, or arranging for the provision of, funding to the Company;• providing, or arranging for the provision of, goods or services to the Company;• offtake arrangements; and• any other benefit indirectly or directly receivable by the Company in connection with, or as a consequence of, the Company Equity Issue.
	<p>B =</p>
	<p>16 in the case of Legend Sell Down, the number of Ordinary Shares disposed of to a third party pursuant to the Legend Sell Down; or</p>
	<p>17 in the case of Company Equity Issue, the number of Shares comprised in the relevant Equity Securities or into or for which the relevant Equity Securities may be converted, exchanged or exercised.</p>

Term	Meaning
Equity Securities	in respect of a company, each class of shares in the capital of the company, any note or other financial accommodation that is convertible into shares in the capital of the company or repayable by way of the issue of shares in the capital of the company and any option to be issued shares in the capital of the company.
Excluded Issue	any issue of Ordinary Shares pursuant to the conversion of the Notes
Excluded Taxes	<p>18 any Tax imposed on or calculated by reference to the net income of a Noteholder;</p> <p>19 any Tax which a Noteholder is entitled to claim as a deduction or credit against, relief or remission from any Tax.</p>
Existing Security Interest	<p>20 Joint Venture/Farm In Agreement between Legend and King Eagle Resources Pty Ltd;</p> <p>21 Compensation Agreement – D-Tree North between Bezuma Pastoral Co Pty Ltd and Legend;</p> <p>22 Compensation Agreement – Paradise North between Bezuma Pastoral Co Pty Ltd and Legend;</p> <p>23 Compensation Agreement – Paradise North Project - between Calton Hills Pty Ltd and Legend & Supplementary Agreement dated 24 January 2011;</p> <p>24 Compensation Agreement – Access land for mining lease ML 90191 between Kalkadoon People #4 and Legend & Supplementary Agreement dated 20 January 2011;</p> <p>25 Joint Venture Agreement (D-Tree) between Mt Isa Metals Limited and Legend & Deed of Variation dated 19 October 2009;</p> <p>26 Section 31 (Native Title) Deed between The State of Queensland, Legend and Indjalandji-Dhidhanu (ML 90190) & Section 31 (Native Title) Deed between The State of Queensland, Legend and Indjalandji-Dhidhanu (ML 90191);</p> <p>27 D-Tree North DSO and Paradise North DSO Mining Projects Ancilliary agreement between Indjalandji-Dhidhanu people and Legend;</p> <p>28 Share Sale Agreement between Real Grumpy Pty Ltd & Ernst Alfred Kohler and Legend; and</p> <p>29 Royalty obligations to the State of Queensland.</p>
Event of Default	any of the events or circumstances described in clause 12.1.
Face Value	in respect of a Note, \$1.
Financial Indebtedness	any indebtedness, present or future, actual or contingent, in respect of moneys borrowed or raised in any financial accommodation whatever including, without limitation, under or in respect of any overdraft facility,

Term	Meaning
	bill, bond, note, certificate of deposit, transferable or negotiable instrument, acceptance, guarantee, redeemable or repurchasable share or stock, discounting arrangement, finance lease, swap, option, futures contract or analogous transaction, put option, hire purchase, deferred purchase price (for more than 90 days) of any asset or service, or any obligation to deliver goods or provide services paid for in advance by any financier or in connection with any other financing transaction.
First Completion Date	the meaning given in recital 1 of this agreement.
Government Agency	any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
Group Entity	30 a Parent Entity; 31 a Child Entity; 32 a Sibling Entity; or 33 a Related Body Corporate.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Group	has the same meaning as that term is defined in the GST Law.
GST Law	A New Tax System (Goods and Services Tax) Act 1999 (Cth).
IFFCO	Indian Farmers Fertiliser Cooperative Limited
IFFCO Bulk Sample Arrangement	the document setting out the details of the arrangement between the Company and IFFCO for the extraction, transportation, testing and analysis of a bulk sample of phosphate extracted from the Mining Rights including the indicative timetable for undertaking these activities and providing the results of the testing.
Indirect TFA	an agreement between the members of a GST Group which is intended to allocate the funding of GST liabilities within the GST Group.
Indirect TSA	an agreement between the members of a GST Group which takes effect as an indirect tax sharing agreement under section 444-90 of Schedule 1 of the <i>Taxation Administration Act 1953</i> .

Term	Meaning
Independent Director	a non-executive director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgment as a director.
Independent Expert	the person nominated by the Company with the prior approval of the Noteholders or, in the absence of such approval, an independent firm of accountants appointed by the president for the time being of the Institute of Chartered Accountants in Australia.
Interest Period	34 the period from the Issue Date to first Interest Payment Date; and 35 each subsequent period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.
Interest Payment Date	in relation to a Note: 36 30 June 2012, and each subsequent 31 December and 30 June until the Note is converted or repaid; and 37 the date immediately prior to the earlier of: <ul style="list-style-type: none"> • the date of conversion of that Note; and • the date of repayment of that Note.
IPO	an initial public offering of Ordinary Shares.
IPO Price	the price per Ordinary Share at which Ordinary Shares are offered to the public pursuant to a Qualifying IPO.
Issue Date	the date on which a Note is issued by the Company under this agreement.
Key Mining Rights	38 MLA 90197; 39 EPM 16942; 40 ML 90190; 41 EPM 15763; 42 EPM 14753; 43 EPM 174467; 44 EPM 17333; 45 ML 90191; and 46 EPM 17330.
King Eagle	EPM 14905, EPM 14906, EPM 14912 and each other tenement held by

Term	Meaning
Tenements	King Eagle Resources Pty Limited as at the date of this agreement in which the Company or Legend is proposed to acquire an interest pursuant to the joint venture agreement between Legend and King Eagle Resources Pty Limited.
Law	includes any law, statute, regulation, ordinance, authorisation, ruling, judgement and any order or decree of any Government Agency in any jurisdiction.
Legend Sell Down	the meaning given in clause 11.6(a).
Legend Services Agreement	the services agreement to be entered into between Legend and the Company under which Legend will provide head office services, and the use of facilities and equipment, to the Company.
Legend Transfer Agreement	the asset transfer agreement to be entered into between Legend and the Company under which Legend agrees to transfer the Phosphate Assets to the Company.
Liquid Assets	at any time, the aggregate of the Company's: 47 Available Cash; and 48 Cash Equivalent Investments, in either case to which the Company is alone beneficially entitled at that time and which is not subject to any Security Interest other than a Security.
Loss	losses, liabilities, damages, costs, charges and expenses and includes Taxes and expenses relating to Taxes except Excluded Taxes.
Marketable Securities	49 the meaning given to that expression in the Corporations Act; and 50 any units (whatever called) in a trust estate which represent a legal or beneficial interest in any of the income or assets of that trust estate and includes any options to acquire any units as described.
Material Adverse Change	any event or circumstance or series of events or circumstances which alone or together have or could reasonably be expected to have a Material Adverse Effect.
Material Adverse Effect	a material adverse effect on: 51 on the business, assets, liabilities, financial position or prospects of an Obligor; 52 the ability of an Obligor to perform and comply with any material

Term	Meaning
	<p>provision of any Transaction Document or the Legend Transfer Agreement; or</p> <p>53 the rights of the Noteholders under, or the enforceability of, a Transaction Document.</p>
Mining Rights	<p>54 any tenement listed in Schedule 10;</p> <p>55 any access rights or rights to use infrastructure or extract water listed in Schedule 10; and</p> <p>56 any tenement granted pursuant to an application listed in Schedule 10.</p>
New Security Provider Accession Deed	<p>the accession deed in the form of Attachment 2.</p>
Nominee	<p>National Nominees Limited (in its capacity as custodian for the relevant Noteholder).</p>
Note	<p>a convertible note issued in accordance with clause 3.1 which has not been repaid or converted in accordance with this agreement.</p>
Noteholder	<p>57 each Initial Noteholder; and</p> <p>58 any person to whom a Note is transferred in accordance with this agreement.</p>
Noteholder Warranties	<p>the representations and warranties set out in Schedule 4.</p>
Note Certificate	<p>a certificate in the form set out in Schedule 4.</p>
Obligor	<p>59 the Company; and</p> <p>60 each Security Provider.</p>
Ordinary Shares	<p>fully paid ordinary shares in the capital of the Company.</p>
Outstanding Amount	<p>in respect of a Note:</p> <p>61 the Outstanding Principal in respect of the Note; and</p> <p>62 the accrued but uncapitalised and unpaid interest from time to time payable by the Company in respect of the Note under this agreement.</p>

Term	Meaning
Outstanding Principal	<p>in respect of a Note:</p> <p>63 the Face Value of the Note; and</p> <p>64 any interest in respect of the Note which has been capitalised under this agreement.</p>
Paradise Employment Contracts	<p>employment contracts entered into between the Company and each of Craig Michael and Ed Walker.</p>
Paradise Phosphate Project	<p>the exploration and mining project in the Georgina Basin, Queensland which includes the phosphate deposits known as Paradise South, Paradise North and D-Tree.</p>
Parent Entity	<p>in respect of an entity, each entity which Controls that entity.</p>
Permitted Financial Accommodation	<p>any financial accommodation or any guarantee provided by an Obligor in respect of financial accommodation:</p> <p>65 under the Transaction Documents;</p> <p>66 in the ordinary course of business up to a maximum aggregate amount of \$250,000; or</p> <p>67 with the prior written consent of the Noteholders.</p>
Permitted Financial Indebtedness	<p>68 any liability incurred, under any agreement entered into for the acquisition of any asset or service, in relation to expenditure permitted under the Cash Flow Model;</p> <p>69 any Financial Indebtedness incurred or permitted to be incurred under any Transaction Document; or</p> <p>70 any other Financial Indebtedness incurred or permitted to be incurred with the prior written consent of the Noteholders.</p>
Permitted Security Interest	<p>71 every lien created by operation of law (other than the <i>Personal Property Securities Act 2009</i> (Cth)) securing an obligation that is not yet due;</p> <p>72 every lien or retention of title arrangement securing the unpaid balance of purchase money for property acquired in the ordinary course of ordinary business under an instalment contract on the supplier's standard terms where such unpaid balance is not yet due;</p> <p>73 every lien for the unpaid balance of moneys owing for repairs where such unpaid balance is not yet due;</p> <p>74 any Security Interest arising under a bailment, hiring arrangement or lease where an Obligor is the bailee, hirer or lessee, provided that the aggregate value of all assets or property secured under each such Security Interest does not exceed \$250,000; or</p>

Term	Meaning
	75 an Existing Security Interest.
Permitted Transferee	76 Acorn or a Related Body Corporate of Acorn; or 77 a trustee or responsible entity, or any custodian, sub-custodian or nominee of any trustee or responsible entity, of any trust managed by Acorn or a Related Body Corporate of Acorn.
Phosphate Assets	the meaning given to Assets in the Legend Transfer Agreement.
Private Sale Price	the price, or the implied price as determined by the Company in the case of an Asset Sale, per Ordinary Share in a Share Sale or Asset Sale or, if the price is determined pursuant to clause 6.3(d) that price.
Qualifying IPO	<p>an IPO on the ASX having a Post-IPO Equity Value of at least \$50 million pursuant to which the public subscribes for, and the Company issues:</p> <p>78 more than 10% of the total number of Ordinary Shares on issue immediately after the date of the prospectus lodged with ASIC in respect of an IPO;</p> <p>and</p> <p>79 in the case of a Pre-IPO Equity Value equal to or less than \$50 million, Ordinary Shares to the value of at least \$20 million (calculated by reference to the IPO Price);</p> <p>80 in the case of a Pre-IPO Equity Value of more than \$50 million but less than 100 million, Ordinary Shares to the value of at least the amount calculated in accordance with the following formula :</p> $A + \left(B \times \frac{C \times D}{E} \right)$ <p>where:</p> <p>A = \$10 million</p> <p>B = \$10 million</p> <p>C = Number of Ordinary Shares on issue immediately prior to date of the prospectus in respect of a IPO</p> <p>D = IPO Price</p> <p>E = \$50 million; or</p> <p>81 in the case of a Pre-IPO Equity Value of more than \$100 million, Ordinary Shares to the value of at least \$30 million.</p> <p>in this definition:</p> <p>Post-IPO Equity Value means the implied value of all Ordinary Shares on issue (calculated by reference to the IPO Price) immediately after issue of Ordinary Shares applied for under the prospectus and any Ordinary Shares issued pursuant to clause 7.3; and</p> <p>Pre-IPO Equity Value means the implied value of all Ordinary Shares</p>

Term	Meaning
	on issue (calculated by reference to the IPO Price) immediately prior to the date of the prospectus in respect of a Qualifying IPO.
Redemption Event	<p>the occurrence of any of the following:</p> <p>82 an Event of Default;</p> <p>83 a Change in Control;</p> <p>84 the entry into an arrangement to undertake an Asset Sale;</p> <p>85 the entry into an arrangement to undertake a Share Sale;</p> <p>86 the Minister notifies the Company or Legend that it does not approve the assignment of the Mining Rights from Legend to the Company;</p> <p>87 the Company has not lodged a prospectus with ASIC in connection with a Qualifying IPO on or before 1 August 2012; or</p> <p>88 the Company has not completed a Qualifying IPO by the Scheduled Repayment Date.</p>
Redemption Notice	in respect to a Note, a notice given by a Noteholder substantially in the form set out in Schedule 4.
Related Body Corporate	the meaning given in section 9 of the Corporations Act.
Related Party	the meaning it would have in section 228 of the Corporations Act if all references in that section to a 'public company' were to a 'public company or proprietary company'.
Related Party Transaction	<p>a transaction which is governed by Chapter 2E of the Corporations Act, or would be governed by Chapter 2E of the Corporations Act if:</p> <p>89 the Company (and each Subsidiary of the Company) was a public company; and</p> <p>90 each Group Entity or Associate of Legend was a Related Party.</p>
Repayment Factor	<p>91 in respect of payment made in the period from the date of this agreement to 10 February 2013 (inclusive), 0.700;</p> <p>92 in respect of payment made in the period from 11 February 2013 to 10 March 2013 (inclusive), 0.685;</p> <p>93 in respect of payment made in the period from 11 March 2013 to 10 April 2013 (inclusive and whether or not the Scheduled Repayment Date has been extended in accordance with clause 1.8), 0.660; and</p> <p>94 in respect of payment made in the period from 11 April 2013 to 10 May 2013 (inclusive and whether or not the Scheduled Repayment Date has been extended in accordance with clause 1.8) and thereafter, 0.625.</p>

Term	Meaning
Same Day Funds	immediately available and freely transferable funds.
Scheduled Repayment Date	subject to clause 1.8, the date that is 13 months after the First Completion Date or any other date agreed between the Company and the Noteholders, provided that such date can never be more than 9 years and 11 months after Completion.
Second Completion Date	the Issue Date for the second tranche of Notes described in recital 2 of this agreement.
Security Provider	<p>95 Legend; and</p> <p>96 each new Security Provider that accedes to this agreement as a Security Provider by executing a New Security Provider Accession Deed.</p>
Security	<p>97 the general security agreement between the Company and the Security Trustee the form which was agreed on or about the date of this agreement;</p> <p>98 the share mortgage between Legend and the Security Trustee the form which was agreed on or about the date of this agreement;</p> <p>99 the mining mortgage between Legend and the Security Trustee the form which was agreed on or about the date of this agreement;</p> <p>100 the security agreement between Legend and the Security Trustee the form which was agreed on or about the date of this agreement;</p> <p>101 the mining mortgage between the Company and the Security Trustee the form which was agreed on or about the date of this agreement;</p> <p>102 any other Security Interest granted by an Obligor in favour of the Security Trustee to secure obligations under this agreement; and</p> <p>103 any other document which at a time the Beneficiaries (as defined in the Security Trust Deed) at that time, the Security Trustee and each Obligor at that time agree at any time, now or in the future, is a "Security".</p>
Security Interest	<p>any interest or power:</p> <p>104 reserved in or over an interest in any asset including, but not limited to, any retention of title; or</p> <p>105 created or otherwise arising in or over any interest in any asset under a bill of sale, security agreement, mortgage, charge, lien, pledge, trust or power,</p> <p>by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes, but is not limited to, any agreement to grant or create any of the above and includes a security interest under section 12(1) of the <i>Personal Property</i></p>

Term	Meaning
	<i>Securities Act 2009 (Cth).</i>
Security Trust Deed	the security trust deed made by each Obligor and the Security Trustee in favour of each Beneficiary (as defined in the Security Trust Deed) dated on or about the date of this agreement.
Security Trustee	Acorn.
Share	an Ordinary Share or any other share of any class in the capital of the Company which is on issue or to be issued.
Share Sale	a sale or transfer of all the Ordinary Shares.
Subscription Notes	in respect to each Initial Noteholder, the number of Notes that the Initial Noteholder subscribes for, and the Company issues, as described in the recitals to this agreement.
Subscription Price	in respect to a Note, \$1.
Subscription Payment	in respect to each Initial Noteholder, the Subscription Price multiplied by the number of Subscription Notes to be issued on the Issue Date.
Subsidiary	the meaning given in the Corporations Act.
Tax	106 any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or 107 any income, stamp or transaction duty, tax or charge, which is assessed, levied, imposed or collected by any Government Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above. For the avoidance of doubt, Tax includes GST.
Tax Act	the <i>Income Tax Assessment Act 1997 (Cth)</i> or the <i>Income Tax Assessment Act 1936 (Cth)</i> as applicable.
Tax Claim	108 an assessment from a Government Agency requiring the payment of any Tax; 109 any document received from a Government Agency administering any Tax assessing, imposing, claiming or indicating an intention to

Term	Meaning
	claim any Tax; or 110lodgement of a tax return or a request for an amendment under a law about self-assessment of Tax.
Tax Consolidated Group	a consolidated group or an MEC group as defined in the Tax Act.
Tax Cost	all costs, and expenses incurred in: 111managing an inquiry; or 112conducting any Disputing Action in relation to a Tax Claim, in relation to Tax, but does not include a Tax.
Tax Law	any law relating to Tax.
Transaction Documents	113this agreement; 114the Security Trust Deed; 115the Security; and 116any other document which at a time the Beneficiaries (as defined in the Security Trust Deed) at that time, the Security Trustee and each Obligor at that time agree at any time, now or in the future, is a "Transaction Document".
Warranties	the representations and warranties set out in Schedule 5.

1.3 Interpretation

In this agreement:

- (a) Headings and bold type are for convenience only and do not affect the interpretation of this agreement.
- (b) The singular includes the plural and the plural includes the singular.
- (c) Words of any gender include all genders.
- (d) Other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning.
- (e) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual.
- (f) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this agreement and a reference to this agreement includes any schedule, attachment and exhibit.

- (g) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (h) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.
- (i) A reference to a party to a document includes that party's successors and permitted assignees.
- (j) A reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.
- (k) No provision of this agreement will be construed adversely to a party because that party was responsible for the preparation of this agreement or that provision.
- (l) A reference to '\$' or "dollars" means the lawful currency of Australia.

1.4 Interpretation of inclusive expressions

Specifying anything in this agreement after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.5 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.6 Personal Property Securities (PPS) Law

- (a) If:
 - (1) a PPS Law applies, or will at a future date apply to any of the Transaction Documents or any of the transactions contemplated by them, or a Noteholder determines that a PPS Law applies, or will at a future date apply, to any of the Transaction Documents or any of the transactions contemplated by them; and
 - (2) in the opinion of the Noteholder, the PPS Law:
 - (A) adversely affects or would or may adversely affect an Noteholder's or Security Trustee's security position or the rights or obligations of a Noteholder or the Security Trustee under or in connection with the Transaction Documents; or
 - (B) enables or would enable a Noteholder's or the Security Trustee's security position to be improved without adversely affecting the Obligors,

the Noteholder may (acting reasonably) from time to time give notice to the Obligors requiring the Obligors to do anything, including:

 - (3) promptly providing all necessary information and taking all necessary action (including obtaining any consent or agreement or giving any notice) to enable a Noteholder or the Security Trustee to register fully valid and effective financing statements or financing change statements with respect to any PPSA security interest held or intended to be held by the person under the Transaction Documents at any time; and/or
 - (4) amending any Transaction Document or executing any new Transaction Document,

that in the Noteholders' opinion is necessary to ensure that, to the maximum possible extent, the Noteholders' and the Security Trustee's security position, and rights and obligations, are not adversely affected as contemplated by clause 1.6(a)(2)(A) (or that any such adverse effect is overcome to the maximum extent possible) or that the Noteholders' and the Security Trustee's security position is improved as contemplated in clause 1.6(a)(2)(B). The Obligors must comply with the requirements of that notice within the time stipulated in the notice provided the stipulated time is a reasonable time having regard to the circumstances.

- (b) In this clause:

PPSA means the *Personal Property Securities Act 2009* (Cth).

PPS Law means:

- (1) the PPSA;
- (2) any regulations made at any time under the PPSA;
- (3) any provision of the PPSA or regulations referred to in 2;
- (4) any amendment to any of the above, made at any time; or
- (5) any amendment made at any time to the Corporations Act or any other legislation in connection with the implementation or as a consequence of the PPSA.

1.7 Termination

- (a) This agreement terminates at the time on which no Notes are held by or on behalf of any Noteholder.
- (b) Subject to clause 22.9, a Noteholder who ceases to hold a Note (or have a Note held on its behalf), ceases to have any further rights or obligations under this agreement in that capacity as a Noteholder.

1.8 Extension of Scheduled Repayment Date

- (a) The Company may, by delivering the documents and evidence referred to in paragraph (b) below to the Noteholders by the then current Scheduled Repayment Date, extend the Scheduled Repayment Date by a further 2 months. If the Borrower delivers such documents and evidence by that date, the Scheduled Repayment Date will be the date which is 15 months after the First Completion Date.
- (b) The documents and evidence referred to in clause 1.8(a) are as follows:
 - (1) a copy of a signed term sheet, entered into between the Company and Balance Agri-Nutrients Limited or Itochu Corporation providing for the full repayment of the Notes (**Term Sheet**); or
 - (2) in the absence of a Term Sheet, the presentation of a plan by the Company that provides for the full repayment of the Notes in form and substance satisfactory to the Noteholders.

2 Conditions precedent

2.1 Conditions precedent

The Initial Noteholders are not obliged to pay the Subscription Price for the Subscription Notes under clause 3.1 unless and until:

- (a) the Initial Noteholders have received all of the following in form and of substance satisfactory to the Initial Noteholders (acting reasonably):
 - (1) **(officer's certificate)** an officer's certificate in the form of Schedule 11 given in respect of each Obligor and dated no more than 5 Business Days before the Completion Date;
 - (2) **(Transaction Documents)** originals of each Transaction Document duly executed by all parties to them other than the Noteholders;
 - (3) **(Legend Transfer Agreement)** certified copy of the Legend Transfer Agreement (on terms acceptable to the Noteholders) duly executed by all parties to them;
 - (4) **(Paradise Employment Contracts)** certified copies of the Paradise Employment Contracts (on terms acceptable to the Investors) duly executed by all parties to them;
 - (5) **(caveator consent)** certified copy of documents recording the consent of Real Grumpy Pty Ltd & Ernst Alfred Kohler (including two copies of the form number MRA -23 (consent of caveator) executed by each of Real Grumpy Pty Ltd & Ernst Alfred Kohler) to any security taken over, and the transfer of all right, title and interest in, the mining lease 90191 pursuant to the Security and the Legend Transfer Agreement;
 - (6) **(DERM risk assessment report waiver)** certified copy of documents recording the waiver of the requirement to undertake a DERM risk assessment before Legend can deal with its interest under the compensation agreements entered into between Bezuma Pastoral Co Pty Ltd and Legend;
 - (7) **(fees and expenses)** evidence that all fees and expenses due and payable by the Company under the Transaction Documents have been paid or will be paid on the Completion Date out of the proceeds of the Notes; and
 - (8) **(Indirect TSA and Indirect TFA)** Legend and the Company have entered into an Indirect TSA and an Indirect TFA, each of which is in a form satisfactory to the Noteholders.
- (b) **(no Event of Default)** in the opinion of the Noteholders no Event of Default has occurred between the date of this agreement and Completion; and
- (c) **(Completion of Restructure)** completion has occurred under the Legend Transfer Agreement in accordance with the terms of that agreement to the reasonable satisfaction of the Noteholders.

2.2 Cut-off date

Legend and the Company must use reasonable endeavours to satisfy the conditions precedent in clause 2.1 as soon as are reasonably practical and, in any event by, 21 February 2012. If the conditions precedent are not satisfied by this date either Initial Noteholder may terminate this agreement by providing written notice to the Company.

2.3 Waiver

The conditions in clause 2.1 are for the benefit of the Initial Noteholders and may only be waived by the Initial Noteholders.

2.4 Transfer of Mining Rights to the Company

Legend and the Company must:

- (a) take any and all steps necessary or desirable to perfect the transfer of Legend's right, title and interest in the Mining Rights to the Company, including registration thereof, as soon as practicable including by promptly complying with any requests for information from the relevant Government Authority; and
- (b) keep the Noteholders informed of its progress towards satisfying its obligation under sub-clause (a).

3 Issue of Notes

3.1 Issue of Notes

On the Completion Date the Company must issue, and each Initial Noteholder must subscribe, or procure that the Nominee subscribes for, its Subscription Notes for the Subscription Price in accordance with this agreement.

3.2 Ranking of Notes

The Subscription Notes will:

- (a) be senior, unsubordinated and secured by each Security; and
- (b) be convertible in accordance with clause 7 into fully paid-up Ordinary Shares (unless the Notes are earlier repaid).

3.3 Use of subscription proceeds

- (a) The Company must use the proceeds from the issue of the Subscription Notes for:
 - (1) progressing the bulk sample and offtake with IFFCO;
 - (2) progressing the preparation for a Qualifying IPO on the ASX; and
 - (3) such purposes as set out, and expenditure provided for, in the Cash Flow Model approved by the Noteholders,in accordance with the annual budget and Cash Flow Model of the Company.
- (b) The Company is entitled to incur an over-expenditure up to 15% of the authorised amount for any line item in the Cash Flow Model approved by the Noteholders, without further approval by the Noteholders, provided the over-expenditure does not relate to a Related Party Transaction.
- (c) The Company must not incur any over-expenditure on a Related Party Transaction unless prior written approval is given by the Noteholders.
- (d) The Company must not use the proceeds from the issue of the Subscription Notes to:
 - (1) satisfy any consideration payable under the Legend Transfer Agreement;

- (2) pay for any services provided to Legend (including adviser fees) in connection with the Legend Transfer Agreement; or
- (3) pay for any costs in relation to the Phosphate Assets incurred by Legend at a time while the Phosphate Assets were owned by Legend.

3.4 Transfer of Notes

- (a) A Noteholder must not transfer its Notes other than:
 - (1) to a Permitted Transferee; or
 - (2) if a Redemption Event has occurred to any person who comes within section 708(8), (10) or (11) of the Corporations Act,and, subject to paragraph (b), the Company must register the transfer on receipt of a document executed by the transferor and the transferee that constitutes the transfer.
- (b) A transferee of Notes must execute and deliver a Deed of Adherence before the Company is required to register the transfer of those Notes.
- (c) A Noteholder may only transfer all (but not some) of the Notes held by or on behalf of it.

4 Interest

4.1 Payment

- (a) Subject to clauses 4.1(b) and 4.4, the Company must pay interest in arrears on the Outstanding Principal for each Interest Period on each Interest Payment Date.
- (b) Interest is not payable on the Outstanding Principal for the first Interest Period if a Qualifying IPO occurs during that Interest Period.

4.2 Rate

The rate of interest payable under clause 4.1 is:

- (a) 10% per annum in respect of an amount that is not overdue and no Event of Default subsists; and
- (b) 14% per annum in respect of an amount that is overdue or during any period during which an Event of Default subsists.

4.3 Calculation

The interest payable under clause 4.1 is calculated on the daily balances on the basis of a 365 day year and for the actual number of days elapsed from and including the first day of each Interest Period to, but excluding, the last day of the Interest Period or, if earlier, the Scheduled Repayment Date.

4.4 Capitalisation

- (a) Interest under clause 4.1 which remains unpaid at midnight on each Interest Payment Date will be capitalised, unless a notice has been given by the Company under clause 4.4(b).

- (b) The Company may notify the Noteholders not less than 10 Business Days before the end of an Interest Period that interest for that Interest Period will not capitalise and be payable on the Interest Payment Date.

5 Completion

5.1 Time and place for Completion

Completion must take place:

- (a) as soon as practical, and in any event within 5 Business Days, after the satisfaction or waiver of all of the conditions precedent in clause 2.1;
- (b) at the office of Freehills at Level 42, 101 Collins Street, Melbourne or at any other place the parties agree; and
- (c) at the time (but during banking hours at that place) that the parties agree.

5.2 Company actions at Completion

At Completion, the Company must issue the Subscription Notes to each Initial Noteholder or the Nominee (as directed by each Initial Noteholder) free from any Security Interest or other third party rights.

5.3 Payment at Completion

At Completion, each Initial Noteholder must pay, or cause to be paid, to the Company the Subscription Payment in Same Day Funds.

5.4 Documents to be delivered at Completion

At Completion, the Company must:

- (a) **(Note certificates)** issue the Note Certificates in the name of each Initial Noteholder or the Nominee (as the case may be) for its Subscription Notes; and
- (b) **(register of Noteholders)** give to each Noteholder a certified copy of the register of noteholders of the Company showing each Noteholder or the Nominee (as the case may be) as a registered holder of its Subscription Notes.

5.5 Post Completion actions

- (a) The Company will procure that the relevant ASIC forms are lodged to reflect the issue of the Subscription Notes as soon as practicable, and in any event within 15 days, after Completion.
- (b) The Company must, in consultation with the Noteholders, use reasonable endeavours to appoint an investor and media relations consultant to assist the Company with investor and media communication matters within 10 Business Days of the Second Completion Date.

5.6 Nominee

If an Initial Noteholder elects to have its Notes held by the Nominee on its behalf, the Initial Noteholder must procure that the Nominee acts in accordance with this agreement at all times.

6 Repayment of Notes

6.1 Payment

The Company:

- (a) may, at any time on or after the Early Repayment Date; and
- (b) must, on the Scheduled Repayment Date,

pay the sum of the Outstanding Amount divided by the Repayment Factor applicable as at the date such payment is made (**Scheduled Repayment Amount**) in respect of each Note to the relevant Noteholder.

6.2 Method of payment

- (a) The Company must make all payments due under this agreement in A\$ in Same Day Funds and not later than midday in Melbourne on the due date.
- (b) The Company must make all payments due under this agreement without any set-off, counterclaim or condition, or any deduction or withholding for any Tax or any other reason (other than a deduction or withholding which is required by applicable Law).

6.3 Redemption of Notes on occurrence of Redemption Event

- (a) If a Redemption Event occurs the Company must immediately give written notice to the Noteholders (copied to Security Trustee):
 - (1) specifying that a Redemption Event has occurred; and
 - (2) setting out reasonable details of the event or circumstances constituting the Redemption Event including the calculation of the Private Sale Price (if applicable).
- (b) If a Redemption Event occurs then a Noteholder may at any time following the occurrence of the Redemption Event give a Redemption Notice to the Company (copied to the Security Trustee) requiring the Company to redeem all the Notes held by or on behalf that Noteholder in accordance with the Redemption Notice by paying to that Noteholder:
 - (1) in the case of an event specified in items 84 or 4 of the definition of Redemption Event, the greater of the amounts (or if the amounts calculated under each alternative formula is the same then that amount) calculated as follows:

$$A \times \frac{10}{7}$$

OR

$$A \times \frac{B}{C}$$

where:

A = the Outstanding Amount on the date of repayment of the Notes

B = the Private Sale Price

C = the Conversion Price on the date of repayment of the Notes

- (2) in the case of the events specified in items 87 or 88 of the definition of Redemption Event, the Outstanding Amount divided by the Repayment Factor;
 - (3) in the case of an Event of Default where an Obligor does not pay when due the amount determined in clause 11.6(f), that amount; or
 - (4) in the case of any other Redemption Event, the Outstanding Amount, in respect of a Note multiplied by the outstanding Notes held by or on behalf of that Noteholder (**Redemption Amount**).
- (c) In the case of an event specified in items 84 or 4 of the definition of Redemption Event, if the Noteholders reasonably consider that the Private Sale Price specified in the notice given pursuant to clause 6.3(a) does not take account of all benefits and consideration receivable by Legend (and any Related Party of Legend) and the Company as a direct or indirect result of the transactions contemplated by the relevant Asset Sale or Share Sale, the Noteholders must set out in reasonable detail in the Redemption Notice its reasons as to why the Private Sale Price specified in the notice given pursuant to clause 6.3(a) does not fully reflect the value received under the Asset Sale or Share Sale (as applicable).
- (d) If the Company and the Noteholders cannot agree on the Private Sale Price within 10 Business Days of the date of the Redemption Notice, the Company must appoint an Independent Expert to determine the Private Sale Price by:
- (1) taking into account the amount which a willing (but not anxious) seller would be prepared to accept and a willing (but not anxious) buyer would be prepared to pay for the Ordinary Shares or assets the subject of the Asset Sale;
 - (2) taking into account all the direct and indirect benefits and consideration (including deferred consideration and adjustments to the purchase price (if in favour of the Company or Legend)) to be received by Legend (and any Related Party of Legend) and the Company as a direct or indirect result of the transactions contemplated by the relevant Asset Sale or Share Sale (where the value of such benefits and consideration are calculated on the basis of the facts and circumstances then existing including facts and circumstances occurring in connection with the events in respect of which the Private Sale Price is being calculated);
 - (3) ignoring any premium or discount relating to whether the transfer of those Ordinary Shares could give rise to a controlling or minority stake in the Company; and
 - (4) ignoring any Tax consequences to the extent that the Tax arises as a direct or indirect result of the implementation of the transactions contemplated by the Asset Sale or Share Sale (as applicable); and
 - (5) ignoring any restrictions on transfer of the Ordinary Shares or assets the subject of the Asset Sale in this agreement or the Constitution.
- (e) Payment of the amount payable under clause 6.3(b) must be made:
- (1) in the case of an event specified in items 84 or 85 of the definition of Redemption Event:
 - (A) where the Company and Noteholders agree on the Private Sale Price, on the date of completion under the Asset Sale or Share Sale;
 - (B) where the Independent Expert determines the Private Sale Price, within 2 Business Days of the determination of the Independent Expert; or

- (2) in case of any other Redemption Event within 2 Business Days of the date of the Redemption Notice.

6.4 Redemption Notice

A Redemption Notice:

- (a) is irrevocable; and
- (b) must be accompanied by the Note Certificates for the relevant Notes (or such other evidence of title to the Notes as is reasonably acceptable to the Company).

6.5 Appropriation

- (a) All payments by the Company to a Noteholder following an Event of Default or Redemption Event may be appropriated as between principal, interest and other amounts as the Noteholder determines in its absolute discretion.
- (b) However, if the Noteholder does not make a determination, the Company may at any other time appropriate such payments in the following order:
 - (1) first, towards all fees, costs, expenses, charges, damages and indemnities (other than interest) payable by the Company to the Noteholder under this agreement;
 - (2) second, towards payment of uncapitalised interest payable by the Company to the Noteholder under this agreement;
 - (3) third, towards payment of capitalised interest payable by the Company to the Noteholder under this agreement; and
 - (4) fourth, towards payment of the Outstanding Principal in respect of the Notes held by or on behalf of the Noteholder.
- (c) All payments by the Company to a Noteholder following an Event of Default or Redemption Event may be appropriated as between principal, interest and other amounts despite and prevalent to any appropriation made by the Company.
- (d) All payments by the Company to Noteholders will be made on a pro rata basis.

7 Conversion

7.1 Restriction on Conversion

Subject to clause 7.2, the Company must not convert the Notes until after the expiry of 3 years from the date of execution of the Legend Transfer Agreement.

7.2 Mandatory Conversion

If the Company lodges a prospectus with ASIC for a Qualifying IPO, then all the Notes will automatically convert on the date of, and immediately following, the issue of Ordinary Shares applied for under the prospectus for a Qualifying IPO (**Conversion Date**).

7.3 Conversion Mechanics

- (a) On the Conversion Date, the Company must issue to the relevant Noteholder the number of Ordinary Shares (**Conversion Shares**) calculated as follows:

If the Conversion Price is equal to or more than the IPO Price multiplied by the Repayment Factor:

$$\left(\frac{A \times \frac{1}{\text{Repayment Factor}}}{B} \right) \times C$$

OR

If the IPO Price multiplied by the Repayment Factor is more than the Conversion Price:

$$\frac{A \times \left(\frac{\text{IPO Price}}{\text{Conversion Price}} \right) \times C}{B}$$

where:

A = the Outstanding Amount in respect of a Note on the Conversion Date;

B = the IPO Price on the Conversion Date; and

C = the number of outstanding Notes held by or on behalf of the relevant Noteholder.

- (b) On Conversion of any Notes, the Company must issue the Conversion Shares in the name of the Noteholder or as otherwise directed by it in writing no later than 5 Business Days prior to the date of issue.
- (c) No fractional Ordinary Shares will be issued upon conversion in accordance with this agreement and any fractional Ordinary Shares to which the Noteholder would otherwise be entitled will be rounded up to the nearest whole Ordinary Share.
- (d) The Conversion Shares issued on the Conversion of any Notes will:
 - (1) be fully paid and free from any Security Interest or other third party rights; and
 - (2) rank in all respects equally, and form one class with, all other Ordinary Shares.

7.4 Undertakings relating to Conversion

The Company undertakes to each Noteholder that it will:

- (a) be able to issue Ordinary Shares to satisfy the conversion rights attaching to the Notes;
- (b) ensure that the Conversion Shares are freely transferrable without any requirement for disclosure to investors under Part 6D.2 of the Corporations Act; and
- (c) obtain, maintain and promptly renew (if appropriate) from time to time, all such authorisations, approvals, consents, licences and exemptions as may be required under any applicable Law, regulation to enable it to perform its obligations under this agreement and the Notes or which are required for the validity or enforceability of the Notes.

7.5 Post completion

- (a) The Company will procure that the relevant ASIC forms are lodged within 1 Business Day to reflect the issue of the Conversion Shares.
- (b) The Company must procure the official quotation of the Ordinary Shares (including Conversion Shares) on the ASX.

7.6 Discharge of Security

- (a) The Noteholders will within 20 Business Days of the quotation of the Conversion Shares on the ASX:
 - (1) do all things necessary to withdraw and remove any and all of the Security, and caveats registered in relation to the Security, including the provision of a letter or letters in a form approved by the Company and addressed to the relevant Government Agency authorising and requesting the removal of the caveats and Security;
 - (2) cause the Security Trustee to execute a deed of release in respect of the Security; and
 - (3) return the Note Certificates to the Company,provided that the Company and/or Legend have paid the Secured Moneys (as defined in the Security Trust Deed) due by it in accordance with the Transaction Documents and each other obligation under the Transaction Documents has been fully and finally discharged.
- (b) Each release and/or discharge referred to in clause 7.6(a) is conditional and subject to reinstatement if a Noteholder is obliged to repay to any person under any law relating to bankruptcy, winding up or the protection of creditors any money which it has received under any Transaction Document.

8 The Conversion Price and adjustment

8.1 Initial Conversion Price

- (a) The initial Conversion Price is A\$0.50.
- (b) The Conversion Price will be adjusted in accordance with clause 8.2.

8.2 Adjustment of Conversion Price

The Conversion Price will from time to time be adjusted in accordance with the following provisions:

- (a) **Consolidation, sub-division or reclassification:** If there is any consolidation, sub-division or reclassification of Ordinary Shares, the Conversion Price in force immediately prior to that event must be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate number of Ordinary Shares on issue immediately before such consolidation, reclassification or sub-division; and

B = the aggregate number of Ordinary Shares on issue immediately after, and as a result of, such consolidation, reclassification or sub-division.

Each such adjustment will be effective from the close of business on the day immediately preceding the date on which the consolidation, reclassification or sub-division becomes effective.

- (b) **Issue of Equity Securities:** If the Company issues any Equity Securities (other than Ordinary Shares), and the Effective Consideration per Share receivable for such Equity Securities is less than the Conversion Price in force, the Conversion Price will be adjusted to equal that lower Effective Consideration per Share. Each such adjustment will be effective as at the date on which such issue of Equity Securities takes effect.
- (c) **Issue of Ordinary Shares:** If the Company issues any Ordinary Shares at a price per Ordinary Share which is less than the Conversion Price in force, the Conversion Price will be adjusted to equal that lower price. Each such adjustment will be effective as at the date on which such issue takes effect.
- (d) **Other events:** If the Noteholders:
 - (1) disagree with the amount of any adjustment to the Conversion Price made by the Company as a result of an event or circumstance referred to in this clause 8.2; or
 - (2) determine that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this clause 8.2,

the Noteholders may give a written notice to the Company (copied to the Security Trustee) setting out in reasonable detail, the adjustment to the Conversion Price taking into account the relevant event or circumstance (**Adjustment Notice**).

The Company and the Noteholders must use reasonable endeavours to agree the adjustment to the Conversion Price. If the Company and the Noteholders cannot agree on that adjustment within 10 Business Days of the date of the Adjustment Notice, the Company must appoint an Independent Expert to determine the fair and reasonable adjustment to the Conversion Price after taking into account the relevant event or circumstance. Each such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) will take effect in accordance with the Independent Expert's determination.

8.3 Adjustment conditions

- (a) Notwithstanding anything to the contrary contained in this agreement, no adjustment will be made to the Conversion Price when Ordinary Shares or other Equity Securities are issued, offered or granted pursuant to an Excluded Issue.
- (b) An adjustment to the Conversion Price must not involve an increase in the Conversion Price (except upon any consolidation of the Shares pursuant to clause 8.2(a)) and where an adjustment may be made under more than one clause, the Company or Independent Expert (as applicable) must apply the adjustment mechanism that results in the greatest reduction to the Conversion Price.
- (c) Any adjustment to the Conversion Price must be made to the nearest one tenth of one cent so that any amount under one fiftieth of a cent will be rounded down and any amount of one fiftieth of a cent or more will be rounded up.

8.4 Appointment of Independent Expert

- (a) Any Independent Expert appointed:
- (1) under clause 8.2 to determine the Conversion Price;
 - (2) under clause 6.3(d) to determine the Private Sale Price; and
 - (3) under 11.6(e) to determine the Effective Consideration per Sale Share,
- must act as an expert and not as an arbitrator.
- (b) The costs of the Independent Expert will be borne by the Company.
- (c) In the absence of manifest error, the Independent Expert decision will be conclusive and binding on the Company and the Noteholders and all persons claiming through or under them respectively.
- (d) For so long as any amount of the Notes remains outstanding, the Company must make available for inspection at the Company's offices a signed copy of the Independent Expert's determination and a certificate signed by a director of the Company setting out brief particulars of the event giving rise to the adjustment, the Conversion Price in force prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

9 Restrictions on the Company

9.1 Restrictions

Except with the written consent of a Noteholder, the Company must not, and Legend must ensure that the Company does not:

- (a) modify the rights attaching to the Ordinary Shares or create or issue or permit to be in issue any other class of Equity Securities carrying any right to income or capital which is more favourable than the corresponding right attaching to the Ordinary Shares;
- (b) create or permit to subsist any Security Interest over all or any part of its assets other than the Securities or an asset which is, upon its acquisition, subject to a Permitted Security Interest;
- (c) undertake an IPO other than a Qualifying IPO;
- (d) pay, make or declare any dividend or other distribution other than by a Subsidiary of the Company to the Company;
- (e) purchase its own shares or any other Equity Securities of any company, reduce its share capital, return capital to shareholders or in any other way restructure its capital;
- (f) enter into any merger or consolidation or make any acquisition of any other entity, company or business or do anything which would have the effect that it is operating a business or an activity which is not within the course of, or directly connected with, a business carried on by it as at the date of this agreement;
- (g) incur any Financial Indebtedness other than Permitted Financial Indebtedness;
- (h) deposit or invest money in or with any person except in the ordinary course of ordinary business and on ordinary commercial terms;
- (i) subject to clause 11.10(b), amend or replace its constitution;

- (j) take any action which constitutes or results in any material alteration to the nature of its business;
- (k) sell, assign, transfer or otherwise dispose of or part with possession of any of its assets except:
 - (1) an asset which is replaced by one or more assets having similar function and of comparable or superior type, value and quality on usual commercial terms;
 - (2) phosphate extracted from an area contained in the Mining Rights and sold on usual commercial terms or delivered to IFFCO pursuant to IFFCO Bulk Sample Arrangement; or
 - (3) as permitted under clause 9.1(v);
- (l) allow any other person to have a right or power to receive or claim any rents, profits, receivables, royalties, money or moneys worth (whether capital or income) in respect of its assets other than under a Transaction Document or Existing Security Interest;
- (m) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts in circumstances where the arrangement is in connection with:
 - (1) the raising of Financial Indebtedness; or
 - (2) the acquisition of an asset,except for a netting-off or set-off arrangement in the ordinary course of its ordinary banking arrangements for the purpose of netting debit and credit balances;
- (n) enter into any arrangement which, if complied with, would prevent it from complying with their obligations under the Transaction Documents or Legend Transfer Agreement;
- (o) provide any financial accommodation, or give any guarantee in respect of any financial accommodation, to or for the benefit of any person, other than Permitted Financial Accommodation;
- (p) other than a Related Party Transaction approved pursuant to clause 11.10:
 - (1) enter into an agreement with a Related Party;
 - (2) acquire or dispose of an asset from or to a Related Party;
 - (3) obtain or provide a service from or to a Related Party;
 - (4) obtain a right or incur an obligation from or to a Related Party; or
 - (5) implement any other transaction from or to a Related Party.
- (q) pay any director fees, management fees, consultancy fees or other like payments to any director, associate, or Related Body Corporate of it unless those fees or other payments are:
 - (1) subject to clause 11.10, reasonable and are no more or less favourable than it is reasonable to expect would be the case if the relevant persons were dealing with each other at arm's length; or
 - (2) paid with the prior written consent of the Noteholders;
- (r) enter into any partnership or joint venture with any other person;
- (s) amend, or enter into any arrangement intended to amend, the Legend Transfer Agreement;
- (t) incorporate or acquire a new Subsidiary unless that Subsidiary complies with clause 14.4:

- (u) allow the amount of unpaid creditors (other than the Noteholders) to exceed \$200,000 in aggregate (where a creditor is to be considered unpaid if its invoice(s) is not settled in full within 30 days of its issuance, or to allow aged creditors (other than the Noteholders) of 90 days greater to exist unless being disputed in good faith and notified to the Noteholders; or
- (v) dispose of, encumber, surrender, allow to lapse or otherwise cease to enjoy the benefit of or compromise the Mining Rights other than the surrender, expiry or relinquishment of an area subject to the Mining Rights not required for the Paradise Phosphate Project as required under the terms of the Mining Right or any applicable Law or as otherwise contemplated by this agreement.

10 Warranties

10.1 Warranties

Each Obligor gives the Warranties to and for the benefit of each Noteholder.

10.2 Noteholder Warranties

Each Noteholder gives the Noteholder Warranties to and for the benefit of the Company.

10.3 Repetition warranties

- (a) Each Warranty and Noteholder Warranty expressed to be given on a particular date is given on that date.
- (b) Any other Warranty or Noteholder Warranty, not expressed to be given on a particular date, is given on the date of this agreement and immediately before Completion except Warranty 1.7 which is given only at the date of Completion.

10.4 Survival

The Warranties and Noteholder Warranties survive the execution and Completion of this agreement.

10.5 Reliance

- (a) Each Obligor acknowledges that each Noteholder enters into this agreement in reliance on the Warranties.
- (b) Each Noteholder acknowledges that each Obligor enters into this agreement in reliance on each Noteholder Warranty.

10.6 Independent Warranties

Each Warranty and Noteholder Warranty is separate and independent and not limited by reference to any other Warranty or Noteholder Warranty or any notice or waiver given by any party in connection with anything in this agreement.

10.7 Indemnities

The Obligors jointly and severally indemnify each Noteholder against any Loss suffered or incurred by the Noteholder as a result of a breach of Warranty 3.

11 Ongoing requirements

11.1 Compliance

- (a) Each Obligor must comply with all of its obligations under each Transaction Document to which it is a party.
- (b) Each Obligor must comply with:
 - (1) the Law; and
 - (2) all of its obligations under any Authorisation or Mining Right to which it is a holder.

11.2 Remain a company limited by shares

The Company and each Subsidiary must maintain its status as a company limited by shares incorporated under the Corporations Act. The Company and each Subsidiary must not transfer nor permit the transfer of its jurisdiction of incorporation outside Australia.

11.3 Authorisations and consents

- (a) Each Obligor must obtain, maintain and comply with any authorisations which it requires to carry out the transactions contemplated in, and to ensure the validity, enforceability and admissibility in evidence of, the Transaction Documents or Legend Transfer Agreement and not do anything which would prevent the renewal of any authorisation referred to in this clause 11.3(a) or cause it to be renewed on less favourable terms.
- (b) Each Obligor must comply with any conditions attaching to any approval or consent given by the Noteholders in connection with the Transaction Documents.
- (c) Each Obligor must comply with any conditions attaching to any approval or consent given by a Government Agency in connection with carrying out the transactions contemplated in the Legend Transfer Agreement.

11.4 Maintain records and financial statements

- (a) The Company must keep accounting records which give a true and fair view of its financial condition and state of affairs.
- (b) The Company must ensure that the financial statements it provides to each Noteholder under clause 11.5(b) are prepared in accordance with the requirements in the Corporations Act for financial statements for a financial year.

11.5 Provision of information to Noteholders

- (a) Each Obligor must provide any information in respect of it (including details of the Equity Securities of the Company) when reasonably requested by a Noteholder for the purposes of evaluating or otherwise considering Conversion or redemption of a Note.
- (b) The Company must provide the following information to each Noteholder:
 - (1) within one month after each calendar quarter, quarterly management accounts (including a profit and loss statement, balance sheet and cash flow analysis, a comparison and commentary on actual performance for the previous quarter and year to date against budget,

- and a forecast of future performance), a rolling 12-month cashflow forecast and a chief executive officer's report in a form acceptable to the Noteholders;
- (2) within 3 months after the end of each financial year, audited annual financial statements of the Company and its Subsidiaries prepared in accordance with the Accounting Standards;
 - (3) all correspondence sent to, or received from, a Government Agency in connection with performing the transactions contemplated by the Legend Transfer Agreement or any Transaction Document;
 - (4) at least one month before the start of each financial year of the Company, an annual budget for the Company and its Subsidiaries;
 - (5) all correspondence and materials, at the time and in the form sent, to directors of the Company and its Subsidiaries including board papers and minutes of board meetings;
 - (6) copies of all documents issued by the Company or any of its Subsidiaries to holders of its Marketable Securities at the same time as their issue; and
 - (7) at the reasonable request of a Noteholder, any other information in respect of the financial condition or state of affairs of the Company or any of its Subsidiaries and any of its assets.
- (c) The Noteholders may access the site of the Paradise Phosphate Project and meet any employees, officers or contractors of the Company or Legend on giving reasonable notice.

11.6 Restriction on transfer and issue of equity securities in the Company

Legend must:

- (a) not transfer or grant, or agree to transfer or grant, any right, title or interest in or to the Ordinary Shares held or controlled by Legend (**Legend Sell Down**); and
- (b) procure that the Company does not, and the Company must not, issue, or agree to issue, Equity Securities (**Company Equity Issue**),
unless:
 - (1) Legend continues to hold, or control the exercise of voting rights attaching to, 90% or more of the total number of Ordinary Shares on issue post completion of the Legend Sell Down or Company Equity Issue (as applicable); and
 - (2) the Noteholders have provided their prior written approval to the Legend Sell Down or Company Equity Issue (as applicable).
- (c) If the Noteholders do not approve the Legend Sell Down or Company Equity Issue (as applicable), the Company may give written notice to the Noteholders (copied to the Security Trustee):
 - (1) that it intends to redeem all (but not some) of the Notes held by or on behalf of the Noteholders; and
 - (2) setting out its calculation of the Effective Consideration per Sale Share,
(Compulsory Redemption Notice).
- (d) If the Noteholders disagree with the Effective Consideration per Sale Share calculated by the Company, the Noteholders must set out in reasonable detail the reasons why it disagrees with the Effective Consideration per Sale Share within 5 Business Days of the date of the Compulsory Redemption Notice.

- (e) The Company and Noteholders must use reasonable endeavours to agree the Effective Consideration per Sale Share. If the Company and the Noteholders cannot agree on the Effective Consideration per Sale Share within 10 Business Days of the date of notice given pursuant to clause 11.6(d), the Company must appoint an Independent Expert to determine the Effective Consideration per Sale Share by:
- (1) in the case of a Legend Sell Down:
 - (A) taking into account the amount which a willing (but not anxious) seller would be prepared to accept and a willing (but not anxious) buyer would be prepared to pay for the Ordinary Shares the subject of the Legend Sell Down (**Legend Transfer Shares**); and
 - (B) taking into account all direct and indirect benefits and consideration to be received by Legend (and any Related Party of Legend) as a result of the Legend Sell Down (including forms of consideration and benefits set out in the definition of Effective Consideration per Sale Share); and
 - (C) ignoring any premium or discount relating to whether the transfer of those Legend Transfer Shares could give rise to a controlling or minority stake in the Company,
 - (2) in the case of a Company Equity Issue:
 - (A) taking into account the amount which a willing (but not anxious) issuer would be prepared to accept and a willing (but not anxious) subscriber would be prepared to pay for the Equity Securities the subject of the Company Equity Issue (**New Company Equity Securities**);
 - (B) taking into account all direct and indirect benefits and consideration to be received by the Company (and any Related Party of the Company) as a result of the Company Equity Issue (including forms of consideration and benefits set out in the definition of Effective Consideration per Sale Share); and
 - (C) ignoring any premium or discount relating to whether the issue of those New Company Equity Securities could give rise to a controlling or minority stake in the Company,
 - (3) ignoring any negative effects of the Legend Sell Down or Company Equity Issue (as applicable) on the prospects of undertaking a Qualifying IPO in accordance with this agreement;
 - (4) ignoring any Tax consequences to the extent that the Tax arises as a direct or indirect result of the implementation of the transactions contemplated by the Legend Sell Down or Company Equity Issue (as applicable); and
 - (5) ignoring any restrictions on transfer of the Legend Transfer Shares, or issue of Equity Securities, in this agreement or the Constitution.
- (f) If the Company gives a Compulsory Redemption Notice, it must redeem all the Notes held by or on behalf of the Noteholders by paying to each Noteholder the greater of the amounts (or if the amounts calculated under each alternative formula is the same then that amount) calculated as follows:

$$A \times \frac{10}{7}$$

OR

$$A \times \frac{B}{C}$$

where:

A = the Outstanding Amount on the date of repayment of the Notes

B = the Effective Consideration per Sale Share receivable by (1) Legend in undertaking the Legend Sell Down or (2) the Company undertaking the Company Equity Issue (as applicable)

C = the Conversion Price on the date of repayment of the Notes,
in respect of a Note multiplied by the outstanding Notes held by or on behalf that Noteholder.

- (g) Payment of the amount payable under clause 11.6(f) must be made:
- (1) in the case where the Noteholders and Company agree on the Effective Consideration per Sale Share, on the date of completion of the Legend Sell Down or Company Equity Issue (as applicable); or
 - (2) in the case where the Independent Expert determines the Effective Consideration per Sale Share, the date determined by the Independent Expert.

11.7 Notification to Noteholders

Each Obligor must notify the Noteholders as soon as reasonably practicable after it becomes aware of any of the following:

- (a) the occurrence or potential occurrence of any Event of Default;
- (b) any Action in respect of it or any of their assets being commenced or threatened which is either:
 - (1) in respect of an amount in excess of \$250,000; or
 - (2) if adversely determined would have or be likely to have a Material Adverse Effect;
- (c) any Security Interest that exists over any of its assets;
- (d) any proposal of any Government Agency to compulsorily acquire any of its assets; and
- (e) the acquisition by it or any of its Subsidiaries of any interest in real property.

11.8 Noteholder attendance at board and shareholders meetings

Without prejudice to the rights of a Noteholder in its capacity (if any) as a shareholder of the Company, at the request of a Noteholder from time to time, the Company must permit the Noteholder or its representative to attend but not to speak or vote at any meeting of the board of directors and any general meeting of members of the Company or any of its Subsidiaries.

11.9 Payment of tax

- (a) Each Obligor must pay all Taxes when due, other than Contested Taxes.
- (b) Each Obligor must pay all Contested Taxes when the terms of any final determination or settlement require those Contested Taxes to be paid.

11.10 Majority Independent Board

- (a) The Company must ensure that, within 3 months from the First Completion Date, the majority of its directors are Independent Directors (**Majority Independent Board**) and the Company must not appoint an Independent Director without the prior written approval of the Noteholders.
- (b) The constitution of the Company must be amended within 2 months of the First Completion Date to require the Company to have at all times a majority of Independent Directors.
- (c) Subject to clause 11.10(d), prior to the appointment of the Independent Directors necessary to constitute the Majority Independent Board, the Company and Legend must not enter into, renew, amend, vary, alter, release or waive any provision of any Related Party Transaction without the consent of the Noteholders.
- (d) The Company must not pay, or agree to pay, to any Related Party any amount other than:
 - (1) pursuant to a services agreement between that Related Party and the Company on arm's length terms acceptable to the Noteholders (acting reasonably); or
 - (2) without the prior written approval of the Noteholders.
- (e) Subject to clause 11.10(d), following the constitution of the Majority Independent Board, any entry, renewal, variation, alteration, release or waiver of any provision of any Related Party Transaction must be approved by the board of directors of the Company in consultation with the Noteholders.

11.11 Maintain assets

Each Obligor must maintain the assets the subject of the Security in good working order and condition, subject to fair wear and tear, and make all necessary repairs and replacements of assets the subject of the Security.

11.12 Maintain insurance

Each Obligor must insure and keep insured all its insurable assets the subject of the Security with an insurance company of repute to the full replacement value and for full reinstatement of those assets against all risks which are usually insured by companies which conduct similar types of business to that which is conducted by the Obligor and shall ensure that the Security Trustee is named as a loss payee.

11.13 Financial covenant

The Company must maintain Liquid Assets of at least \$1,000,000.

11.14 Further assurances regarding Security

Each Obligor must:

- (a) do anything which a Noteholder or the Security Trustee reasonably requests which more satisfactorily charges or secures the priority of its Security, or secures to the Security Trustee its secured property under the Security in a manner consistent with any provision of any Transaction Document, or aids in the exercise of any Power (as defined in a document granting a Security) of a Noteholder or the Security Trustee, including, the execution of any document, the delivery of Mining Rights, King Eagle Tenements or the execution and delivery of blank transfers;

- (b) when a Noteholder or the Security Trustee requests, execute a legal or statutory mortgage or other security document in favour of the Security Trustee over any real property or Mining Rights, King Eagle Tenements or any other tenements acquired by it on or after the date of this agreement in form and substance satisfactory to the Noteholders; and
- (c) use its best endeavours to register any such new mortgage or other security document.

12 Events of default

12.1 Events of default

Each of the following is an Event of Default:

- (a) an Obligor fails to pay interest when due, or fails to pay within 2 Business Days of its due date any other amount payable, under any of the Transaction Documents or Legend Transfer Agreement;
- (b) an Obligor fails to comply with any provision of a Transaction Document or the Legend Transfer Agreement and that failure, if capable of remedy, has not been remedied within 5 Business Days after the earlier of a Noteholder receiving the notice of the Event of Default or a Noteholder requesting the Obligor in writing to remedy the default;
- (c) any representation, warranty or statement made or repeated in or in connection with the Transaction Documents or Legend Transfer Agreement by an Obligor is untrue or misleading (whether by omission or otherwise) in a material particular or to a material extent when so made or repeated or becomes untrue or misleading (or, in the case of financial forecasts, unfair or unreasonable) in a material particular or to a material extent when taken as a whole;
- (d) an order is made for the winding up of an Obligor or for the appointment of a liquidator in respect of an Obligor;
- (e) an Obligor passes a resolution for its winding up;
- (f) an Obligor is deregistered, or any steps are taken to deregister an Obligor under the Corporations Act;
- (g) a judgment in an amount exceeding \$250,000 is obtained against an Obligor and is not set aside or satisfied within 20 Business Days;
- (h) a distress, attachment, execution or other process of a Government Agency is issued against, levied or entered upon a asset of an Obligor in an amount exceeding \$250,000 and is not set aside or satisfied within 10 Business Days;
- (i) a receiver, controller (within the meaning of section 9 of the Corporations Act) or analogous person is appointed to, or the holder of a Security Interest takes possession of, all or any part of the assets of an Obligor;
- (j) an Obligor:
 - (1) suspends payment generally;
 - (2) becomes an externally-administered body corporate within the meaning of the Corporations Act;
 - (3) becomes subject to administration under Part 5.3A of Chapter 5 of the Corporations Act; or
 - (4) is or states that it is, or is deemed by applicable Law to be, unable to pay its debts;

- (k) pursuant to section 459F of the Corporations Act an Obligor is taken to have failed to comply with a statutory demand;
- (l) an Obligor takes any step for the purpose of entering into a compromise or arrangement with its members or creditors generally;
- (m) anything which is analogous or has an effect which is substantially similar to any of the events in clauses 12.1(d) to 12.1(l) of this definition occurs under any Law;
- (n) an Obligor implements a merger, demerger or scheme of arrangement with any person without the prior approval of the Noteholders;
- (o) an Obligor ceases to carry on, or suspends operation of its, business;
- (p) a material provision of a Transaction Document or Legend Transfer Agreement is held by a court of competent jurisdiction to be illegal, void, voidable or unenforceable;
- (q) any person purports to terminate, rescind or avoid any material provision of any Transaction Document or Legend Transfer Agreement;
- (r) the execution, delivery or performance of the Transaction Documents (including the issue and Conversion of the Notes) or Legend Transfer Agreement by an Obligor:
 - (1) breaches its constitution or other constituent documents (as applicable); or
 - (2) breaches any Law or obligation, by which it is bound and which would prevent it from entering into and performing all or any material obligations under this agreement;
- (s) the process of any court of authority is invoked against an Obligor or a material part of the property of an Obligor to enforce any judgement or order for any amount;
- (t) any of the following occurs:
 - (1) any Financial Indebtedness of an Obligor becomes due (other than at the option of that Obligor) prior to its stated maturity;
 - (2) any Financial Indebtedness of an Obligor is not paid when due or within any applicable period of grace;
 - (3) any Security Interest granted by an Obligor is enforced by reason of the occurrence of an event of default or analogous occurrence (however described); or
 - (4) any stock, shares, debenture, bond or similar instrument issued by the an Obligor is required to be redeemed or repurchased prior to its stated maturity by reason of the occurrence of an event of default or analogous occurrence (however described);
- (u) if any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Noteholders and an Obligor does not comply with those conditions or those conditions are not fulfilled (whether by an Obligor or any other person) or are or become incapable of fulfilment;
- (v) a person is appointed under any legislation to manage any part of the affairs of an Obligor;
- (w) all or a material part of the assets of an Obligor are compulsorily acquired by any Government Agency or an Obligor sells or divests all or a material part of its assets pursuant to a binding order from a Government Agency and full compensation is not received for the acquisition, sale or divestiture;

- (x) all or any material provision of any of the Transaction Documents or Legend Transfer Agreement:
 - (1) does not have effect or ceases to have effect in accordance with its terms;
 - (2) is held to be or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally; or
 - (3) is claimed by an Obligor to be any of the matters referred to in clause 12.1(x)(1) or 12.1(x)(2) or an Obligor or any other person commences any court proceedings to establish any of the matters referred to in clause 12.1(x)(1) or 12.1(x)(2) to be the case;
- (y) any event occurs which has or is likely to have a Material Adverse Effect;
- (z) the abandonment, suspension, cessation, destruction or shutdown of all or a substantial part of the Paradise Phosphate Project;
- (aa) termination or revocation of any of the Key Mining Rights or associated Authorisations or arrangements (including compensation and land access arrangements);
- (bb) the commencement, or pending or threatened commencement, of any Action against any Obligor which is reasonably likely to have a Material Adverse Effect;
- (cc) an Obligor ceases for any reason to be able lawfully to carry out all the transactions contemplated in any of the Transaction Documents or Legend Transfer Agreement;
- (dd) the Company becomes a member of a Tax Consolidated Group; or
- (ee) the documents and evidence referred to in clause 1.8(b) are not provided in form and substance satisfactory to the Noteholders by 10 March 2013.

12.2 Appointment of a Controller

- (a) If the Security Trustee appoints a Controller (as defined in the Security Trust Deed) under a Security (as defined in the Security Trust Deed) on occurrence of an Event of Default referred to in clauses 12.1(b), 12.1(o), 12.1(y), 12.1(z) or 12.1(bb), then that Controller must not enter into any agreement to sell the assets the subject of the Security for a period of 45 days from the date of its appointment.
- (b) For the avoidance of doubt, clause 9.2(a):
 - (1) only applies to the first appointment of a Controller and clause 9.2(a) does not apply to any subsequently appointed Controller provided that 45 days has expired since the date of first appointment of a Controller;
 - (2) in no way restricts or fetters the rights of the Controller to undertake a sale process for the assets the subject of the Security; and
 - (3) must in no way interfere with the performance by the Controller of its obligations under the Corporations Act.

12.3 Investigating accountants

At any time while an Event of Default is subsisting a Noteholder may by notice to the Company appoint, at the cost of the Company, an investigating accountant or other consultants to:

- (a) review and report to the Noteholders on the affairs, financial condition and business of the Company and any other Obligor; and
- (b) to prepare such reports for the Noteholder as it deems necessary including accounting, legal and valuation reports.

13 Tax Indemnity

13.1 Tax indemnity

Legend indemnifies (and must keep indemnified) the Company from and against the amount of any:

- (a) Tax payable by the Company to the extent that the Tax:
 - (1) relates to any period, or part period, up to and including Completion; or
 - (2) arises as a result of entry into this agreement or Completion (other than any duty to be paid by the Noteholders under clause 14.4(g)); and
- (b) Tax Costs incurred by or on behalf of the Company to the extent that the Tax Costs arise from or relate to any of the matters for which Legend may be liable under clause 13.1(a).

13.2 Gross up

If the amount received by the Company is treated as income under the Tax Law such that the payment increases the income tax payable by the Company under the Tax Law, then the payment must be grossed-up by such amount as is necessary to ensure that the net amount retained by the Company after deduction of Tax or payment of the increased income tax equals the amount the Company would have retained had the Tax or increased income tax not been payable, after taking into account any benefits or relief relating to Tax.

14 Tax Claims

14.1 Notice of claims

The Company must promptly notify Legend if:

- (a) a Tax Claim is made which the Company believes will give rise to a claim under clause 13;
- (b) the Company decides to make a claim under clause 13; or
- (c) the Company becomes aware of any events, matters or circumstances (including any potential or threatened Tax Claim) which are reasonably likely to give rise to a claim under clause 13, whether alone or with any other claim or circumstances.

14.2 Details required

The Company must include in a notice given under clause 14.1:

- (a) all relevant details (including the amount) then known to the Company of the Tax Claim;
- (b) the events, matters or circumstances giving rise to the Claim;
- (c) an extract of any part of a Tax Claim that identifies the liability or amount to which the Tax Claim relates or other evidence of the amount of the Tax Claim; and
- (d) if available or relevant, any corresponding part of any adjustment sheet or other explanatory material issued by a Government Agency which specifies the basis for the Tax Claim or other evidence of that basis.

14.3 Payment of Tax Claims

The Company may not:

- (a) accept, compromise or pay,
- (b) agree to arbitrate, compromise or settle; or
- (c) make any admission or take any action in relation to,

a Tax Claim without the prior consent of Legend. However, nothing in this clause shall prevent the Company from making payments of Tax, where such payments are due under a Tax Law.

14.4 Disputing Tax Claims

- (a) Following receipt of a notice under clause 14.1 in respect of a Tax Claim, Legend may by written notice to the Company (but no later than 5 Business Days before the due date for payment of the relevant Tax) advise the Company that it wishes to contest the Tax Claim.
- (b) If Legend advises the Company that it wishes to contest the Tax Claim then:
 - (1) Legend must pay the Company so much of the Tax as is required by the relevant Government Agency to be paid while any action is being taken under this clause 12.4 by the later of:
 - (A) 2 Business Days before the due date for payment to the Government Agency; and
 - (B) 10 Business Days after receipt of the notice given by the Buyer under clause 14.1;
- (c) At Legend's written request, the Company must take, or procure that the person required to pay the Tax takes such Disputing Action in a timely manner in relation to the Tax Claim as Legend may reasonably require.
- (d) The Company will not be obliged to take any Disputing Action under this clause 14.4 unless the grounds of objection are considered to have a reasonable chance of success.
- (e) The Company must follow, all reasonable directions of Legend relating to the conduct of any Disputing Action referred to in this clause 14.4 including using professional advisers nominated by Legend.
- (f) In making any directions under this clause 14.4, Legend must:
 - (1) act in good faith;
 - (2) liaise with the Company in relation to conduct of Disputing Action; and
 - (3) provide the Company with reasonable access to a copy of any notice, correspondence or other document relating to that Disputing Action; and

- (4) act reasonably in all the circumstances, including, having regard to the likelihood of success and the effect of the directions on the goodwill or reputation of the Company or any party to this agreement.
- (g) The Company must provide Legend with all reasonable assistance requested by it in relation to the Tax Claim and the Disputing Action, including providing, at Legend's cost, access to witnesses and documentary or other evidence relevant to the Tax Claim or the Disputing Action, allowing it and its legal advisers to inspect and take copies of all relevant books, records, files and documents, and providing it with reasonable access to the personnel, premises and chattels of the Company.

15 Duties, costs and expenses

15.1 Duties

The Noteholders must pay all duty in respect of the execution, delivery and performance of this agreement and any agreement or document entered into or signed under this agreement, however the Company is liable for any duty payable on the transactions contemplated in the Legend Transfer Agreement.

15.2 Costs and expenses

- (a) The Company must pay each Noteholders' costs and expenses in relation to the negotiation, preparation, execution and delivery of the Transaction Documents.
- (b) Unless otherwise provided for in this agreement, each party must pay its own costs and expenses in respect of the negotiation, preparation, execution, delivery and registration of this agreement and any other agreement or document entered into or signed under this agreement and each Transaction Agreement.
- (c) Any action to be taken by the Noteholders or Legend in performing its obligations under this agreement must be taken at its own cost and expense unless otherwise provided in this agreement.

16 GST

16.1 Definitions

Words used in this clause 16 which have a defined meaning in the GST Law have the same meaning as in the GST Law unless the context indicates otherwise.

16.2 GST

- (a) Unless expressly included, the consideration for any supply under or in connection with this agreement does not include GST.
- (b) To the extent that any supply made under or in connection with this agreement is a taxable supply (other than any supply made under another agreement which contains a specific provision dealing with GST), the recipient must pay, in addition to the consideration provided under this agreement for that supply (unless it expressly includes GST) an amount (additional amount) equal to the amount of that consideration (or its GST exclusive market value) multiplied by

the rate at which GST is imposed in respect of the supply. The recipient must pay the additional amount at the same time as the consideration to which it is referable.

- (c) Whenever an adjustment event occurs in relation to any taxable supply to which this clause 16.2 applies:
- (1) the supplier must determine the amount of the GST component of the consideration payable; and
 - (2) if the GST component of that consideration differs from the amount previously paid, the amount of the difference must be paid by, refunded to or credited to the recipient, as applicable.

16.3 Tax invoices

The supplier must issue a Tax Invoice to the recipient of a supply to which clause 16.2 applies no later than 7 days following payment of the GST inclusive consideration for that supply under that clause.

16.4 Reimbursements

If either party is entitled under this agreement to be reimbursed or indemnified by the other party for a cost or expense incurred in connection with this agreement, the reimbursement or indemnity payment must not include any GST component of the cost or expense to the extent that the cost or expense is the consideration for a creditable acquisition made by the party being reimbursed or indemnified, or by its representative member.

17 Note certificates and register

17.1 Note certificates

- (a) Upon registration of a transfer of Notes, the Company must cancel the Note Certificate in respect of those Notes and re-issue a Note Certificate in respect of the Notes to the transferee (and, if the transferor has retained any Notes represented by the cancelled Note Certificate, re-issue a Note Certificate in respect of those Notes to the transferor).
- (b) Upon repayment of the amount due in respect of Notes on redemption of the Notes or Conversion of Notes, the Company must cancel the Note Certificate in respect of those Notes and re-issue a Note Certificate in respect of the remaining Notes (if any) represented by the cancelled Note Certificate to the holder of those remaining Notes.

17.2 Maintenance of register

The Company must prepare and maintain a register of the Noteholders containing all usual and proper information relating to the Notes including, without limitation:

- (a) the name and address of each Noteholder;
- (b) the number and Face Value of Notes held by or on behalf of each Noteholder;
- (c) whether Notes held by or on behalf of a Noteholder have been repaid, converted or issued to or transferred to or from the Noteholder;
- (d) the date of issue, transfer, repayment or conversion of each Note;

- (e) if a Note held by or on behalf of the Noteholder has been converted into Ordinary Shares, the number and class of Ordinary Shares issued pursuant to the conversion; and
- (f) the number of each Note Certificate.

17.3 Effect of inscription

- (a) Each inscription in the register of Noteholders is sufficient and conclusive evidence to all persons and for all purposes that the person whose name is so inscribed is the registered holder of the Note, except in the case of manifest error, fraud or a breach by the Company of its obligations under clause 17.2.
- (b) The Company must, if directed by a Noteholder, record on the register of Noteholders that a Noteholder (or nominee) holds Notes as trustee or custodian for another party.

17.4 Inspection

The Company must make the register of Noteholders available for inspection by Noteholders during Business Hours and as required by the Corporations Act.

17.5 Replacement

If any Note Certificate:

- (a) becomes worn out or defaced, the Company must upon the Note Certificate being provided to the Company and upon request by the Noteholder who holds the Notes represented by the Note Certificate cancel the Note Certificate and issue a replacement Note Certificate to the Noteholder; and
- (b) is lost or destroyed, the Company must upon request by the Noteholder who holds the Notes represented by the Note Certificate cancel the Note Certificate and issue a replacement Note Certificate to the Noteholder.

18 Cross guarantee and indemnity

18.1 Cross guarantee and indemnity

Each Obligor:

- (a) unconditionally and irrevocably guarantees to the Noteholders on demand, the due and punctual performance of each Obligor's obligations under this agreement, including without limitation the payment of any Scheduled Repayment Amount or Redemption Amount; and
- (b) as a separate and additional liability, indemnifies the Noteholders against all Loss, actions, proceedings and judgments of any nature, incurred by, brought, made or recovered against the Noteholders arising from any default or delay in the due and punctual performance of an Obligor's obligations under this agreement including without limitation the payment of any Scheduled Repayment Amount or Redemption Amount.

18.2 Extent of cross guarantee and indemnity

The liability of each Obligor under this clause 18 is not affected by anything which, but for this clause 18 might operate to release or exonerate any Obligor in whole or in part from

its obligations including any of the following, whether with or without the consent of any Obligor:

- (a) the grant to any Obligor or any other person of any time, waiver or other indulgence, or the discharge or release of any Obligor or any other person from any liability or obligations;
- (b) any transaction or arrangement that may take place between any Obligor, the Noteholders or any other person;
- (c) the Noteholders exercising or refraining from exercising their rights under any security or any other rights, powers or remedies against any Obligor or any other person;
- (d) the amendment, replacement, extinguishment, unenforceability, failure, loss, release, discharge, abandonment or transfer either in whole or in part, and either with or without consideration, of any security now or in the future held by the Noteholders from any Obligor or any other person or by taking of or failure to take any security;
- (e) the failure or omission or any delay by any Obligor or the Noteholders to give notice to any Obligor of any default by any Obligor under this agreement; and
- (f) any legal limitation, disability, incapacity or other circumstances related to any Obligor or any other person.

18.3 Assignment benefit

The Noteholders may assign the benefit of this clause 18 without the consent of any Obligor if the Noteholders assign the benefit of this agreement with the consent of the Company.

18.4 Accession of new Security Provider

If the Company incorporates or acquires a new Subsidiary, then within 10 Business Days following incorporation or acquisition of the new Subsidiary, the Company must procure that the Subsidiary:

- (a) becomes a party to this agreement as a Security Provider by executing a New Security Provider Accession Deed;
 - (b) becomes party to the Security Trust Deed in the capacity of a Security Provider by executing an 'Accession Deed (Security Provider)'; and
 - (c) provides Security Interests over its assets to the Security Trustee,
- and provides copies of all relevant documents to the parties (copied to the Security Trustee).

19 Information

19.1 Confidentiality

Each party (**recipient**) must keep secret and confidential, and must not divulge or disclose any information relating to another party or its business (which is disclosed to the recipient by the other party, its representatives or advisers), this agreement or the terms of the Notes other than to the extent that:

- (a) the information is in the public domain as at the date of this agreement (or subsequently becomes in the public domain other than by breach of any obligation of confidentiality binding on the recipient);

- (b) the recipient is required to disclose the information by applicable law, order of court of competent jurisdiction, order of Government Authority having the power to do so or the rules of any recognised stock exchange on which its shares or the shares of any of its related bodies corporate are listed, provided that the recipient has to the extent possible having regard to the required timing of the disclosure consulted with the provider of the information as to the form and content of the disclosure;
- (c) the disclosure is made by the recipient to its financiers or lawyers, accountants, investment bankers, consultants, Permitted Transferee, investors, potential investors, or other professional advisers to the extent necessary to enable the recipient to properly perform its obligations under this agreement or to conduct their business generally, in which case the recipient must ensure that such persons keep the information secret and confidential and do not divulge or disclose the information to any other person;
- (d) the disclosure is required for use in legal proceedings regarding this agreement or the Notes; or
- (e) the party to whom the information relates has consented in writing before the disclosure.

19.2 Extent of obligation

Each recipient must ensure that its directors, officers, employees, agents, investors, potential investors, representatives, financiers, advisers and related bodies corporate (collectively "**Confidential Associates**") comply in all respects with the recipient's obligations under clause 19.1 and shall be liable in full for any disclosure by such Confidential Associate.

20 Notices

20.1 How and where Notices may be sent

A notice or other communication under this agreement (**Notice**) must be in writing and delivered by hand or sent by pre-paid post to a party at the address for that party in Schedule 3 or as otherwise specified by a party by Notice.

20.2 When Notices are taken to have been given and received

- (a) A Notice sent by post is regarded as given and received on the second Business Day following the date of postage.
- (b) A Notice delivered or received other than on a Business Day or after 5.00pm (recipient's time) is regarded as received at 9.00am on the following Business Day and a Notice delivered or received before 9.00am (recipient's time) is regarded as received at 9.00am.

21 Trustee provisions

21.1 Capacity

- (a) Each of MIT 1 and MIT 2 (in this clause 21, each a **Trustee**) enters into this agreement only in its capacity as trustee, of Microcap Investment Trust 1 and

Microcap Investment Trust 2, respectively (in this clause 21, each a **Trust**) and in no other capacity.

- (b) Any obligation or liability of whatever kind undertaken or incurred by, or devolving upon a Trustee under or in respect of this agreement (**Obligation**) is incurred by that Trustee in its capacity as trustee of the Trust and the Trustee will cease to have any such obligation or liability under this agreement if it ceases for any reason to be the trustee or responsible entity (as the case may be) of Trust. This limitation does not apply to any obligation or liability incurred by a Trustee which arises under this agreement before it ceases to be the trustee of the Trust and which does not become a liability of the new trustee under any applicable law.
- (c) No Trustee will be liable to pay or satisfy any Obligation except out of the assets of the Trust against which it is entitled to be indemnified in respect of any Liability incurred by it as trustee or responsible entity (as the case may be) of the Trust.
- (d) A party may enforce its rights against a Trustee arising from non-performance or breach of the Obligations only to the extent that the Trustee is entitled to be indemnified out of the assets of the Trust.
- (e) If a party does not recover under clauses 21.1(c) or 21.1(d) all money owing to it arising from non-performance or breach of the Obligations, it may not seek to recover the shortfall by:
 - (1) bringing proceedings against the Trustee (as relevant) in its personal capacity; or
 - (2) applying to have the Trustee wound up or proving in the winding up of the Trustee.
- (f) Nothing in this clause 21.1 limits the Trustee's personal liability to the extent such liability results from the Trustee's fraud, dishonesty, negligence, default or breach of trust or breach of duty.

21.2 Trustee representations and warranties

Each Trustee represents and warrants to each other party that, in respect of the Trust of which it is trustee:

- (a) it is the only trustee of the Trust and no action has been taken or is proposed to remove it as trustee of the Trust;
- (b) it has the power under the terms of the Trust to enter into and comply with its obligations under this agreement;
- (c) it has carefully considered the purpose of this agreement and considers that entry into this agreement is for the benefit of the beneficiaries of the Trust;
- (d) it has a right to be fully indemnified out of the Trust assets in respect of obligations incurred by it under this agreement and the assets of the Trust are sufficient to satisfy that right of indemnity and all other obligations in respect of which the Trustee has a right to be indemnified out of the Trust assets;
- (e) it is not, and has never been, in default under the terms of the Trust;
- (f) no action has been taken or proposed to terminate the Trust; and
- (g) as far as it is aware, it and its directors and other officers have complied with their obligations in connection with the Trust.

21.3 Restrictions

Until all obligations under this agreement are discharged, each Trustee must not, unless required by law or by a contractual arrangement with any beneficiary of the Trust, without the prior written consent of all other parties (not to be unreasonably withheld), do anything which:

- (a) could restrict the Trustee's right of indemnity from the Trust assets in respect of obligations incurred by the Trustee under this agreement; and
- (b) could restrict or impair the ability of the Trustee to comply with its obligations under this agreement.

22 General matters

22.1 Noteholders

The rights and obligations of each Noteholder are several among the Noteholders.

22.2 Waiver

No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 5.10 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this agreement and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

22.3 Invalidity and enforceability

- (a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 5.11(a) does not apply where enforcement of the provision of this agreement in accordance with clause 5.11(a) would materially affect the nature or effect of the parties' obligations under this agreement.

22.4 Severance

If any provision of this agreement is void, illegal or unenforceable, it may be severed without affecting the enforceability of the other provisions in this agreement.

22.5 Counterparts

This agreement may be executed in any number of counterparts. All counterparts taken together, constitute one instrument. A party may execute this agreement by signing any counterpart.

22.6 Separate capacities

If a person is a party or a Noteholder in more than one capacity of trustee, responsibility entity, agent, custodian or nominee, the person will for the purposes of this agreement be treated as a separate person in respect of each such capacity.

22.7 Further action to be taken at each party's own expense

Subject to clause 15, the Company must do, and must ensure that each Subsidiary does, at its own expense, all things and execute all documents necessary to give full effect to this agreement and the transactions contemplated by it.

22.8 Cumulative rights

The rights, powers, authorities, discretions and remedies which arise out of or under this agreement are cumulative and do not exclude any other rights, powers, authorities, discretions and remedies of a party (including those which arise as a result of a breach of this agreement or of any other obligation).

22.9 Survival

Clauses 1.1 - 1.5, 7.5, 7.6, 19, 20, 21.1 and any rights, powers, authorities, discretions, remedies and obligations which arise in respect of a breach of this agreement survive termination of this agreement.

22.10 Variation

A variation of any term of this agreement must be in writing and signed by the parties.

22.11 Governing law and jurisdiction

- (a) This agreement is governed by the law in force in State of Victoria.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in State of Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

Table of contents

Notice details	52
Form of Note certificate	53
Warranties	54
Noteholder Warranties	61
Form of Redemption Notice	62
Cash Flow Model	63
Capital Structure	64
Mining Rights	65
Officer's certificate	67

Notice details

Company and Legend

Address Level 8, 580 St Kilda Road, Melbourne, 3004
Attention Craig Michael/Tony Chay
Phone +613 85322866

Noteholders

Address Acorn Capital Limited, Level 12, 90 Collins Street, Melbourne 3000
Attention Robert Routley / Matthew Sheehan
Phone +613 9639 0522

Form of Note certificate

Convertible Note Certificate

Certificate Number: [insert number]

Insert name, ACN and name of underlying beneficiary (if any)

(the Company)

THIS IS TO CERTIFY that [insert name, ACN or ABN (if any) and address] in its capacity as custodian for [**insert Noteholder**] (the Noteholder) is the registered holder of [insert number] convertible notes with a face value of \$1 each issued under the convertible note agreement dated [insert date] between [insert parties] (as amended).

The common seal of
[insert name of company]
is fixed to this document in the presence of

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

This certificate must be surrendered to the Company on transfer, conversion, repayment or purchase by the Company of any convertible note represented by it.

Warranties

1 General

1.1 Registration

Each Obligor is a corporation registered (or taken to be registered) and validly existing under the Laws of its incorporation.

1.2 Incorporation

Each Obligor is validly incorporated, organised and subsisting in accordance with the Laws of its place of incorporation.

1.3 Power and capacity

Each Obligor has full power and capacity to enter into and perform its obligations under this agreement.

1.4 Corporate authorisations

All necessary authorisations for the execution, delivery and performance by each Obligor of this agreement in accordance with its terms have been obtained or will be obtained prior to Completion or other date required for their performance under a Transaction Document.

1.5 No legal impediment

The execution, delivery and performance by each Obligor of this agreement:

- (a) complies with its constitution; and
- (b) does not constitute a breach of any law or obligation, or cause or result in a default under any agreement, or Security Interest, by which each Obligor is bound.

1.6 Solvency

- (a) No Obligor has gone, or proposed to go, into liquidation.
- (b) No Obligor has passed a winding-up resolution or commenced steps for winding-up or dissolution.
- (c) No Obligor has been presented or threatened with a petition or other process for winding-up or dissolution and there are no circumstances justifying a petition or other process.
- (d) No receiver, receiver and manager, judicial manager, liquidator, administrator, official manager has been appointed, or is threatened or expected to be appointed, over the whole or a substantial part of the undertaking or property of an Obligor, and there are no circumstances justifying such an appointment.

- (e) No Obligor has entered into, or taken steps or proposed to enter into, any arrangement, compromise or composition with or assignment of the benefit of its creditors or class of them.
- (f) Each Obligor is solvent and will not become insolvent by entering into and performing its obligations under each Transaction Document to which is a party.

1.7 Capital Structure

The capital structure of the Company is as set out in Schedule 9.

1.8 Ownership

- (a) Each Noteholder will acquire at Completion the full legal and beneficial ownership of the Notes free and clear of all Security Interests, subject to registration of the Noteholder in the register of noteholders.
- (b) The Notes are free of competing rights, including pre-emptive rights or rights of first refusal and are fully paid and have no money owing in respect of them.

2 Business Warranties

2.1 The Notes

- (a) The Notes have been duly authorised by the Company and, when issued in accordance with this agreement, will constitute valid and legally binding obligations of the Company.
- (b) The Company has authority to allot and issue, free from pre-emption rights, sufficient Ordinary Shares to enable the conversion rights attaching to the Notes and all other rights on issue of and Conversion into Ordinary Shares to be satisfied in full.
- (c) The Ordinary Shares to be issued on Conversion of the Notes will:
 - (1) not violate any pre-emptive rights of any holder of Ordinary Shares;
 - (2) be issued credited as fully-paid and will not be subject to calls for further funds; and
 - (3) rank *pari passu* with the outstanding Ordinary Shares on the relevant Conversion Date.
- (d) There are no restrictions upon the voting or transfer of any of the Ordinary Shares whether pursuant to the Company's constitution, any Law or any agreement or otherwise.
- (e) No action or thing is required to be taken, fulfilled or done (including without limitation the obtaining of any consent or licence or the making of any filing or registration) for the issue of the Notes, the issue of Ordinary Shares on Conversion of the Notes, or the compliance by each Obligor with the terms of the Notes and the agreement as the case may be.
- (f) The execution, delivery and performance of this agreement by an Obligor, does not and will not breach any applicable Law, rule, regulation, or breach any judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over any Obligor.

2.2 The Mining Rights

- (a) The Obligors (as applicable) have, or will be entitled to, a 100% legal and beneficial right and title to and interest in the Mining Rights, free of all Security Interests (save for the Existing Security Interests and Securities contemplated under this agreement) and other third party rights.
- (b) Other than the Mining Rights and the applications for Mining Rights, the Obligors:
 - (1) do not have an interest in any tenements;
 - (2) have not applied for any tenements;
 - (3) do not have any access rights or rights to infrastructure (other than as a member of the public); and
 - (4) do not have any water licencesrelating to the Paradise Phosphate Project.
- (c) All operations in respect to the Mining Rights have been conducted in all material respects in accordance with applicable Laws and the terms or conditions of the Mining Rights and there have not been any breaches or defaults that give rise, or may give rise, to:
 - (1) liabilities under any environmental law or practice or form the basis of reclamation or remediation requirements; or
 - (2) grounds for the forfeiture, cancellation or revocation of the Mining Rights.
- (d) Any material Tax which is payable in respect of the Mining Rights has been paid when due.
- (e) No notice has been served on Legend or an Obligor in respect of any of the Mining Rights which might materially impair, prevent or otherwise interfere with the use of or any of the proprietary rights in the Mining Rights.
- (f) Any tenements overlapping the Mining Rights does not extend over any area relating to the Paradise Phosphate Project where such overlap, will, or would reasonably be likely to have, a Material Adverse Effect.

2.3 Intellectual Property

The Company owns or has an enforceable right to use any and all intellectual property necessary or desirable to develop and exploit (including by beneficiation) the Paradise Phosphate Project (**Paradise IP**). The Paradise IP does not infringe the intellectual property of any third party. All registrations relating to the Paradise IP are valid and enforceable.

2.4 Contractual Arrangements

The Company is not a party to any contract, arrangement or understanding that has not been disclosed to the Noteholders.

2.5 Related Party Loans

Except as specifically provided in this agreement, the Company does not owe any amount of money, or is otherwise indebted, to any Related Party.

2.6 Related Party Contracts

The Company is not a party to any Related Party Transaction other than the Legend Transfer Agreement, the Legend Services Agreement and this agreement.

2.7 The Accounts

- (a) The Accounts:
- (1) have been prepared in accordance with the Accounting Standards;
 - (2) show a true and fair view of the financial position and the assets and liabilities of the Obligors on a consolidated basis at the Accounts Date and of the income, expenses and results of the operations of the Obligors for the financial period ended on the Accounts Date;
 - (3) are not affected by any unusual or non-recurring item;
 - (4) take account of all gains or losses, whether realised or unrealised, arising from foreign currency transactions;
 - (5) provide appropriately for all liabilities of the Obligors at the Accounts Date; and
 - (6) note all contingent liabilities of the Obligors as at the Accounts Date.
- (b) Since the Accounts Date:
- (1) the business of each Obligor has been conducted in the ordinary course of ordinary business and in a proper and efficient manner;
 - (2) no Obligor has entered into a contract or assumed or incurred any liability or obligation or made any payment not provided for in the Accounts except in the ordinary course of ordinary business;
 - (3) no dividend or other distribution or repayment of any loan is in arrears or has been declared or paid by the Company; and
 - (4) there has been no Material Adverse Change affecting any Obligor.

2.8 Compliance with laws

- (a) Each Obligor has complied in all material respects with applicable Laws and administrative requirements, where non-compliance will, or would reasonably be likely to, have a Material Adverse Change.
- (b) Each Obligor has, or will have at Completion all necessary Authorisations material to conduct the business as it is being carried on at Completion and has paid all fees due in relation to them as they fell due.
- (c) No Obligor is in default, or would be in default but for the requirements of notice or lapse of time, under any agreement to which it is a party, where such default will, or would reasonably be likely to, have a Material Adverse Effect on the Obligor.

2.9 No litigation

No Obligor is or has in the last 3 years been:

- (a) a party to any investigation, prosecution, litigation, arbitration proceedings or any other form of mediation or dispute resolution; or
- (b) subject to any investigation by any Government Agency; and

- (c) no investigation, prosecution, litigation, proceeding or any other form of mediation or dispute resolution is pending or threatened by, against or in respect of any Obligor, and there are no circumstances which might give rise to any such investigation, prosecution, litigation, proceeding or other form of mediation or dispute resolution.

2.10 Corporate structure

Except as specifically provided under this agreement (or under any transactions contemplated by this agreement), no Obligor is under any obligation to:

- (a) grant or create any Security Interest over any interest in any security; or
- (b) issue, allot, create, sell, transfer or otherwise dispose of any interest in any security.

2.11 Information

- (a) All information given by, or on behalf of, an Obligor or their advisers to a Noteholder or its advisers is accurate, complete and not misleading in any material respect (including by omission) and is all information that would be material to the assessment of the value, nature and the amount of risk undertaken by a prudent investor intending to invest in a company holding the legal and beneficial interest in the Mining Rights.
- (b) No information has been included in, or omitted from, the:
 - (1) McCullough Robertson independent solicitors report; or
 - (2) Cornwall Stodart due diligence report,provided to the Noteholders that would render that due diligence report misleading in any material respect.
- (c) All budgets, forecasts and projections given by, or on behalf of, an Obligor or their advisers to a Noteholder or its advisers have been honestly and carefully prepared with due care and diligence on a reasonable basis.

3 Tax Warranties

3.1 Withholding

Any obligation on the Company under any Tax Law to withhold amounts at source has been complied with.

3.2 Records

The Company has maintained proper and adequate records to enable it to comply in all material respects with its obligations to:

- (a) prepare and submit any information, notices, computations, returns and payments required in respect of any Tax Law;
- (b) prepare any accounts necessary for compliance with any Tax Law; and
- (c) support any position taken by the Company; and
- (d) retain necessary records as required by any Tax Law.

So far as the Obligors are aware, such records are accurate in all material respects.

3.3 Returns submitted

- (a) The Company has submitted any necessary information, notices, computations and returns to the relevant Governmental Agency in respect of any Tax relating to the Company.
- (b) So far as the Obligors are aware, any information, notice, computation and return which has been submitted by the Company to a Government Agency in respect of any Tax:
 - (1) discloses all material facts required to be disclosed under any Tax Law;
 - (2) is not misleading in any material particular; and
 - (3) has been submitted with the relevant Government Agency.

3.4 Audit and disputes

- (a) The Obligors are not aware of any pending or threatened Tax audit relating to the Company.
- (b) There are no disputes between any of the Company, Legend, or any Government Agency in respect of any Tax.

3.5 Stamping

All documents and transactions entered into by the Legend or the Company which are required to be stamped have been duly stamped.

3.6 No tainting

The Company's share capital account:

- (a) is not tainted within the meaning of Division 197 of the Tax Act; and
- (b) is not taken to be tainted under section 197-20 of the Income Tax (Transitional Provisions) Act 1997.

3.7 GST

- (a) The Company has complied in all material respects with all laws, contracts, agreements or arrangements binding on it relating to GST and, where the Company has the right to require another party to any such agreement or arrangement to pay to it an amount on account of GST, it has enforced that right.
- (b) The Company:
 - (1) is registered for GST;
 - (2) as far as Legend is aware, has complied with the GST Law;
 - (3) as far as each of Legend is aware, has adequate systems established for it to ensure it complies with the GST Law;
 - (4) is a member of Legend's GST Group.
- (c) So far as the Obligors are aware, the representative member of Legend's GST Group has paid or accounted for all GST on supplies made by that entity and has accounted to that entity for all input tax credits and decreasing adjustments for creditable acquisitions and creditable importations of that entity.

- (d) So far as the Obligors are aware, for each period when the Company was not a member of Legend's GST group, the Company has paid or accounted for all GST on supplies for which that entity was liable and has always remitted correct net amounts relating to GST to the relevant Government Agency.
- (e) So far as the Obligors are aware, there is no contract, agreement or arrangement requiring a the Company to supply anything where the consideration for the supply does not include an amount in respect of GST and which does not contain a provision enabling the Company as supplier to recover from the other party to the contract, agreement or arrangement an amount equal to the amount of GST payable on the supply.

Noteholder Warranties

4 Power and Capacity

Each Noteholder has full power and capacity to enter into and perform its obligations under this agreement.

5 Corporate authorisations

Each Noteholder has obtained, or will obtain prior to Completion, all necessary authorisations for the execution, delivery and performance of this agreement in accordance with its terms.

6 No legal impediment

The execution, delivery and performance by each Noteholder of this agreement:

- (a) complies with the Noteholder's constitution or constituent documents (as applicable); and
- (b) does not constitute a breach of any law or obligation, or cause or result in a default under any agreement, or Security Interest, by which the Noteholder is bound.

Form of Redemption Notice

REDEMPTION NOTICE

To: The Directors
Paradise Phosphate Pty Ltd

I/We refer to the agreement (as amended) constituting secured unsubordinated convertible notes (Notes) executed by, among others, Paradise Phosphate Pty Ltd (the Company) on [*] 2011 (the Agreement).

Capitalised terms used but not defined in this notice have the meanings given in the Agreement.

We, being the holder(s) of [*insert number*] Notes (or on whose behalf the Notes are held), hereby exercise our right under clause [**to be inserted**] of the Agreement to redeem [*insert number of Notes*] on [*insert date*] (Redemption Date).

We require the Company to pay [*insert amount*] in Same Day Funds into [*insert account details*] on [**to be inserted**].

The original certificate for the Notes is enclosed.

[Insert execution block]

Dated: [*]

Cash Flow Model

Capital Structure

100,000,002 Ordinary Shares

Mining Rights

7 Granted mining tenements

Project	Tenement
Paradise South	EPM 16942 EPM 17447
Paradise North	ML 90191 EPM 17330 EPM 17441 EPM 15015 EPM 15014
D-Tree	ML 90190 EPM 14753 EPM 15763 EPM 17446 EPM 17333
Other tenements	Farm in Rights under King Eagle Farm-In/Joint Venture Agreement EPM 14905 EPM 14906 EPM 14912

8 Applications for mining tenements

Project	Application
Paradise South	MLA 90197

Paradise North	EPMA 17087
	EPMA 18209

D-Tree	EPMA 17443
--------	------------

Other tenements

9 Access, water and infrastructure rights

Project	Application
----------------	--------------------

Paradise South	MLA 90221
	MLA 90222
	MLA 90223
	MLA 90224
	MLA 90225
	MLA 90226
	MLA 90227

Paradise North	MLA 90210
----------------	-----------

D-Tree

Other tenements

Officer's certificate

To: [Acorn Capital Limited]
(the Noteholders)

I refer to the convertible note agreement between Paradise Phosphate Pty Ltd, [insert Acorn entities] (Convertible Note Agreement).

I [*insert name*] am a director of [*insert name(s) of Company / Security Providers*] (each an **Obligor**).

A term defined in the Convertible Note Agreement has the same meaning when used in this certificate.

I have been authorised by each Obligor to give this certificate.

I certify as follows:

10 Relevant Documents

Attached to this certificate are true, complete and up-to-date copies of each of the following:

- (a) **constitution:** the constitution of each Obligor;
- (b) **[power of attorney:** a duly executed power of attorney granted by the each Obligor authorising execution of the Transaction Documents to which it is a party;]
- (c) **[board minutes:** extracts of minutes of a meeting of the directors of the each Obligor approving the execution and performance of its obligations under the Transaction Documents to which it is expressed to be a party and the granting of the power of attorney referred to in clause 1(b).]

11 No revocation

Each document[, power of attorney] and resolution referred to in clause 1 is in full force and effect and has not been amended, modified or revoked.

12 Officers

The following signatures are the true signatures of each of the officers of the each Obligor as at the date of this certificate:

Name	Position	Signature

[insert name] [insert details of position]

[insert name] [insert details of position]

[insert name] [insert details of position]

13 Representations

I represent and warrant that no Event of Default has occurred which is continuing or will occur as a result of the issue of the Notes.

14 Certification

I certify that as at the date of execution of each Transaction Document:

- (a) each Obligor, before entering into any Transaction Document to which it is a party, has, in connection with the execution, delivery and performance of each such Transaction Document, complied with chapter 2E and Part 2J.3 of the Corporations Act; and
- (b) each Obligor is solvent and will not become insolvent by entering into and performing its obligations under each Transaction Document to which is a party.

sign here ►

Director [insert name and capacity – director/secretary]

date

Executed as an agreement

Initial Noteholder

Executed by Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 1
by

sign here ► _____
Director

print name _____

sign here ► _____
Director/Secretary

print name _____

Initial Noteholder

Executed by Australian Microcap Investments Pty Ltd as trustee for Microcap Investment Trust 2
by

sign here ► _____
Director

print name _____

sign here ► _____
Director/Secretary

print name _____

Company

Executed by
Paradise Phosphate Pty Ltd
by

sign here ▶ _____
Company Secretary/Director

print name _____

sign here ▶ _____
Director

print name _____

Legend

Executed by
Legend International Holdings, Inc
by

sign here ▶ _____

print name _____

sign here ▶ _____

print name _____

Table of contents

Deed of adherence

New Security Provider Accession Deed Poll

Term	Meaning
Party	a party to the Convertible Note Agreement.
Registration	the entry of the New Noteholder in the register of Noteholders of the Company as the holder of any Note.
Relevant Notes	<i>[insert number and class of Notes which are to be transferred to the New Noteholder].</i>

15.2 Definitions in Convertible Note Agreement

A word or phrase defined in the Convertible Note Agreement has the same meaning when used in this agreement (except as otherwise specified or the context otherwise provides).

16 Adherence

Subject to the transfer of the Relevant Notes from ***[insert name of transferor]*** to the New Noteholder being executed and delivered to the New Noteholder, the New Noteholder agrees for the benefit of the Parties to observe and perform and be bound by the Applicable Provisions to the intent and effect that the New Noteholder will as from Registration be deemed to:

- (a) be a party to the Convertible Note Agreement; and
- (b) have the rights and obligations of a Noteholder under the Applicable Provisions.

17 Amendment

For the purpose of clause 20 of the Convertible Note Agreement, the address details of the New Noteholder are as follows:

The address of ***[insert name of new Noteholder]*** is:

[insert address of new Noteholder]

Attention: ***[insert name of contact for new Noteholder]***

Facsimile: ***[insert facsimile number of new Noteholder]***

18 One instrument

This deed poll will be read together with the Convertible Note Agreement, both of which will together be construed as one and the same instrument.

Executed as a deed poll

[insert relevant execution clause]

Term	Meaning
	122are incapable of application to the New Security Provider.
Effective Date	the date of this deed poll.
Convertible Note Agreement	the convertible note agreement dated [<i>insert date</i>] between the Company, Legend, MIT 1 and MIT 2 (as amended).
Party	a party to the Convertible Note Agreement

19.3 Definitions and Interpretation

A word or phrase defined, and the interpretation provisions, in the Convertible Note Agreement apply to this deed poll as if set out in full in this deed poll.

20 New Security Provider becomes a party

With effect on and from the Effective Date, the New Security Provider agrees for the benefit of the Parties:

- (a) to be a party to the Convertible Note Agreement;
- (b) bound by the Applicable Provisions and has the same rights and assumes the same obligations as if it were a party to the Convertible Note Agreement as a Security Provider; and
- (c) each reference in the Convertible Note Agreement to ‘Security Provider’ includes a reference to the New Security Provider.

21 Acknowledgments

21.1 Copies of documents

The New Security Provider acknowledges that it has received a copy of the Convertible Note Agreement together with the other information it has required in connection with this deed poll.

22 Notices

For the purposes of clause 20 of the Convertible Note Agreement, the details of the New Security Provider are as follows:

Name:

Office:

Address:

Attention:

Facsimile:

23 One instrument

This deed poll will be read together with the Convertible Note Agreement, both of which will together be construed as one and the same instrument.

24 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of revocation of the attorney's power of attorney.

Executed as a deed poll

[insert execution clauses]

PURCHASE AGREEMENT

THIS AGREEMENT made as of the 17th day of March, 2013

BETWEEN:

Newton Centre Development Limited, a company incorporated in the British Virgin Islands with the IBC No. 264144

(the "**Purchaser**")

- and -

LEGEND INTERNATIONAL HOLDINGS INC, a corporation governed by the laws of Delaware USA

(the "**Vendor**")

WHEREAS the Vendor owns 35,485,357 issued and outstanding common shares of Merlin Diamonds Ltd (the "**Company**") and wishes to sell to the Purchaser 24,000,000 of such common shares (such common shares of the Company being purchased and sold pursuant to this agreement hereinafter referred to as the "**Purchased Shares**");

AND WHEREAS the Vendor wishes to sell and the Purchaser wishes to acquire the Purchased Shares for a purchase price of AUD\$5,040,000.00;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants contained herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties hereto agree as follows:

**ARTICLE 1
DEFINED TERMS AND INTERPRETATION**

1.1 **Definitions.** Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the following meanings, respectively:

- (a) "**Closing**" means the completion of the sale to and purchase by the Purchaser of the Purchased Shares contemplated herein;
- (b) "**Closing Date**" means within 60 business days from the date hereof, or such earlier or later date as may be mutually acceptable to the Parties;
- (c) "**Company**" means Merlin Diamonds Ltd., and includes its subsidiaries;
- (d) "**Contractual or Other Right or Obligation**" means any form of agreement, contract, instrument, license, permit, registration, judgment, order, decree, indenture, lease, engagement, commitment or franchise;

- (e) "**Encumbrance**" means any form of agreement, option, understanding, commitment, equity, covenant, mortgage, charge, security interest, lien, adverse claim, pledge, demand, action, restriction, order, judgment, decree, encumbrance or right or privilege affecting or capable of affecting the title or right of ownership or ability to transfer or convey any property or asset;
- (f) "**Parties**" means, collectively, the parties to this Agreement and "**Party**" means any of them;
- (g) "**Purchase Price**" has the meaning ascribed thereto in Section 2.1;
- (h) "**Purchased Shares**" means 24,000,000 common shares of the Company to be purchased and sold hereunder;
- (i) "**Purchaser**" means Newton Centre Development Limited;
- (j) "**Subsidiaries**" means Paradise Phosphate Limited, Alexya Pty Ltd, Legend International Holdings Limited and Legend Diamonds Pty Ltd;
- (k) "**Tax**" or "**Taxes**" means any federal, provincial, territorial, state or local income, goods and services, value added, corporation, land transfer, licence, payroll, excise, sales, use, capital, withholding, mining or other tax, levy, duty, royalty, assessment, reassessment or other charge of any kind whatsoever, whether direct or indirect, including any interest or penalty on any of the foregoing, whether disputed or not, and for greater certainty includes Canada Pension Plan premiums and employment insurance premiums;
- (l) "**this Agreement**", "**herein**", "**hereto**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to this Agreement and not to any particular clause, subclause, section, subsection or paragraph or other portion hereof, and include amendments hereto, any agreement which is supplementary to or in amendment or confirmation of this Agreement and any schedules hereto or thereto;
- (m) "**Time of Closing**" means 10:00 a.m. (Melbourne time) on the Closing Date or such other time as may be mutually acceptable to the Parties; and
- (n) "**Vendor**" means Legend International Holdings Inc.

1.2 **Gender and Number.** Any reference in this Agreement to gender shall include all genders and words used herein importing the singular number only shall include the plural and vice versa.

1.3 **Headings, Etc.** The division of this Agreement into articles, sections, subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation hereof.

1.4 **Currency.** All references in this Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

1.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Victoria and the courts of Victoria shall have an exclusive jurisdiction for the resolution of any disputes in connection with this Agreement.

ARTICLE 2
PURCHASE AND SALE OF PURCHASED SHARES

2.1 **Purchased Shares.** Subject to the terms and conditions hereof, the Vendor covenants and agrees to sell, assign and transfer to the Purchaser the Purchased Shares free and clear of all Encumbrances and the Purchaser covenants and agrees to purchase from the Vendor the Purchased Shares.

2.2 **Purchase Price.** The purchase price payable by the Purchaser to the Vendor for the Purchased Shares shall be AUD\$0.21 per Purchased Share, being in the aggregate AUD\$5,040,000 (the "**Purchase Price**").

2.3 **Payment of Purchase Price.**

- (a) The Purchaser shall pay a sum equivalent to 10% of the Purchase Price upon the signing of this Agreement.
- (b) The balance 90% of the Purchase Price shall be paid and satisfied by delivery to the Vendor or a third party pursuant to the Vendor's direction, at the Time of Closing, of a wire transfer in the amount of the Purchase Price.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE VENDOR

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:

3.1 **Due Incorporation and Subsistence of the Purchaser.** The Vendor is a corporation duly incorporated, organized and validly subsisting under the laws of its jurisdiction of incorporation.

3.2 **Permits.** There are no Permits or filings that must be obtained or made by the Vendor in order to complete the transactions contemplated by this Agreement (including without limitation any Permits of or filings with any securities commission or stock exchange).

3.3 **Restrictive Documents.** The Vendor is not subject to, or a party to, any charter or by-law restriction, Encumbrance, Contractual or Other Right or Obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof.

3.4 **Validity of Agreement.**

- (a) The Vendor has all necessary right, power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Vendor hereunder, the performance by the Vendor of its obligations hereunder and the consummation of the transactions contemplated hereby: (i) have been duly authorized by all necessary action, corporate or otherwise, on the part of the Vendor and (ii) do not or will not conflict with or constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the

constating documents, by-laws or resolutions of the Vendor (if the Vendor is a corporation) or of any Contractual or Other Right or Obligation to which the Vendor is a party or by which the Vendor is bound or of any laws or regulations applicable to the Vendor.

- (c) Each of this Agreement and all other agreements and documents required to be delivered by the Vendor hereunder constitute, or on delivery will constitute, a legal, valid and binding obligation of the Vendor enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought.

3.5 **Insolvency.** The Vendor is not insolvent, nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any of its property or had any petition for a receiving order in bankruptcy filed against it.

3.6 **Finder's Fee.** The Vendor has not incurred any finder's fee, commission or other payment in respect of the transactions hereby for which the Purchaser shall be liable.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:

4.1 **Due Incorporation and Subsistence of the Purchaser.** The Purchaser is a corporation duly incorporated, organized and validly subsisting under the laws of its jurisdiction of incorporation.

4.2 **Permits.** There are no Permits or filings that must be obtained or made by the Purchaser in order to complete the transactions contemplated by this Agreement (including without limitation any Permits of or filings with any securities commission or stock exchange).

4.3 **Restrictive Documents.** The Purchaser is not subject to, or a party to, any charter or by-law restriction, Encumbrance, Contractual or Other Right or Obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof.

4.4 **Validity of Agreement.**

- (a) The Purchaser has all necessary right, power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Purchaser hereunder, the performance by the Purchaser of its obligations hereunder and the consummation of the transactions

contemplated hereby: (i) have been duly authorized by all necessary action, corporate or otherwise, on the part of the Purchaser and (ii) do not or will not conflict with or constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the constating documents, by-laws or resolutions of the Purchaser (if the Purchaser is a corporation) or of any Contractual or Other Right or Obligation to which the Purchaser is a party or by which the Purchaser is bound or of any laws or regulations applicable to the Purchaser.

- (c) Each of this Agreement and all other agreements and documents required to be delivered by the Purchaser hereunder constitute, or on delivery will constitute, a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought.

4.5 **Insolvency.** The Purchaser is not insolvent, nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any of its property or had any petition for a receiving order in bankruptcy filed against it.

4.6 **Finder's Fee.** The Purchaser has not incurred any finder's fee, commission or other payment in respect of the transactions hereby for which the Vendor or the Company shall be liable.

ARTICLE 5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

5.1 **Survival.** All covenants, representations and warranties made herein or in any agreement, certificate or other document delivered or given pursuant to this Agreement (other than those which are expressly waived in writing as part of the Closing herein) shall survive the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement and, notwithstanding such completion or any investigation made by or on behalf of the Party to whom or in whose favour such covenants, representations and warranties were made. The representations and warranties contained herein shall survive and continue in full force and effect for the respective benefit of the Purchaser and the Vendor, as the case may be, for a period ending on June 30, 2013, after which period the respective Parties shall be released from their respective obligations and liabilities hereunder relating to such representations and warranties, except in respect of claims made in writing prior to expiry of such period.

5.2 **Limits on Indemnification.** The Parties will indemnify and save each other Party harmless of and from any damages suffered by, imposed upon or asserted against it as a result of, in respect of, connected with, or arising out of, under or pursuant to any breach or inaccuracy of any representation or warranty given by the Party contained in this Agreement for which a notice of claim has been provided to the other Party within the applicable period specified in Section 5.1.

**ARTICLE 6
COVENANTS AND AGREEMENTS OF THE PURCHASER AND THE VENDOR**

6.1 The Purchaser and the Vendor covenant and agree to use their best efforts to satisfy the conditions for closing set out in Articles 7 and 8 hereof, respectively.

6.2 The Vendor agrees to pay all taxes due to any taxing authority as a result of any capital gains or withholding tax on the disposition of the Purchased Shares to the Purchaser.

**ARTICLE 7
CONDITIONS PRECEDENT FOR PURCHASER**

All obligations of the Purchaser under this Agreement are subject to the fulfilment, prior to or at the Time of Closing, of each of the following conditions:

7.1 The Vendor shall have transferred all of the Purchased Shares to the Purchaser and such shares shall be registered on the books of the Company in the name of the Purchaser or as the Purchaser may direct in writing at the Time of Closing.

7.2 The representations, warranties, covenants and agreements of the Vendor set forth in this Agreement shall be true and correct as of the date of the Agreement and shall be true and correct as of the Closing Date as if made by the Vendor on the Closing Date.

7.3 The Vendor shall have fulfilled and/or complied with all of the obligations, covenants and agreements herein contained to be performed or caused to be performed by it.

7.4 The conditions contained in this Article 7 are inserted for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser at any time. The Vendor acknowledges that the waiver by the Purchaser of any condition or any part of any condition shall constitute a waiver only of such condition or such part of such condition, as the case may be, and, shall not be constitute a waiver of any covenant, agreement, representation or warranty made by the Vendor herein that corresponds or is related to such condition or such part of such condition, as the case may be.

**ARTICLE 8
CONDITIONS PRECEDENT FOR THE VENDOR**

All obligations of the Vendor under this agreement are subject to the fulfilment, prior to or at closing, of each of the following conditions:

8.1 The Purchaser shall have paid the Purchase Price for the Purchased Shares to the Vendor in the manner contemplated in Section 2.3 hereof.

8.2 The representations, warranties, covenants and agreements of the Purchaser set forth in this Agreement shall be true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date as if made by the Purchaser on the Closing Date.

8.3 The Purchaser shall have fulfilled and/or complied with all of its obligations, covenants and agreements herein contained to be performed or caused to be performed.

8.4 The conditions contained in this Article 8 are inserted for the exclusive benefit of the Vendor and may be waived in whole or in part by the Vendor at any time. The Purchaser acknowledges that the waiver by the Vendor of any condition or any part of any condition shall constitute a waiver only of such condition or such part of such condition, as the case may be, and, shall not be constitute a waiver of any

covenant, agreement, representation or warranty made by the Purchaser herein that corresponds or is related to such condition or such part of such condition, as the case may be.

ARTICLE 9 CLOSING ARRANGEMENTS AND TERMINATION

9.1 **Closing.** The Closing of the purchase and sale of the Purchased Shares shall take place at the Time of Closing on the Closing Date at such place and/or time as the Parties may mutually agree upon. The Closing will take place outside of Australia, except that the certificates representing the Purchased Shares may be delivered to counsel in Australia for purposes of effecting the transfer of the Purchased Shares into the name of the Purchaser following Closing.

9.2 **Closing Deliveries.** At the Time of Closing:

- (a) the Vendor shall deliver or cause to be delivered to the Purchaser:
 - (i) a securities transfer form for the Purchased Shares with signatures guaranteed in form satisfactory to the Purchaser; and
 - (ii) and all other assurances, transfers, assignments, consents and other documents as the Purchaser's solicitors consider reasonably necessary or desirable to validly and effectively complete the transactions contemplated hereby; and
- (b) the Purchaser shall deliver or cause to be delivered to the Vendor or as it otherwise directs:
 - (i) a wire transfer payable as directed by the Vendor in accordance with the terms hereof; and
 - (ii) all other assurances, transfers, assignments, consents and other documents as the Vendor's solicitors consider reasonably necessary or desirable to validly and effectively complete the transactions contemplated hereby.

ARTICLE 10 MISCELLANEOUS

10.1 **Publicity.** The Parties shall confer and reach agreement as to the content of any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein. None of the Parties shall issue any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein without obtaining the prior written approval of the other Parties, which approval shall not be unreasonably withheld, except as is required by law or by any stock exchange, in which case the Parties shall use their reasonable efforts to obtain the approval of the other Parties.

10.2 **Further Assurances.** To the extent reasonably practicable in the circumstances or permitted by law each of the Parties upon the request of the other shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered and such further acts, deeds, documents, assignments, transfers, conveyances and assurances as may be reasonably necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.

10.3 **Time.** Time shall be of the essence hereof.

10.4 **Successors in Interest.** This Agreement and the provisions hereof shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, personal representatives, successors and permitted assigns, as the case may be.

10.5 **Notices.** Any notice, document or other communication required or permitted by this Agreement to be given by a party hereto shall be in writing and is sufficiently given if delivered personally, or if transmitted by facsimile to such party addressed as follows:

(a) in the case of the Vendor, at:

Level 8, 580 St Kilda Road

Melbourne Victoria 3004 Australia

Telecopier: 011 613 8532 2805

(b) in the case of the Purchaser, to:

AJ 00-06, Goodyear Court 10, 47630 Subang Jaya, Malaysia,

Email: chaihuatlee@yahoo.com

Notice transmitted by facsimile or delivered personally shall be deemed received on the day of transmission or personal delivery, as the case may be. Any party may from time to time notify the others in the manner provided herein of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes hereof.

10.6 **Assignment.** This Agreement may not be assigned by the Vendor without the prior written consent of the Purchaser which consent will not be unreasonably withheld. This Agreement may not be assigned by the Purchaser without the prior written consent of the Vendor which consent will not be unreasonably withheld.

10.7 **Execution by Facsimile in Counterparts.** This Agreement may be executed by the Parties hereto in separate counterparts or duplicates and by facsimile each of which when so executed and delivered shall be an original, but all such counterparts or duplicates shall together constitute one and the same instrument.

10.8 **Entire Agreement.** This Agreement together with any agreements or other documents to be delivered pursuant hereto sets forth the entire agreement among the Parties pertaining to the specific subject matter hereof and replaces and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no warranties, representations or other agreements, whether oral or written, express or implied, statutory or otherwise, between the Parties in connection with the subject matter hereof except as specifically set forth herein.

10.9 **Amendments.** No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

10.10 **Waiver.** No delay or failure of any party in exercising any right or remedy hereunder and no partial exercise of any such right or remedy shall be deemed to constitute a waiver of such right or remedy or any other rights or remedies of such party hereunder. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any consent by

a Party to or any waiver by a Party of any breach of any provision of this Agreement shall not constitute a consent to or waiver of any subsequent, further or other breach of the provisions of this Agreement.

10.11 **Fees and Expenses.** Each of the Vendor and the Purchaser acknowledge and agree that each will be responsible for the payment of their own legal fees and other costs and expenses incurred by them in connection with the purchase and sale transactions contemplated hereby.

10.12 **Severability.** Each of the provisions of this Agreement (and each part of each such provision) is severable from every other provision hereof (and every other part thereof). In the event that any provision (or part thereof) contained in this Agreement or the application thereof to any circumstance shall be invalid, illegal or unenforceable, in whole or in part, in any jurisdiction and to any extent:

- (a) the validity, legality or enforceability of such provision (or such part thereof) in any other jurisdiction and of the remaining provisions contained in this Agreement (the remaining parts of such provision, affected or impaired thereby; as the case may be) shall not in any way be the application of such provision (or such part thereof) to circumstances other than those as to which it is held invalid, illegal or unenforceable shall not in any way be affected or impaired thereby;
- (b) such provision (or such part thereof) shall be severed from this Agreement and ineffective to the extent of such invalidity, illegality or unenforceability in such jurisdiction and in such circumstances; and
- (c) the remaining provisions of this Agreement (or the remaining parts of such provisions, as the case may be).

IN WITNESS WHEREOF the Parties have executed this Agreement as of 17th day of January, 2013.

**NEWTON CENTRE DEVELOPMENT
LIMITED**

Per: s/s Lee Chai Huat
Name: LEE CHAI HUAT
Title: Director

LEGEND INTERNATIONAL HOLDINGS INC

Per: s/s JI Gutnick
Name: JI Gutnick
Title: President

SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of the 8th day of March 2013

BETWEEN:

GOH HIN CALM (Singapore Identity Card No. S1380595D) of Blk 655 Hougang Ave 8, # 08-403 Singapore 530655 (the "**Purchaser**")

- and -

LEGEND INTERNATIONAL HOLDINGS INC, a corporation governed by the laws of Delaware USA

(the "**Vendor**")

WHEREAS the Vendor owns 35,485,357 issued and outstanding common shares of Merlin Diamonds Ltd (the "**Company**") and wishes to sell to the Purchaser 13,000,000 of such common shares (such common shares of the Company being purchased and sold pursuant to this agreement hereinafter referred to as the "**Purchased Shares**");

AND WHEREAS the Vendor wishes to sell and the Purchaser wishes to acquire the Purchased Shares for a purchase price of AUD\$2,860,000.00;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants contained herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties hereto agree as follows:

**ARTICLE 1
DEFINED TERMS AND INTERPRETATION**

1.1 **Definitions.** Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the following meanings, respectively:

- (a) "**Closing**" means the completion of the sale to and purchase by the Purchaser of the Purchased Shares contemplated herein;
- (b) "**Closing Date**" means within 10 business days from the date hereof, or such earlier or later date as may be mutually acceptable to the Parties;
- (c) "**Company**" means Merlin Diamonds Ltd., and includes its subsidiaries;
- (d) "**Contractual or Other Right or Obligation**" means any form of agreement, contract, instrument, license, permit, registration, judgment, order, decree, indenture, lease, engagement, commitment or franchise;
- (e) "**Encumbrance**" means any form of agreement, option, understanding, commitment, equity, covenant, mortgage, charge, security interest, lien, adverse claim, pledge,

demand, action, restriction, order, judgment, decree, encumbrance or right or privilege affecting or capable of affecting the title or right of ownership or ability to transfer or convey any property or asset;

- (f) "**Parties**" means, collectively, the parties to this Agreement and "**Party**" means any of them;
- (g) "**Purchase Price**" has the meaning ascribed thereto in Section 2.1;
- (h) "**Purchased Shares**" means 13,000,000 common shares of the Company to be purchased and sold hereunder;
- (i) "**Purchaser**" means GOH HIN CALM;
- (j) "**Subsidiaries**" means Paradise Phosphate Limited, Alexya Pty Ltd, Legend International Holdings Limited and Legend Diamonds Pty Ltd;
- (k) "**Tax**" or "**Taxes**" means any federal, provincial, territorial, state or local income, goods and services, value added, corporation, land transfer, licence, payroll, excise, sales, use, capital, withholding, mining or other tax, levy, duty, royalty, assessment, reassessment or other charge of any kind whatsoever, whether direct or indirect, including any interest or penalty on any of the foregoing, whether disputed or not, and for greater certainty includes Canada Pension Plan premiums and employment insurance premiums;
- (l) "**this Agreement**", "**herein**", "**hereto**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to this Agreement and not to any particular clause, subclause, section, subsection or paragraph or other portion hereof, and include amendments hereto, any agreement which is supplementary to or in amendment or confirmation of this Agreement and any schedules hereto or thereto;
- (m) "**Time of Closing**" means 10:00 a.m. (Melbourne time) on the Closing Date or such other time as may be mutually acceptable to the Parties; and
- (n) "**Vendor**" means Legend International Holdings Inc.

1.2 **Gender and Number.** Any reference in this Agreement to gender shall include all genders and words used herein importing the singular number only shall include the plural and vice versa.

1.3 **Headings, Etc.** The division of this Agreement into articles, sections, subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation hereof.

1.4 **Currency.** All references in this Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

1.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Victoria and the courts of Victoria shall have an exclusive jurisdiction for the resolution of any disputes in connection with this Agreement.

**ARTICLE 2
PURCHASE AND SALE OF PURCHASED SHARES**

2.1 **Purchased Shares.** Subject to the terms and conditions hereof, the Vendor covenants and agrees to sell, assign and transfer to the Purchaser the Purchased Shares free and clear of all Encumbrances and the Purchaser covenants and agrees to purchase from the Vendor the Purchased Shares.

2.2 **Purchase Price.** The purchase price payable by the Purchaser to the Vendor for the Purchased Shares shall be AUD\$0.22 per Purchased Share, being in the aggregate AUD\$2,860,000 (the "**Purchase Price**").

2.3 **Payment of Purchase Price.**

The Purchaser shall pay the Purchase Price on or before the Closing Date.

**ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE VENDOR**

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:

3.1 **Due Incorporation and Subsistence of the Purchaser.** The Vendor is a corporation duly incorporated, organized and validly subsisting under the laws of its jurisdiction of incorporation.

3.2 **Permits.** There are no Permits or filings that must be obtained or made by the Vendor in order to complete the transactions contemplated by this Agreement (including without limitation any Permits of or filings with any securities commission or stock exchange).

3.3 **Restrictive Documents.** The Vendor is not subject to, or a party to, any charter or by-law restriction, Encumbrance, Contractual or Other Right or Obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof.

3.4 **Validity of Agreement.**

- (a) The Vendor has all necessary right, power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Vendor hereunder, the performance by the Vendor of its obligations hereunder and the consummation of the transactions contemplated hereby: (i) have been duly authorized by all necessary action, corporate or otherwise, on the part of the Vendor and (ii) do not or will not conflict with or constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the constating documents, by-laws or resolutions of the Vendor (if the Vendor is a corporation) or of any Contractual or Other Right or Obligation to which the Vendor is a

party or by which the Vendor is bound or of any laws or regulations applicable to the Vendor.

- (c) Each of this Agreement and all other agreements and documents required to be delivered by the Vendor hereunder constitute, or on delivery will constitute, a legal, valid and binding obligation of the Vendor enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought.

3.5 Insolvency. The Vendor is not insolvent, nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any of its property or had any petition for a receiving order in bankruptcy filed against it.

3.6 Finder's Fee. The Vendor has not incurred any finder's fee, commission or other payment in respect of the transactions hereby for which the Purchaser shall be liable.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:

4.1 Due Incorporation and Subsistence of the Purchaser. The Purchaser is a corporation duly incorporated, organized and validly subsisting under the laws of its jurisdiction of incorporation.

4.2 Permits. There are no Permits or filings that must be obtained or made by the Purchaser in order to complete the transactions contemplated by this Agreement (including without limitation any Permits of or filings with any securities commission or stock exchange).

4.3 Restrictive Documents. The Purchaser is not subject to, or a party to, any charter or by-law restriction, Encumbrance, Contractual or Other Right or Obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof.

4.4 Validity of Agreement.

- (a) The Purchaser has all necessary right, power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Purchaser hereunder, the performance by the Purchaser of its obligations hereunder and the consummation of the transactions contemplated hereby: (i) have been duly authorized by all necessary action, corporate or otherwise, on the part of the Purchaser and (ii) do not or will not conflict with or

constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the constating documents, by-laws or resolutions of the Purchaser (if the Purchaser is a corporation) or of any Contractual or Other Right or Obligation to which the Purchaser is a party or by which the Purchaser is bound or of any laws or regulations applicable to the Purchaser.

- (c) Each of this Agreement and all other agreements and documents required to be delivered by the Purchaser hereunder constitute, or on delivery will constitute, a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought.

4.5 **Insolvency.** The Purchaser is not insolvent, nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any of its property or had any petition for a receiving order in bankruptcy filed against it.

4.6 **Finder's Fee.** The Purchaser has not incurred any finder's fee, commission or other payment in respect of the transactions hereby for which the Vendor or the Company shall be liable.

ARTICLE 5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

5.1 **Survival.** All covenants, representations and warranties made herein or in any agreement, certificate or other document delivered or given pursuant to this Agreement (other than those which are expressly waived in writing as part of the Closing herein) shall survive the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement and, notwithstanding such completion or any investigation made by or on behalf of the Party to whom or in whose favour such covenants, representations and warranties were made. The representations and warranties contained herein shall survive and continue in full force and effect for the respective benefit of the Purchaser and the Vendor, as the case may be, for a period ending on June 30, 2013, after which period the respective Parties shall be released from their respective obligations and liabilities hereunder relating to such representations and warranties, except in respect of claims made in writing prior to expiry of such period.

5.2 **Limits on Indemnification.** The Parties will indemnify and save each other Party harmless of and from any damages suffered by, imposed upon or asserted against it as a result of, in respect of, connected with, or arising out of, under or pursuant to any breach or inaccuracy of any representation or warranty given by the Party contained in this Agreement for which a notice of claim has been provided to the other Party within the applicable period specified in Section 5.1.

ARTICLE 6 COVENANTS AND AGREEMENTS OF THE PURCHASER AND THE VENDOR

6.1 The Purchaser and the Vendor covenant and agree to use their best efforts to satisfy the conditions for closing set out in Articles 7 and 8 hereof, respectively.

6.2 The Vendor agrees to pay all taxes due to any taxing authority as a result of any capital gains or withholding tax on the disposition of the Purchased Shares to the Purchaser.

ARTICLE 7
CONDITIONS PRECEDENT FOR PURCHASER

All obligations of the Purchaser under this Agreement are subject to the fulfilment, prior to or at the Time of Closing, of each of the following conditions:

7.1 The Vendor shall have transferred all of the Purchased Shares to the Purchaser and such shares shall be registered on the books of the Company in the name of the Purchaser or as the Purchaser may direct in writing at the Time of Closing.

7.2 The representations, warranties, covenants and agreements of the Vendor set forth in this Agreement shall be true and correct as of the date of the Agreement and shall be true and correct as of the Closing Date as if made by the Vendor on the Closing Date.

7.3 The Vendor shall have fulfilled and/or complied with all of the obligations, covenants and agreements herein contained to be performed or caused to be performed by it.

7.4 The conditions contained in this Article 7 are inserted for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser at any time. The Vendor acknowledges that the waiver by the Purchaser of any condition or any part of any condition shall constitute a waiver only of such condition or such part of such condition, as the case may be, and, shall not be constitute a waiver of any covenant, agreement, representation or warranty made by the Vendor herein that corresponds or is related to such condition or such part of such condition, as the case may be.

ARTICLE 8
CONDITIONS PRECEDENT FOR THE VENDOR

All obligations of the Vendor under this agreement are subject to the fulfilment, prior to or at closing, of each of the following conditions:

8.1 The Purchaser shall have paid the Purchase Price for the Purchased Shares to the Vendor in the manner contemplated in Section 2.3 hereof.

8.2 The representations, warranties, covenants and agreements of the Purchaser set forth in this Agreement shall be true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date as if made by the Purchaser on the Closing Date.

8.3 The Purchaser shall have fulfilled and/or complied with all of its obligations, covenants and agreements herein contained to be performed or caused to be performed.

8.4 The conditions contained in this Article 8 are inserted for the exclusive benefit of the Vendor and may be waived in whole or in part by the Vendor at any time. The Purchaser acknowledges that the waiver by the Vendor of any condition or any part of any condition shall constitute a waiver only of such condition or such part of such condition, as the case may be, and, shall not be constitute a waiver of any covenant, agreement, representation or warranty made by the Purchaser herein that corresponds or is related to such condition or such part of such condition, as the case may be.

**ARTICLE 9
CLOSING ARRANGEMENTS AND TERMINATION**

9.1 **Closing.** The Closing of the purchase and sale of the Purchased Shares shall take place at the Time of Closing on the Closing Date at such place and/or time as the Parties may mutually agree upon. The Closing will take place outside of Australia, except that the certificates representing the Purchased Shares may be delivered to counsel in Australia for purposes of effecting the transfer of the Purchased Shares into the name of the Purchaser following Closing.

9.2 **Closing Deliveries.** At the Time of Closing:

- (a) the Vendor shall deliver or cause to be delivered to the Purchaser:
 - (i) a securities transfer form for the Purchased Shares with signatures guaranteed in form satisfactory to the Purchaser; and
 - (ii) and all other assurances, transfers, assignments, consents and other documents as the Purchaser's solicitors consider reasonably necessary or desirable to validly and effectively complete the transactions contemplated hereby; and
- (b) the Purchaser shall deliver or cause to be delivered to the Vendor or as it otherwise directs:
 - (i) a wire transfer payable as directed by the Vendor in accordance with the terms hereof; and
 - (ii) all other assurances, transfers, assignments, consents and other documents as the Vendor's solicitors consider reasonably necessary or desirable to validly and effectively complete the transactions contemplated hereby.

**ARTICLE 10
MISCELLANEOUS**

10.1 **Publicity.** The Parties shall confer and reach agreement as to the content of any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein. None of the Parties shall issue any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein without obtaining the prior written approval of the other Parties, which approval shall not be unreasonably withheld, except as is required by law or by any stock exchange, in which case the Parties shall use their reasonable efforts to obtain the approval of the other Parties.

10.2 **Further Assurances.** To the extent reasonably practicable in the circumstances or permitted by law each of the Parties upon the request of the other shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered and such further acts, deeds, documents, assignments, transfers, conveyances and assurances as may be reasonably necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.

10.3 **Time.** Time shall be of the essence hereof.

10.4 **Successors in Interest.** This Agreement and the provisions hereof shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, personal representatives, successors and permitted assigns, as the case may be.

10.5 **Notices.** Any notice, document or other communication required or permitted by this Agreement to be given by a party hereto shall be in writing and is sufficiently given if delivered personally, or if transmitted by facsimile to such party addressed as follows:

(a) in the case of the Vendor, at:

Level 8, 580 St Kilda Road

Melbourne Victoria 3004 Australia

Telecopier: 011 613 8532 2805

(b) in the case of the Purchaser, to:

Blk 655 Hougang Ave 8, # 08-403 Singapore 530655

Email: blessghc@gmail.com>

Notice transmitted by facsimile or delivered personally shall be deemed received on the day of transmission or personal delivery, as the case may be. Any party may from time to time notify the others in the manner provided herein of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes hereof.

10.6 **Assignment.** This Agreement may not be assigned by the Vendor without the prior written consent of the Purchaser which consent will not be unreasonably withheld. This Agreement may not be assigned by the Purchaser without the prior written consent of the Vendor which consent will not be unreasonably withheld.

10.7 **Execution by Facsimile in Counterparts.** This Agreement may be executed by the Parties hereto in separate counterparts or duplicates and by facsimile each of which when so executed and delivered shall be an original, but all such counterparts or duplicates shall together constitute one and the same instrument.

10.8 **Entire Agreement.** This Agreement together with any agreements or other documents to be delivered pursuant hereto sets forth the entire agreement among the Parties pertaining to the specific subject matter hereof and replaces and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no warranties, representations or other agreements, whether oral or written, express or implied, statutory or otherwise, between the Parties in connection with the subject matter hereof except as specifically set forth herein.

10.9 **Amendments.** No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

10.10 **Waiver.** No delay or failure of any party in exercising any right or remedy hereunder and no partial exercise of any such right or remedy shall be deemed to constitute a waiver of such right or remedy or any other rights or remedies of such party hereunder. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any consent by a Party to or any waiver by a Party of any breach of any provision of this Agreement shall not constitute a consent to or waiver of any subsequent, further or other breach of the provisions of this Agreement.

10.11 **Fees and Expenses.** Each of the Vendor and the Purchaser acknowledge and agree that each will be responsible for the payment of their own legal fees and other costs and expenses incurred by them in connection with the purchase and sale transactions contemplated hereby.

10.12 **Severability.** Each of the provisions of this Agreement (and each part of each such provision) is severable from every other provision hereof (and every other part thereof). In the event that any provision (or part thereof) contained in this Agreement or the application thereof to any circumstance shall be invalid, illegal or unenforceable, in whole or in part, in any jurisdiction and to any extent:

- (a) the validity, legality or enforceability of such provision (or such part thereof) in any other jurisdiction and of the remaining provisions contained in this Agreement (the remaining parts of such provision, affected or impaired thereby; as the case may be) shall not in any way be the application of such provision (or such part thereof) to circumstances other than those as to which it is held invalid, illegal or unenforceable shall not in any way be affected or impaired thereby;
- (b) such provision (or such part thereof) shall be severed from this Agreement and ineffective to the extent of such invalidity, illegality or unenforceability in such jurisdiction and in such circumstances; and
- (c) the remaining provisions of this Agreement (or the remaining parts of such provisions, as the case may be).

IN WITNESS WHEREOF the Parties have executed this Agreement as of 8th day of March 2013.

Per: s/s Goh Hin Calm
Name: GOH HIN CALM

LEGEND INTERNATIONAL HOLDINGS INC

Per: s/s JI Gutnick
Name: Joseph Isaac Gutnick
Title: President

SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of the 8th day of March 2013

BETWEEN:

TAN BOON KIAT (Malaysian Identity Card No. A20224092) of No. 25, Jalan PJU1A/29A, Ara Damansara, Petaling Jaya, Selangor, Malaysia

(the "**Purchaser**")

- and -

LEGEND INTERNATIONAL HOLDINGS INC, a corporation governed by the laws of Delaware USA

(the "**Vendor**")

WHEREAS the Vendor owns 35,485,357 issued and outstanding common shares of Merlin Diamonds Ltd (the "**Company**") and wishes to sell to the Purchaser 22,000,000 of such common shares (such common shares of the Company being purchased and sold pursuant to this agreement hereinafter referred to as the "**Purchased Shares**");

AND WHEREAS the Vendor wishes to sell and the Purchaser wishes to acquire the Purchased Shares for a purchase price of AUD\$4,840,000.00;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants contained herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties hereto agree as follows:

**ARTICLE 1
DEFINED TERMS AND INTERPRETATION**

1.1 **Definitions.** Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the following meanings, respectively:

- (a) "**Closing**" means the completion of the sale to and purchase by the Purchaser of the Purchased Shares contemplated herein;
- (b) "**Closing Date**" means within 10 business days from the date hereof, or such earlier or later date as may be mutually acceptable to the Parties;
- (c) "**Company**" means Merlin Diamonds Ltd., and includes its subsidiaries;
- (d) "**Contractual or Other Right or Obligation**" means any form of agreement, contract, instrument, license, permit, registration, judgment, order, decree, indenture, lease, engagement, commitment or franchise;

- (e) "**Encumbrance**" means any form of agreement, option, understanding, commitment, equity, covenant, mortgage, charge, security interest, lien, adverse claim, pledge, demand, action, restriction, order, judgment, decree, encumbrance or right or privilege affecting or capable of affecting the title or right of ownership or ability to transfer or convey any property or asset;
- (f) "**Parties**" means, collectively, the parties to this Agreement and "**Party**" means any of them;
- (g) "**Purchase Price**" has the meaning ascribed thereto in Section 2.1;
- (h) "**Purchased Shares**" means 22,000,000 common shares of the Company to be purchased and sold hereunder;
- (i) "**Purchaser**" means TAN BOON KIAT;
- (j) "**Subsidiaries**" means Paradise Phosphate Limited, Alexya Pty Ltd, Legend International Holdings Limited and Legend Diamonds Pty Ltd;
- (k) "**Tax**" or "**Taxes**" means any federal, provincial, territorial, state or local income, goods and services, value added, corporation, land transfer, licence, payroll, excise, sales, use, capital, withholding, mining or other tax, levy, duty, royalty, assessment, reassessment or other charge of any kind whatsoever, whether direct or indirect, including any interest or penalty on any of the foregoing, whether disputed or not, and for greater certainty includes Canada Pension Plan premiums and employment insurance premiums;
- (l) "**this Agreement**", "**herein**", "**hereto**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to this Agreement and not to any particular clause, subclause, section, subsection or paragraph or other portion hereof, and include amendments hereto, any agreement which is supplementary to or in amendment or confirmation of this Agreement and any schedules hereto or thereto;
- (m) "**Time of Closing**" means 10:00 a.m. (Melbourne time) on the Closing Date or such other time as may be mutually acceptable to the Parties; and
- (n) "**Vendor**" means Legend International Holdings Inc.

1.2 **Gender and Number.** Any reference in this Agreement to gender shall include all genders and words used herein importing the singular number only shall include the plural and vice versa.

1.3 **Headings, Etc.** The division of this Agreement into articles, sections, subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation hereof.

1.4 **Currency.** All references in this Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

1.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Victoria and the courts of Victoria shall have an exclusive jurisdiction for the resolution of any disputes in connection with this Agreement.

**ARTICLE 2
PURCHASE AND SALE OF PURCHASED SHARES**

2.1 **Purchased Shares.** Subject to the terms and conditions hereof, the Vendor covenants and agrees to sell, assign and transfer to the Purchaser the Purchased Shares free and clear of all Encumbrances and the Purchaser covenants and agrees to purchase from the Vendor the Purchased Shares.

2.2 **Purchase Price.** The purchase price payable by the Purchaser to the Vendor for the Purchased Shares shall be AUD\$0.22 per Purchased Share, being in the aggregate AUD\$4,840,000 (the "**Purchase Price**").

2.3 **Payment of Purchase Price.**

The Purchaser shall pay the Purchase Price on or before the Closing Date.

**ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE VENDOR**

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:

3.1 **Due Incorporation and Subsistence of the Purchaser.** The Vendor is a corporation duly incorporated, organized and validly subsisting under the laws of its jurisdiction of incorporation.

3.2 **Permits.** There are no Permits or filings that must be obtained or made by the Vendor in order to complete the transactions contemplated by this Agreement (including without limitation any Permits of or filings with any securities commission or stock exchange).

3.3 **Restrictive Documents.** The Vendor is not subject to, or a party to, any charter or by-law restriction, Encumbrance, Contractual or Other Right or Obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof.

3.4 **Validity of Agreement.**

- (a) The Vendor has all necessary right, power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Vendor hereunder, the performance by the Vendor of its obligations hereunder and the consummation of the transactions contemplated hereby: (i) have been duly authorized by all necessary action, corporate or otherwise, on the part of the Vendor and (ii) do not or will not conflict with or constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the constating documents, by-laws or resolutions of the Vendor (if the Vendor is a corporation) or of any Contractual or Other Right or Obligation to which the Vendor is a

party or by which the Vendor is bound or of any laws or regulations applicable to the Vendor.

- (c) Each of this Agreement and all other agreements and documents required to be delivered by the Vendor hereunder constitute, or on delivery will constitute, a legal, valid and binding obligation of the Vendor enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought.

3.5 **Insolvency.** The Vendor is not insolvent, nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any of its property or had any petition for a receiving order in bankruptcy filed against it.

3.6 **Finder's Fee.** The Vendor has not incurred any finder's fee, commission or other payment in respect of the transactions hereby for which the Purchaser shall be liable.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:

4.1 **Due Incorporation and Subsistence of the Purchaser.** The Purchaser is a corporation duly incorporated, organized and validly subsisting under the laws of its jurisdiction of incorporation.

4.2 **Permits.** There are no Permits or filings that must be obtained or made by the Purchaser in order to complete the transactions contemplated by this Agreement (including without limitation any Permits of or filings with any securities commission or stock exchange).

4.3 **Restrictive Documents.** The Purchaser is not subject to, or a party to, any charter or by-law restriction, Encumbrance, Contractual or Other Right or Obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Purchaser with the terms, conditions and provisions hereof.

4.4 **Validity of Agreement.**

- (a) The Purchaser has all necessary right, power and authority to enter into, execute and deliver this Agreement and to perform its obligations hereunder.
- (b) The entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Purchaser hereunder, the performance by the Purchaser of its obligations hereunder and the consummation of the transactions contemplated hereby: (i) have been duly authorized by all necessary action, corporate or otherwise, on the part of the Purchaser and (ii) do not or will not conflict with or

constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the constating documents, by-laws or resolutions of the Purchaser (if the Purchaser is a corporation) or of any Contractual or Other Right or Obligation to which the Purchaser is a party or by which the Purchaser is bound or of any laws or regulations applicable to the Purchaser.

- (c) Each of this Agreement and all other agreements and documents required to be delivered by the Purchaser hereunder constitute, or on delivery will constitute, a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought.

4.5 **Insolvency.** The Purchaser is not insolvent, nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to have itself declared bankrupt or wound-up, taken any proceeding to have a receiver appointed over any part of its assets, had any encumbrancer or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any of its property or had any petition for a receiving order in bankruptcy filed against it.

4.6 **Finder's Fee.** The Purchaser has not incurred any finder's fee, commission or other payment in respect of the transactions hereby for which the Vendor or the Company shall be liable.

ARTICLE 5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

5.1 **Survival.** All covenants, representations and warranties made herein or in any agreement, certificate or other document delivered or given pursuant to this Agreement (other than those which are expressly waived in writing as part of the Closing herein) shall survive the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement and, notwithstanding such completion or any investigation made by or on behalf of the Party to whom or in whose favour such covenants, representations and warranties were made. The representations and warranties contained herein shall survive and continue in full force and effect for the respective benefit of the Purchaser and the Vendor, as the case may be, for a period ending on June 30, 2013, after which period the respective Parties shall be released from their respective obligations and liabilities hereunder relating to such representations and warranties, except in respect of claims made in writing prior to expiry of such period.

5.2 **Limits on Indemnification.** The Parties will indemnify and save each other Party harmless of and from any damages suffered by, imposed upon or asserted against it as a result of, in respect of, connected with, or arising out of, under or pursuant to any breach or inaccuracy of any representation or warranty given by the Party contained in this Agreement for which a notice of claim has been provided to the other Party within the applicable period specified in Section 5.1.

ARTICLE 6 COVENANTS AND AGREEMENTS OF THE PURCHASER AND THE VENDOR

6.1 The Purchaser and the Vendor covenant and agree to use their best efforts to satisfy the conditions for closing set out in Articles 7 and 8 hereof, respectively.

6.2 The Vendor agrees to pay all taxes due to any taxing authority as a result of any capital gains or withholding tax on the disposition of the Purchased Shares to the Purchaser.

ARTICLE 7
CONDITIONS PRECEDENT FOR PURCHASER

All obligations of the Purchaser under this Agreement are subject to the fulfilment, prior to or at the Time of Closing, of each of the following conditions:

7.1 The Vendor shall have transferred all of the Purchased Shares to the Purchaser and such shares shall be registered on the books of the Company in the name of the Purchaser or as the Purchaser may direct in writing at the Time of Closing.

7.2 The representations, warranties, covenants and agreements of the Vendor set forth in this Agreement shall be true and correct as of the date of the Agreement and shall be true and correct as of the Closing Date as if made by the Vendor on the Closing Date.

7.3 The Vendor shall have fulfilled and/or complied with all of the obligations, covenants and agreements herein contained to be performed or caused to be performed by it.

7.4 The conditions contained in this Article 7 are inserted for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser at any time. The Vendor acknowledges that the waiver by the Purchaser of any condition or any part of any condition shall constitute a waiver only of such condition or such part of such condition, as the case may be, and, shall not be constitute a waiver of any covenant, agreement, representation or warranty made by the Vendor herein that corresponds or is related to such condition or such part of such condition, as the case may be.

ARTICLE 8
CONDITIONS PRECEDENT FOR THE VENDOR

All obligations of the Vendor under this agreement are subject to the fulfilment, prior to or at closing, of each of the following conditions:

8.1 The Purchaser shall have paid the Purchase Price for the Purchased Shares to the Vendor in the manner contemplated in Section 2.3 hereof.

8.2 The representations, warranties, covenants and agreements of the Purchaser set forth in this Agreement shall be true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date as if made by the Purchaser on the Closing Date.

8.3 The Purchaser shall have fulfilled and/or complied with all of its obligations, covenants and agreements herein contained to be performed or caused to be performed.

8.4 The conditions contained in this Article 8 are inserted for the exclusive benefit of the Vendor and may be waived in whole or in part by the Vendor at any time. The Purchaser acknowledges that the waiver by the Vendor of any condition or any part of any condition shall constitute a waiver only of such condition or such part of such condition, as the case may be, and, shall not be constitute a waiver of any covenant, agreement, representation or warranty made by the Purchaser herein that corresponds or is related to such condition or such part of such condition, as the case may be.

**ARTICLE 9
CLOSING ARRANGEMENTS AND TERMINATION**

9.1 **Closing.** The Closing of the purchase and sale of the Purchased Shares shall take place at the Time of Closing on the Closing Date at such place and/or time as the Parties may mutually agree upon. The Closing will take place outside of Australia, except that the certificates representing the Purchased Shares may be delivered to counsel in Australia for purposes of effecting the transfer of the Purchased Shares into the name of the Purchaser following Closing.

9.2 **Closing Deliveries.** At the Time of Closing:

- (a) the Vendor shall deliver or cause to be delivered to the Purchaser:
 - (i) a securities transfer form for the Purchased Shares with signatures guaranteed in form satisfactory to the Purchaser; and
 - (ii) and all other assurances, transfers, assignments, consents and other documents as the Purchaser's solicitors consider reasonably necessary or desirable to validly and effectively complete the transactions contemplated hereby; and
- (b) the Purchaser shall deliver or cause to be delivered to the Vendor or as it otherwise directs:
 - (i) a wire transfer payable as directed by the Vendor in accordance with the terms hereof; and
 - (ii) all other assurances, transfers, assignments, consents and other documents as the Vendor's solicitors consider reasonably necessary or desirable to validly and effectively complete the transactions contemplated hereby.

**ARTICLE 10
MISCELLANEOUS**

10.1 **Publicity.** The Parties shall confer and reach agreement as to the content of any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein. None of the Parties shall issue any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein without obtaining the prior written approval of the other Parties, which approval shall not be unreasonably withheld, except as is required by law or by any stock exchange, in which case the Parties shall use their reasonable efforts to obtain the approval of the other Parties.

10.2 **Further Assurances.** To the extent reasonably practicable in the circumstances or permitted by law each of the Parties upon the request of the other shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered and such further acts, deeds, documents, assignments, transfers, conveyances and assurances as may be reasonably necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.

10.3 **Time.** Time shall be of the essence hereof.

10.4 **Successors in Interest.** This Agreement and the provisions hereof shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, personal representatives, successors and permitted assigns, as the case may be.

10.5 **Notices.** Any notice, document or other communication required or permitted by this Agreement to be given by a party hereto shall be in writing and is sufficiently given if delivered personally, or if transmitted by facsimile to such party addressed as follows:

(a) in the case of the Vendor, at:

Level 8, 580 St Kilda Road

Melbourne Victoria 3004 Australia

Telecopier: 011 613 8532 2805

(b) in the case of the Purchaser, to:

No. 25, Jalan PJU1A/29A, Ara Damansara, Petaling Jaya, Selangor, Malaysia

Email:

Notice transmitted by facsimile or delivered personally shall be deemed received on the day of transmission or personal delivery, as the case may be. Any party may from time to time notify the others in the manner provided herein of any change of address which thereafter, until changed by like notice, shall be the address of such party for all purposes hereof.

10.6 **Assignment.** This Agreement may not be assigned by the Vendor without the prior written consent of the Purchaser which consent will not be unreasonably withheld. This Agreement may not be assigned by the Purchaser without the prior written consent of the Vendor which consent will not be unreasonably withheld.

10.7 **Execution by Facsimile in Counterparts.** This Agreement may be executed by the Parties hereto in separate counterparts or duplicates and by facsimile each of which when so executed and delivered shall be an original, but all such counterparts or duplicates shall together constitute one and the same instrument.

10.8 **Entire Agreement.** This Agreement together with any agreements or other documents to be delivered pursuant hereto sets forth the entire agreement among the Parties pertaining to the specific subject matter hereof and replaces and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no warranties, representations or other agreements, whether oral or written, express or implied, statutory or otherwise, between the Parties in connection with the subject matter hereof except as specifically set forth herein.

10.9 **Amendments.** No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

10.10 **Waiver.** No delay or failure of any party in exercising any right or remedy hereunder and no partial exercise of any such right or remedy shall be deemed to constitute a waiver of such right or remedy or any other rights or remedies of such party hereunder. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any consent by a Party to or any waiver by a Party of any breach of any provision of this Agreement shall not constitute a consent to or waiver of any subsequent, further or other breach of the provisions of this Agreement.

10.11 **Fees and Expenses.** Each of the Vendor and the Purchaser acknowledge and agree that each will be responsible for the payment of their own legal fees and other costs and expenses incurred by them in connection with the purchase and sale transactions contemplated hereby.

10.12 **Severability.** Each of the provisions of this Agreement (and each part of each such provision) is severable from every other provision hereof (and every other part thereof). In the event that any provision (or part thereof) contained in this Agreement or the application thereof to any circumstance shall be invalid, illegal or unenforceable, in whole or in part, in any jurisdiction and to any extent:

- (a) the validity, legality or enforceability of such provision (or such part thereof) in any other jurisdiction and of the remaining provisions contained in this Agreement (the remaining parts of such provision, affected or impaired thereby; as the case may be) shall not in any way be the application of such provision (or such part thereof) to circumstances other than those as to which it is held invalid, illegal or unenforceable shall not in any way be affected or impaired thereby;
- (b) such provision (or such part thereof) shall be severed from this Agreement and ineffective to the extent of such invalidity, illegality or unenforceability in such jurisdiction and in such circumstances; and
- (c) the remaining provisions of this Agreement (or the remaining parts of such provisions, as the case may be).

IN WITNESS WHEREOF the Parties have executed this Agreement as of 8th day of March 2013.

Per: s/s Tan Boon Kiat
Name: TAN BOON KIAT

LEGEND INTERNATIONAL HOLDINGS INC

Per: s/s JI Gutnick
Name: Joseph Isaac Gutnick
Title: President