

United States
Securities and Exchange Commission
Washington D.C. 20549

FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

(Mark one)

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

For the fiscal year ended December 31, 2005 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 233067904
(State or other jurisdiction of (IRS Employer
incorporation or organisation) Identification No.)
Level 8, 580 St Kilda Road Melbourne, Victoria, 3004, Australia
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 011 (613) 8532 2890

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

Title of each class	Name of each exchange on which registered
<u>N/A</u>	<u>N/A</u>

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

Common stock, par value \$.001 per share
(Title of Class)

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 the past 90 days.

Yes No

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

State Issuer's Revenues for its most recent fiscal year.

None

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 \$1,900,192 as at December 31, 2005.

There were 18,067,750 outstanding shares of Common Stock as of March 23, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

Transitional Small Business Issuer Yes:____ No: X

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PART I

Item 1 Business

General

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

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 and development stage projects, political risks of development in foreign countries, risks associated with environmental and other regulatory matters, mining risks and competitors, the volatility of diamond and other mineral prices and movements in foreign exchange rates, increased competition, governmental regulation, performance of information systems, and the ability of the Company to hire, train and retain qualified employees. 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.

Legend has a 100% owned subsidiary company Legend Consolidated Group Inc, a Delaware corporation. This company is inactive.

It is the policy of our Board of Directors that we will not engage in any activities which would subject us to registration and reporting requirements of the Investment Company Act of 1940.

Description of Business

Business Development

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

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

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

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

Business of Issuer

Business

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

Following the change of management in November 2004, the Company developed a new plan of operations, which was to engage in mineral exploration and development activities. Legend's business plan calls for the identification of mineral properties, in South America and other parts of the world, where it can obtain secure title to exploration, development and mining interests. Our preference is to identify large gold deposits with low operating costs. We are prepared to consider the exploration, development and mining of profitable base metal interests. At the beginning of 2006, Legend expanded its areas of interest to include diamond exploration activities which are discussed below.

Recent Developments

Effective as of March 3, 2006, Legend entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian

company pursuant to which the Company shall acquire certain diamond mining tenements in Northern Australia from Astro, subject to the terms and conditions discussed below. The Contract is conditional on the approval of shareholders of Astro approving the sale of the tenements to Legend. The consideration payable by Legend to Astro is Australian dollars \$1.5 million and is payable 90 days after the approval of Astro shareholders. If Legend does not make the payment within the time period, the Contract is cancelled. At settlement, Legend is also required to pay to Astro any costs incurred on the tenements after February 1, 2006. Astro has provided commercial warranties which are usual for a transaction of this nature in favour of Legend. Astro intends to schedule a meeting of its shareholders in April 2006 to consider and vote upon the Contract. Under Australian law, Astro is 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 Australian dollars \$1.5 million. This formed the basis of the consideration agreed by the parties.

The President and Chief Executive Officer of the Company, Mr. J. I. Gutnick, is Chairman and Managing Director of Astro and Dr DS Tyrwhitt, an independent Director of the Company is also a Director of Astro.

The tenements are located in the Northern Territory of Australia and are prospective for diamonds. The project areas are referred to as Calvert Hills (the Foelsche and Selby areas) and Cox (Broadmere).

The Foelsche and Selby areas are located in the Gulf country of the Northern Territory. This land package covers over 8,000 square kilometers of diamond prospective terrain. The Foelsche project area is located less than 20 kilometres east of the Merlin diamond field held by North Australian Diamonds Ltd. The Selby prospect area is approximately 130 kilometres to the east. Portions of these prospects have been surveyed using airborne electromagnetic geophysical techniques ("EM") with highly encouraging results. Numerous anomalies were found to occur within areas drained by streams containing significant kimberlite indicator minerals. Selected airborne anomalies in various settings were followed up with detailed ground gravity surveys. The results of the gravity survey have defined several outstanding coincident gravity anomalies showing much greater detail than the airborne survey. These results are considered to be very encouraging. Government requirements will need to be met before access and drilling can be carried out next year.

Other holdings in the district include areas adjacent to the Abner Range discoveries of Gravity Diamonds Ltd, and a large position at the Cox project area, 230 kilometres to the west. The Cox project area consists of more than 9,200 square kilometers of terrain that is also prospective for diamonds. Microdiamonds, macrodiamonds and chromites were recovered by previous explorers in the Broadmere area within the Cox project. It is envisaged that an airborne electromagnetic survey can be flown over this area in the next field season, which runs from April to November 2006.

The Broadmere prospect is located within the Cox group of tenements, which are centred 230 kilometres northwest of the Merlin field. Three macrodiamonds and numerous microdiamonds have been recovered by previous explorers from two broad areas within the Broadmere prospect. It is envisaged that these two broad areas will constitute the beginning of further detailed airborne surveys in the next field season, which runs from April to November 2006.

Employees

The services of our Chief Executive Officer and Chief Financial Officer as well as clerical employees are provided to us on a part-time basis pursuant to a Service Agreement effective December 1, 2004 (the "Service Agreement") by and between AXIS Consultants Pty Limited and ourselves. AXIS also provides office facilities, equipment, administration and clerical services to the Company pursuant to the Service Agreement. The Service Agreement may be terminated by written notice from the parties thereto.

Further detail relating to additional terms of the Service Agreement is included in *"Item 2- Properties"*, *"Item 12- Certain Relationships and Related Transactions"* and *"Item 10- Executive Compensation"*.

Risk Factors

Risks of Our Business

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

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

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

We Have No Mineral Exploration Properties and No Diamond Or Other Mineral Reserves And We Cannot Assure You That We Will Find Such Properties Or Reserves. If We Develop A Diamond Or Other Mineral Reserve, There Is No Guarantee That Production Will Be Profitable.

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

We Will Need Financing To Acquire Mineral Exploration Properties And To Determine If There Is Diamonds Or Other Commercial Minerals And To Maintain The Mineral Claims.

Our success will depend on our ability to raise capital. The Contract for the acquisition of diamond mining tenements from Astro requires a payment from us of Australian dollars \$1,500,000 within 90 days after the receipt of the approval of the Astro's shareholders. We will require substantial additional funds to conduct mineral exploration and development activities on these tenements. There is no assurance whatsoever that funds will be available from any source or, if available, that they can be obtained on terms acceptable to us to make investments. If funds are not available in the amounts required to achieve our business strategy, we would be unable to reach our objective. This could cause the loss of all or part of your investment.

The Reports Of Our Independent Registered Public Accounting Firms Contain An Explanatory Paragraph Questioning Our Ability To Continue As A Going Concern.

The reports of our independent registered public accounting firms on our financial statements as of December 31, 2005 and for the years ended December 31, 2005 and 2004 includes an explanatory paragraph questioning our ability to continue as a going concern. This paragraph indicates that we have not yet commenced revenue producing operations and have a retained deficit at December 31, 2005 of \$(599,447) which conditions raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty.

We Are A Small Operation And Do Not Have Significant Capital.

Because we will have limited working capital, we must limit our exploration. If we are unable to raise the capital required to undertake adequate exploration, we may not find diamonds or other commercial minerals even though properties that we may acquire may contain diamonds or other commercial minerals. If we do not find diamonds or other commercial minerals we may be forced to cease operations and you may lose your entire investment.

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 Diamonds Or Other Mineral Reserves.

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

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

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

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 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, unfavorable 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 diamond 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.

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

We are substantially dependent upon AXIS for our senior management, financial and accounting, corporate legal and other corporate headquarters functions. For example, each of our officers is employed by AXIS and, as such, is required by AXIS to devote 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. To date, AXIS has not charged us a service fee but there can be no assurance that AXIS will not charge a fee in the future. 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 five affiliated companies of which three are Australian public companies listed on Australian Stock Exchange. Each of the companies has some common Directors, officers and shareholders. In addition, each of the companies is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. A number of arrangements and transactions have been entered into from time to time between such companies. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS. However, it is possible we may enter into such transactions in the future which could present conflicts of interest.

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

Future sales of substantial amounts of common stock pursuant to Rule 144 under the Securities Act of 1933 or otherwise by certain stockholders could have a material adverse impact on the market price for the common stock at the time. There are presently approximately 17,389,110 outstanding shares of our common stock held by one of our stockholders which are deemed “restricted securities” as defined by Rule 144 under the Securities Act. Under certain circumstances, these shares may be sold without registration pursuant to the provisions of Rule 144. In general, under rule 144, a person (or persons whose shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of restricted securities which does not exceed the greater of one (1%) percent of the shares outstanding or the average weekly trading volume during the four calendar weeks preceding the notice of sale required by Rule 144. In addition, Rule 144 permits, under certain circumstances, the sale of restricted securities without any quantity limitations by a person who is not an affiliate of ours and has satisfied a two-year holding period. Any sales of shares by stockholders pursuant to Rule 144 may have a depressive effect on the price of our common stock.

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

Our common stock is quoted via the Over The Counter Bulletin Board (OTCBB). As such, our common stock may have fewer market makers, lower trading volumes and larger spreads between bid and asked prices than securities listed on an exchange such as the New York Stock Exchange or the NASDAQ. 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 gold mining 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 2 Properties

Legend has no properties and at this time has no agreements to acquire any properties other than the Contract to acquire diamond mining tenements from Astro which is discussed above. Legend occupies certain executive and office facilities in Melbourne, Victoria Australia which are provided to it 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.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders through the solicitation of proxies or otherwise during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5 Market for Common Equity and Related Stockholder Matters

Market Information

Legend's common stock is traded 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)
2003		
Fourth Quarter	1.50	1.00
2004		
First Quarter	1.00	0.05
Second Quarter	0.25	0.04
Third Quarter	0.06	0.02
Fourth Quarter	0.25	0.05
2005		
First Quarter	0.30	0.13
Second Quarter	0.32	0.20
Third Quarter	0.25	0.15
Fourth Quarter	3.25	0.15

(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.

Shareholders

As of March 23, 2006, there were approximately 36 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 25 cents per share with a latest exercise date of December 31, 2012 and otherwise on the terms and conditions set out in Appendix A to this Form 8-K. The options will be 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.

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.

Transfer Agent

The transfer agent and registrar for the Company's common stock is Holladay Stock Transfer, Inc. of 2939 N. 67th Place, Scottsdale, Arizona 85251.

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-QSB.

Item 6 Management's Discussion and Analysis of Financial Condition or Plan of Operation

General

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

We are a development stage company. Our principal exploration target is for gold and we are seeking to identify and obtain mineral exploration properties. We are in the initial stages of our exploration program and we have not yet identified any mineral exploration properties. We have not generated any material revenues from operations.

Selected Financial Data

Our selected financial data presented below for each of the years in the two-year period ended December 31, 2005, and the balance sheet data at December 31, 2005 has been derived from financial statements, which have been audited by PKF, Certified Public Accountants, a Professional Corporation. The selected financial data should be read in conjunction with our financial statements for each of the years in the two year period ended December 31, 2005 and Notes thereto, which are included elsewhere in this Annual Report.

Statement of Operations Data

Year ended December 31

	2005 \$	2004 \$
Revenues	-	-
Other income (loss)	-	1,073
Costs and expenses	58,976	181,113
Loss from operations	(58,976)	(180,040)
Other income (loss)	-	-
Profit (loss) before income taxes	(557,945)	(180,040)
Provision for income taxes	-	-
Net profit (loss)	(57,945)	(180,040)

Weighted average number of shares outstanding	13,282,647	10,206,213
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Balance Sheet Data

Total assets	\$ -	\$ -
Total liabilities	68,128	10,183
Stockholders' equity (deficit)	(68,128)	(10,183)

Plan of Operation

We have no cash at December 31, 2005. See "Liquidity and Capital Resources" for a discussion of how the Company intends to finance its plan of operations.

It is our intention to seek to locate one or more mineral exploration properties during fiscal 2006 as discussed in Item 1 "Description of Business – Recent Developments". Once we obtain one or more mineral exploration properties, we will develop an exploration program that is appropriate for such properties.

As set out in Item 1 "Employees" the services of our Chief Executive Officer and Chief Financial Officer as well as certain clerical employees are provided by AXIS. At the current time, we have no plans to change these arrangements or employ any further persons.

Results of Operations

Year ended December 31, 2005 versus Year ended December 31, 2004

Total revenues for the years ended December 31, 2005 and 2004 were \$nil. Other income in 2004 amounted to \$1,073 and was derived from interest income.

Costs and expenses decreased during the year from \$181,113 for the 12 months ended December 31, 2004 to \$57,945 for the 12 months ended December 31, 2005. The main components of costs and expenses are as follows:-

- (i) Legal, professional and accounting for the twelve months ended December 31, 2005 amounted to \$21,721, compared to \$9,143 for the twelve months ended December 31, 2004. In 2005, the main costs are audit fees of \$10,370, legal fees of \$7,116, and filing fees of \$4,148 compared to audit fees of \$6,500, legal fees of \$1,491, and filing fees of \$nil in 2004. Audit fees and legal fees have increased since the change in management in December 2004. For the year ended December 31, 2004 no filing fees were incurred, whereas for the year ended December 31, 2005 filing fees have been incurred lodging the appropriate SEC returns.
- (ii) Stock based compensation has decreased from \$167,850 for the twelve months ended December 31, 2004 to \$nil for the twelve months ended December 31, 2005. In 2004, a total of 891,000 common shares were issued to the Company's former officer and director for services valued at \$44,550 and 9 million options to be converted into 9 million shares of common stock at an exercise price of \$0.05 and a latest exercise date of December 2009 were issued to Renika for services to be rendered by the new President and Chief Executive Office of the Company. The Company undertook a Black Scholes valuation of these options using a \$0.05 exercise price, \$0.05 cents market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7% which equated to a value of \$123,300. No such issue was made in 2005.
- (iii) During 2005, the Company incurred interest of \$1,905. The Company borrowed \$5,565 from Wilzed, a company which our President and CEO is a director and shareholder. Wilzed charged us \$134 interest. Wilzed charged interest at a rate of 9.35% for 2005. AXIS provides management, administration and geological services to us pursuant to a service dated February 25, 2005. AXIS charged us interest of \$1,771 on amounts owing to AXIS. AXIS charged interest at a rate of 9.35% for 2005.

- (iv) Administration costs increased from \$4,120 for the twelve months ended December 31, 2004 to \$35,350 for the twelve months ended December 31, 2005. During 2005 the management fee charged by AXIS to us was \$20,203 and AXIS charged us \$12,171 for salaries incurred in relation to AXIS staff that provided administration services to the Company.

As a result of the above, the loss before income taxes for the year ended December 31, 2005 amounted to \$(57,945) compared to \$(180,040) for the year ended December 31, 2004.

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

As a result the net loss for the year ended December 31, 2005 was \$(57,945) compared to \$(180,040) for the year ended December 31, 2004.

Liquidity and Capital Resources

As of December 31, 2005, the Company has no cash. The Company is searching for mineral properties that fit into its new plan of operations, as discussed at Item 1, "Business" and expects to spend approximately \$2,000,000 during fiscal 2006 on its new business plan, including Australian dollars \$1,500,000 in connection with the acquisition of diamond mining tenements from Astro pursuant to the Contract. In addition, it expects that it will need to spend \$100,000 on legal, professional, accounting and administration expenses. The Company will need to raise funds in cash to fund its business plan. The Company plans to satisfy its cash requirements by additional equity financing or loans. This will be in the form of private placements of restricted common stock, preferred stock or debentures. The Company may not be able to operate if it does not obtain the additional capital or financing it requires. There can be no assurance that the Company will be successful in raising such capital or financing and thus, be able to satisfy its cash requirements.

The Company is still considered to be a development stage company, with no significant revenue, and is dependent upon the raising of capital through placement of its common stock, preferred stock or debentures. In the event the Company is unsuccessful in raising such capital, it may never commence active operations.

Impact of Recent Accounting Pronouncements

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

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to interest rate risk primarily through its loan facilities. The Company utilizes these borrowings to meet its working capital needs.

At December 31, 2005, the Company had outstanding borrowings of approximately \$47,788 under its Loan Facilities. In the event that interest rates associated with these facilities were to increase 100 basis points, the impact on future cash flows would be a decrease of approximately \$478 annually.

Item 7. Financial Statements

See F Pages

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Statement Disclosure

Not applicable.

Item 8A Controls and Procedures

- (a) Evaluation of disclosure controls and procedures.

Our principal executive officer and its principal financial officer evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management, including the principal executive and financial officers, on a basis that permits timely decisions regarding timely disclosure. Based on that evaluation, such principal executive officer and principal financial officer concluded that, the Company's disclosure control and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

- (b) Change in Internal Control over Financial Reporting.

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

- (c) 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, 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.

PART III

Item 9. Directors and Executive Officers of the Registrant

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

Name	Age	Position(s) Held
Joseph Gutnick	54	Chairman of the Board President, Chief Executive Officer and Director.
David Tyrwhitt	67	Director.
Peter Lee	48	Secretary, Chief Financial Officer and Principal Accounting Officer.

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 Bay Resources, a Delaware corporation (BYRE.OB) since March 1988. He has been a Director of numerous public listed companies in Australia specialising in the mining sector since 1980 and is currently a Director of Astro Diamond Mines N.L., Great Gold Mines N.L., and Quantum Resources Limited. Mr. Gutnick was previously Executive Chairman of Tahera Corporation, a company that is listed on Toronto Stock Exchange from May 2000 to October 2003 and has previously been a Director of the World Gold Council. He is a Fellow of the Australasian Institute of Mining & Metallurgy and the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

David Tyrwhitt

Dr Tyrwhitt was appointed a Director in March 2005. He is a geologist, holding a Bachelor of Science and PhD degrees and has 40 years experience in mineral exploration and management development and operation of gold mines in Australia. Dr Tyrwhitt has been a Director of numerous public listed companies in Australia in the mining industry and is currently a Director of Astro Diamond Mines N.L., Great Gold Mines N.L., and Quantum Resources Limited and has also been a Director of Bay Resources Ltd, a Delaware corporation (BYRE.OB) since 1996.

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 Bay Resources Ltd, a Delaware corporation (BYRE.OB). Mr Lee is a Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia Ltd., a Member of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology. He has over 25 years commercial experience and is currently General Manager Corporate and Company Secretary of several listed public companies in Australia.

Involvement on Certain Material Legal Proceedings During the Last Five Years

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

Mr. Gutnick was formerly the Chairman of the Board, Dr. Tyrwhitt was formerly an independent Director and Mr. Lee was formerly Company Secretary of Centaur Mining & Exploration Ltd., an Australian corporation, which commenced an insolvency proceeding in Australia in March 2001.

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 two 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.

Audit Committee

Our Company does not have an Audit Committee as we only have two Directors. However, our Independent Director, Dr Tyrwhitt, liaises directly with the auditors on matters normally dealt with by an Audit Committee.

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.

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 2005 all such filing requirements were complied with in a timely manner by all Directors and executive officers.

Item 10. Executive Compensation.

The following table sets forth the annual salary, bonuses and all other compensation awards and pay outs on account of our Chief Executive Officer for services rendered to us during the fiscal year ended December 31, 2005, 2004 and 2003. No other executive officer received more than US\$100,000 per annum during this period.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long Term Compensation Awards	
		Salary	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options
Joseph Gutnick, Chairman of the Board, President and CEO (1)(2)	2005	-	-	-	-
	2004	-	-	-	-
William Tay, Chairman of the Board, President and CEO *(3)	2004	-	\$44,550	-	-
	2003	-	\$111,700	-	-

1. Joseph Gutnick appointed November 2004.
2. Excludes 9,000,000 options granted to Renika of which Mr JI Gutnick is a Director and Shareholder (see Item 12 – Certain Relationships and Related Party Transactions)
3. William Tay resigned November 2004.

For additional information about the Service Agreement and the Consulting Agreement see “*Item 1- Business- Employees*” and “*Item 12- Certain Relationships and Related Transactions*”.

EQUITY COMPENSATION PLAN INFORMATION

	(a)	(b)	(c)
	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 for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	0	0	0
Equity compensation plans not approved by security holders	0	0	0

Compensation Pursuant to Plans.

The Company does not have any pension or profit sharing plans.

Compensation to Directors

It is our policy to reimburse Directors for reasonable travel and lodging expenses incurred in attending Board of Directors meetings. Commencing January 2005, independent Directors are paid Directors fees of \$15,600 per annum.

Item 11. 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 December 31, 2005 by:

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

Name	Number of Shares Owned		Percentage of Shares (1)
Renika Pty Ltd	52,167,330	(2)(3)(4)	98.72
Joseph Gutnick	52,167,330	(2)(3)(4)	98.72
Stera Gutnick	52,167,330	(2)(3)(4)	98.72
David Tyrwhitt	-		-
Peter Lee	-		-
<hr/>			
All officers and Directors As a group	52,167,330		98.72

Notes relating to Item 11:

- (1) Based on 18,067,750 shares outstanding
- (2) Includes 17,389,110 shares of Common Stock owned by Renika, of both of which Mr Joseph Gutnick, Stera M. Gutnick and members of their family are officers, Directors and principal stockholders.
- (3) Joseph Gutnick and Stera Gutnick are husband and wife.
- (4) Includes 34,778,220 shares issuable upon exercise of stock options owned by Renika at an exercise price of \$0.25.

Item 12. Certain Relationships and Related Transactions

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

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

We are required to reimburse AXIS for any direct costs incurred by AXIS for the Company. In addition, we are required to pay a proportion of AXIS's overhead cost based on AXIS's management estimate of our utilisation of the facilities and activities of AXIS plus a service fee of not more than 15% of the direct and overhead costs. AXIS has not charged the 15% service fee to us. 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 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%.

In October 14, 2003, the Company issued 109,000 shares of common stock to William Tay, the Company's former vice-president and secretary, for services rendered.

In April 2004, the Company issued to Mr. Michael Tay 891,000 shares of its restricted common stock, at a valuation of \$0.05 per share, in satisfaction of amounts owed to Mr. Tay for services rendered to the Company as its former President and Treasurer.

In November 2004, the Company repaid to Mr. William Tay and Michael Tay all amounts owed pursuant to the Company's \$100,000 in principal amount of 8% Senior Subordinated Debentures.

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. AXIS provided these services during December 2004 at a cost to the Company of \$1,560. During fiscal 2005, AXIS continued to provide these services and charged the Company \$20,203 in management fees, \$12,171 for salaries incurred in relation to AXIS staff that provided administration services to the Company and charged interest of \$1,771 on the outstanding balance. AXIS charged interest at a rate of 9.35% for 2005. The amount owed to AXIS at December 31, 2005 was \$42,281.

On December 14, 2004, the Company issued 9 million options to Renika Pty Ltd ("Renika") as consideration for services to be rendered by the new President and Chief Executive Officer of the Company. The 9 million options convert to 9 million shares of common stock at an exercise price of \$0.05 and a latest exercise date of December 2009. The Company undertook a Black Scholes valuation of the options using a \$0.05 exercise price, \$0.05 market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7% which equated to a value of \$123,300. The \$0.05 market price was based on the price of the Company's shares of common stock at the time. In the absence of any independent directors on the Company's Board, the Company's sole director, Mr. Gutnick, appointed Dr. David Tyrwhitt to approve the terms of the options on behalf of the Company. In September 2005, Renika exercised the 9,000,000 options using the cashless exercise feature and were issued 7,593,750 shares of common stock.

Transactions with Management.

We have a policy that we will not enter into any transaction with an Officer, Director or affiliate of us or any member of their families unless the transaction is approved by a majority of our disinterested non-employee Directors and the disinterested majority determines that the terms of the transaction are no less favourable to us than the terms available from non-affiliated third parties or are otherwise deemed to be fair to us at the time authorised.

PART IV

Item 13. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements and Notes thereto.

The Financial Statements and Notes thereto listed on the Index at page 28 of this Annual Report on Form 10-KSB are filed as a part of this Annual Report.

(b) Exhibits

The Exhibits to this Annual Report on Form 10-KSB are listed in the Exhibit Index at page 28 of this Annual Report.

(c) Form 8-K

Form 8-K dated December 14, 2005 lodged in relation to Item 5.

Item 14. Principal Accounting Fees and Services

The following table shows the audit fees incurred for fiscal 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Audit fees	\$11,295	\$5,075
Audit related fees	-	-
Tax fees	-	-
Total	<u>\$11,295</u>	<u>\$5,075</u>

Audit fees were for the audit of our annual financial statements, review of financial statements included in our 10-QSB/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.

As part of its duties, our Board of Directors 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 Board of Directors does not delegate to management its responsibilities to pre-approve services performed by our independent auditors.

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.

BAY RESOURCES LTD.

(Registrant)

A handwritten signature in black ink, appearing to read 'P. Lee', written in a cursive style.

By:
Peter J Lee
Chief Financial Officer and
Secretary

Dated: March 29, 2006

FORM 10-KSB 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.


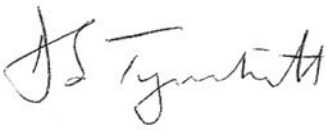

Signature	Title	Date
1.  Joseph Gutnick	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer), and Director.	March 29, 2006
2.  David Tyrwhitt	Director.	March 29, 2006
3.  Peter Lee	Chief Financial Officer and Secretary, (Principal Financial and Accounting Officer)	March 29, 2006

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)
4.1	Form of 8% Senior Subordinated Convertible Debenture due March 31, 2004 (3)
4.2	Form of Notice of Conversion (3)
10.1	2002 Employee, Consultant & Advisor Stock Compensation Plan (4)
10.2	Form of Stock Payment Agreement (4)
10.3	Contract for the Sale of Mining Tenements (5)
21.1	Subsidiaries of the Registrant (6)
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 (6)
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 (6)
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 (6)
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 (6)

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 Company's current report on Form 8-K filed on June 23, 2003.
- (4) Incorporated herein by reference to the Company's Registration Statement on Form S-8 filed on May 14, 2002, File No. 333-88184.
- (5) Incorporated by reference to the Company's current report on Form 8-K filed on March 10, 2006.
- (6) Filed herewith

Financial Statements for the years ended December 31, 2004 and 2005.

Legend International Holdings, Inc.
Audited Financial Statements for the Company for the years ended December 31, 2005 and 2004.

EXHIBIT 21

List of Subsidiaries as at December 31, 2005

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

Legend Consolidated Group, Inc.
(a Delaware Corporation)

This entity is inactive.

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

1. I have reviewed this annual report on Form 10-KSB of Legend International Holdings, Inc. (the "registrant");
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - c) disclosed in this annual 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 29, 2006



Name: Peter Lee
Title: Secretary and
Chief Financial Officer
(Principal Financial 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, Joseph Isaac Gutnick, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-KSB of Legend International Holdings, Inc. (the "registrant");
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - c) disclosed in this annual 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):
 - c) 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

- d) 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 29, 2006

Handwritten signature of J. I. Gutnick in black ink, positioned above a horizontal line.

Name: Joseph I. Gutnick
Title: Chairman of the Board, President
and Chief Executive Officer
(Principal Executive 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-KSB of Legend International Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2005 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 29, 2006



Joseph Isaac Gutnick
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-KSB of Legend International Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2005 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 29, 2006



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

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

Financial Statements

December 31, 2005 and 2004

(with Report of Independent Registered Public Accounting Firm)

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying balance sheet of Legend International Holdings, Inc (A Development Stage Company) as of December 31, 2005, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2005 and 2004 and the cumulative amounts from inception, January 5, 2001 through December 31, 2005. 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 audit. The related statements of operations, stockholders' equity (deficit), and cash flows from inception of the development stage on January 5, 2001 through December 31, 2003, were audited by other auditors whose reports dated March 20, 2004 and April 7, 2003 expressed an unqualified opinion, with an explanatory paragraph discussing the company's ability to continue as a going concern. Our opinion on the statements of operations, stockholders' equity (deficit) and cash flows from inception of the development stage through December 31, 2005, insofar as it relates to amounts for prior periods through December 31, 2003, is solely based on the reports of other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legend International Holdings, Inc. at December 31, 2005, and the results of its operations and its cash flows for the periods indicated above in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As described in note 1, at December 31, 2005 the Company had not yet commenced revenue producing operations and had a working capital deficit of \$20,340 and a retained deficit of \$599,447. 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 23, 2006

S/S PKF
Certified Public Accountants
A Professional Corporation

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Balance Sheet
December 31, 2005

ASSETS

	<u>US\$</u>
Current Assets	
Cash	-
	<hr/>
Total Current Assets	-
	<hr/>
Total Assets	-
	<hr/>

LIABILITIES

Current Liabilities	
Accounts payable and accrued expenses	20,340
	<hr/>
Total Current Liabilities	20,340
	<hr/>
Non Current Liabilities	
Long-term advance affiliates	47,788
	<hr/>
Total Non Current Liabilities	47,788
	<hr/>
Total Liabilities	68,128
	<hr/>

STOCKHOLDERS' EQUITY (DEFICIT)

Preferred Stock	
\$.001 par value, 20,000,000 shares authorized	
no shares issued and outstanding	
Common Stock	
\$.001 par value, 100,000,000 shares authorized	
18,067,750 shares issued and outstanding	18,068
Additional paid-in-capital	513,251
Retained deficit during the development period	(599,447)
	<hr/>
Total Stockholders' Equity (Deficit)	(68,128)
	<hr/>
Total Liabilities and Stockholders' Equity (Deficit)	-
	<hr/>

The accompanying notes are integral part of the financial statements.

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

	For the years Ended December 31		January 5, 2001 (Inception) to December 31
	2005 US\$	2004 US\$	2005 US\$
Revenues:			
Sales	-	-	4,875
less cost of sales	-	-	1,045
Gross profit	-	-	3,830
Other income			
Interest income	-	1,073	1,493
	-	1,073	5,323
Costs and expenses:			
Legal, professional and accounting	21,721	9,143	35,336
Stock based compensation	-	167,850	503,300
Interest expense	1,905	-	6,572
Administration expenses	35,350	4,120	60,593
Total expenses	58,976	181,113	605,801
(Loss) from operations	(58,976)	(180,040)	(600,478)
Foreign currency exchange gain	1,031	-	1,031
(Loss) before income taxes	(57,945)	(180,040)	(600,478)
Provision for income taxes	-	-	-
Net (loss)	(57,945)	(180,040)	(599,447)
Basic and diluted loss per common shares	(0.00)	(0.02)	(0.07)
Weighted average number of common shares used in per share calculations	13,282,647	10,206,213	8,346,922

The accompanying notes are integral part of the financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.
(A Development Stage Company)
Statements of Stockholders' Equity (Deficit)
for the period ended December 31, 2005

	Common Stock			Retained (Deficit) During the Development Period	Stockholders' Equity (Deficit)
	Shares	\$0.001 Par Value US\$	Additional Paid-In Capital US\$	US\$	US\$
Balance, January 5, 2001	-	-	-	-	-
Shares issued to founder for organisation cost and services at \$0.05 per shares	1,910,000	1,910	93,590		95,500
Shares issued for services rendered at \$0.05 per share	65,000	65	3,185		3,250
Shares issued for cash	274,000	274	13,426		13,700
Net Loss				(100,852)	(100,852)
Balance, December 31, 2001	2,249,000	2,249	110,201	(100,852)	11,598
Shares issued for cash	100,000	100	4,900		5,000
Shares issued for officer's compensation	5,000,000	5,000	120,000	-	125,000
Net Loss				(140,154)	(140,154)
Balance, December 31, 2002	7,349,000	7,349	235,101	(241,006)	1,444
Shares issued for services rendered at \$.05 per share	2,234,000	2,234	109,466		111,700
Net Loss				(120,456)	(120,456)
Balance, December 31, 2003	9,583,000	9,583	344,567	(361,462)	(7,312)
Shares issued for services rendered at \$0.05 per share	891,000	891	43,659	-	44,550
Options issued for services	-	-	123,300	-	123,300
Loan forgiveness-former major shareholder	-	-	9,319		9,319
Net Loss	-	-	-	(180,040)	(180,040)
Balance, December 31, 2004	10,474,000	10,474	520,845	(541,502)	(10,183)
Shares issued on cashless exercise of options	7,593,750	7,594	(7,594)	-	-
Net Loss	-	-	-	(57,945)	(57,945)
Balance, December 31, 2005	18,067,750	18,068	513,251	(599,447)	(68,128)

The accompanying notes are integral part of the financial statements.

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

	For the years Ended December 31		January 5, 2001 (Inception) to December 31
	2005 US\$	2004 US\$	2005 US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	(57,945)	(180,040)	(599,447)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Foreign exchange	(1,031)	-	(1,031)
Shares and options issued for stock based compensation	-	167,850	503,300
Accrued interest added to principal	1,905	-	1,905
Net changes in:			
Accounts payable and accrued expenses	10,157	10,183	25,070
Net cash provided (used in) operating activities	(46,914)	(2,007)	(70,203)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of convertible debenture	-	(100,000)	(100,000)
Repayment of shareholder advance	-	(429)	(492)
Proceeds from convertible debenture payable	-	-	100,000
Shareholder advance	-	-	5,081
Proceeds from issuance of stock	-	-	18,700
Net borrowing from affiliates	46,914	-	46,914
Net cash (used by)/provided for financing activities	46,914	(100,429)	70,203
Net increase (decrease) in cash	-	(102,436)	-
Cash at beginning of period	-	102,436	-
Cash at end of period	-	-	-
Supplemental Disclosures:			
Cash paid for interest	-	-	-
Cash paid for income taxes	-	-	-
Stock and options issued for services	-	167,850	503,300
Accrued interest and stockholder advances charged to paid in capital	-	9,319	9,319

The accompanying notes are integral part of the financial statements.

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

1. ORGANISATION AND BUSINESS

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

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

Following the change of management in November 2004, the Company has developed a new plan of operations for fiscal 2006, which is to engage in mineral exploration and development activities. Legend's current business plan calls for the identification of mineral properties, in South America and other parts of the world, where it can obtain secure title to exploration, development and mining interests. The Company's preference is to identify large gold deposits with low operating costs. The Company is prepared to consider the exploration, development and mining of profitable base metal interests.

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has incurred net losses since its inception and has experienced liquidity problems that raise substantial doubt about its ability to continue as a going concern. The stockholders/officers and or directors have committed to advancing funds to cover operating costs of the Company to insure that the Company has enough operating capital over the next twelve months.

Development Stage Enterprise

The Company is a development stage enterprise, as defined in the Statement of Financial Accounting Standards No. 7 "Accounting and Reporting by Development Stage Enterprises". The Company is devoting all of its present efforts in securing and establishing a new business, and its planned principal operations have not commenced, and, accordingly, no revenue has been derived during the organizational period.

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

2. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued a revision to SFAS No. 123 "Accounting for Stock Based Compensation" ("FASB 123R"). This statement established standard for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement is effective for interim periods beginning after June 15, 2005. The Company's policy has been to account for options using the fair value method under FASB 123. Accordingly, the adoption of FASB 123R is not expected to have an impact on the consistent financial reporting of the Company.

In May 2005, the FASB issued SFAS no. 154, "Accounting Changes and Error Corrections ("SFAS No. 154") which replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of ABP Opinion No. 28. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. Specially, this statement requires "retrospective application" of the direct effect for a voluntary change in accounting principle to prior periods' financial statements, if it is practical to do so. SFAS No. 154 also strictly defines the term "restatement" to mean the correction of an error revising previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and are required to be adopted by the Company in the first quarter of fiscal year 2007. Although we will continue to evaluate the application of SFAS No. 154, management does not currently believe adoption will have a material impact on our results of operations, financial position or cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock Options

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

Loss per Common Share

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

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all

changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company does not have any items or transactions requiring disclosure of comprehensive income.

Fixed Assets

The Company has no fixed assets at this time.

Federal Income Tax

The Company has adopted the provisions of Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes. The Company accounts for income taxes pursuant to the provisions of the Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes", which requires an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

Use of Estimates

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

Foreign Currency Translation

The Company's functional and reporting currency is the US dollar. A portion of the Company's administrative operations are in Australian dollars. Expenses incurred in a currency other than the reporting currency, United States dollars are translated at the date invoiced. Assets and liabilities are re-valued at the period end exchange rate where appropriate. Foreign currency exchange gain in 2005 amounted to \$1,031.

Financial Instruments

The Company's payables carrying value reasonably approximates their fair value.

4. COMMON STOCK

In January 2001, 1,910,000 common shares were issued to the Company's founder for organization cost valued at \$95,500, and 65,000 common shares were issued to a related party in exchange for consulting fee valued at \$3,250.

In March 2002, 5,000,000 common shares were issued to the Company's founder in exchange for present and future services valued at \$125,000.

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

4. COMMON STOCK (CONT'D)

In April 2002, the Company closed its offering under its registration statement filed with the United States Securities and Exchange Commission to sell up to 2,000,000 shares of its common stock at \$0.05 per share, which became effective on April 11, 2001. The Company sold 374,000 shares (274,000 shares in 2001 and a further 100,000 shares in 2002) of its common stock under the offering.

In 2003, a total of 2,234,000 common shares were issued to the Company's sole officer and director for services valued at \$111,700 or \$.05 per share.

In 2004, a total of 891,000 common shares were issued to the Company's former sole officer and director for services valued at \$44,550 or \$0.05 per share.

In December 2004, the Company issued to Renika Pty Limited ("Renika"), a company associated with Mr J I Gutnick, 9,000,000 options to be converted into 9,000,000 shares of common stock, at an exercise price of \$0.05 and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black Scholes valuation of these options using a \$0.05 exercise price, \$0.05 market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. The 9,000,000 options were valued at \$123,300 or \$0.0137 each. The stock options were issued for services rendered, to be rendered and for agreeing to provide financial assistance to the Company (not the actual provision of financial assistance). The issue of the stock options was not contingent upon any further services or events. The stock options are not forfeitable if the services or financial assistance are not provided. Accordingly, the value of the stock options was expensed immediately.

In September 2005, Renika exercised the 9,000,000 options using the cashless exercise feature and were issued 7,593,750 shares of common stock.

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

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

	US\$ <u>2005</u>
5. LONG-TERM ADVANCE - AFFILIATE	
Loan from AXIS Consultants, a corporation affiliated with the President of the Company. Interest accrued at the rate of 9.35% per annum being the "Reference Rate" of the ANZ Banking Group Ltd.	42,281
Loan from Wilzed Pty Ltd, a corporation affiliated with the President of the Company. Interest accrued at 9.35% per annum.	5,507
	<hr/> <u>47,788</u>

Each of the above affiliates has agreed not to call up the loans prior to December 31, 2006.

6. AFFILIATE TRANSACTIONS

The Company issued unregistered common stock to its former President between 2001 and 2004, in exchange for services as President, Secretary and Treasurer, and to non management consultants in exchange for their services which was based on the Company's expected initial offering price of \$0.05 per share, has been reflected as organization costs, consulting services and web site development cost in the accompanying statements of operations. These shares were issued under Section 4(2) of the Securities Act of 1933, as amended, and are subject to the resale provisions of Rule 144 and may not be sold or transferred without registration except in accordance with Rule 144. Certificates representing the securities bear such a legend.

As of December 31, 2003, the Company owed the former sole officer and director an outstanding balance of \$5,081 for expenses incurred on its behalf. The advance was non-interest bearing and no interest had been accrued. During 2004, a former officer and director incurred expenses on behalf of the Company amounting to \$1,236 and the Company paid \$1,665 and the former officer and director forgave the balance of \$4,652.

This amount, along with \$4,667 of accrued and unpaid interest on the convertible note at January 1, 2004 was forgiven and has been reflected as a credit to additional paid in capital in the accompanying 2004 financial statements.

During 2003, the former officers and directors loaned an amount of \$100,000 to the Company in the form of a convertible debenture. The debenture was an 8% senior subordinated convertible debenture due March 31, 2004 and was convertible into restricted common stock at \$0.10 per share. In October 2004 the Company notified the former officers and director of a decision to prepay the debentures in full and an amount of \$100,000 was repaid. No interest was paid to the former officers and directors.

The Company is one of five affiliated companies of which three are Australian public companies listed on Australian Stock Exchange. Each of the companies has some common Directors, officers and shareholders. In addition, each of the companies is substantially dependent upon AXIS for its senior management and certain mining and exploration staff. A number of arrangements and transactions have been entered into from time to time between such companies. It has been the intention of the affiliated companies and respective Boards of Directors that each of such arrangements or transactions should accommodate the respective interest of the relevant affiliated

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

6. AFFILIATE TRANSACTIONS (CONT'D)

companies in a manner which is fair to all parties and equitable to the shareholders of each. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS.

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

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

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

In accordance with the Service Agreement AXIS provides the Company with the services of the Company's Chief Executive Officer, Chief Financial Officer 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%.

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. AXIS provided these services during December 2004 at a cost to the Company of \$1,560.

During fiscal 2005 AXIS provided these services and charged the Company a \$20,203 management fee, \$12,171 for salaries incurred in relation to AXIS staff that provided administration services to the Company and interest of \$1,771 on the outstanding balance. The amount owed to AXIS at December 31, 2005 was \$42,281.

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

6. AFFILIATE TRANSACTIONS (CONT'D)

In September 2005, Wilzed Pty Ltd ("Wilzed"), a company associated with the President and CEO of the Company, Joseph Gutnick, paid expenses on behalf of the Company. Wilzed loaned the company \$5,565 and charged interest of \$134 and there was an exchange gain on the outstanding balance of \$192. As December 31, 2005, the Company owed Wilzed \$5,507.

In December 2004, the Company issued to Renika, a company associated with Mr J I Gutnick, 9,000,000 options to be converted into 9,000,000 shares of common stock, at an exercise price of 5 cents and a latest exercise date of December 2009 for services to be rendered to the Company. The Company undertook a Black and Scholes valuation of these options using a 5 cent exercise price, 5 cent market price, 5 year life, risk free interest rate of 5.155% and a volatility of 16.7%. This valued the 9,000,000 options at \$123,300 or 1.37 cents each. In September 2005, Renika exercised the 9,000,000 options using the cashless exercise feature and were issued 7,593,750 shares of common stock.

7. INCOME TAXES

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

At December 31, 2005 and 2004 deferred taxes consisted of the following:

	2005 \$	2004 \$
Deferred tax assets		
Net operating loss carry-forward	200,400	180,942
Less valuation allowance	(200,400)	(180,942)
Net deferred taxes	-	-

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

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

LEGEND INTERNATIONAL HOLDINGS, INC.
Notes to Financial Statements

7. INCOME TAXES (CONT'D)

As a result of the ownership change that occurred in November 2004 (see note 1), Internal Revenue Code Section 382 limits the use of available operating loss carryforwards for losses incurred prior to the ownership change. In addition, the Company will need to file tax returns for 2004 and 2005 to establish the tax benefits of the net operating loss carry forwards. Future net operating losses will be fully available to offset future taxable income. Total available net operating loss carryforwards, which are subject to limitations, amount to approximately \$588,000 at December 31, 2005 and expire in years 2021 through 2025.

8. SUBSEQUENT EVENTS – POTENTIAL ACQUISITION

Effective as of March 3, 2006, Legend International Holdings, Inc, a Delaware corporation (the "Company") entered into a Contract for the Sale of Mining Tenements ("Contract") with Astro Diamond Mines N.L. ("Astro") an Australian company pursuant to which the Company shall acquire certain diamond mining tenements in Northern Australia from Astro, subject to the terms and conditions discussed below. The Contract is conditional on the approval of shareholders of Astro approving the sale of the tenements to Legend. The consideration payable by Legend to Astro is Australian dollars \$1.5 million and is payable 90 days after the approval of Astro shareholders. If Legend does not make the payment within the time period, the Contract is cancelled. At settlement, Legend is also required to pay to Astro any costs incurred on the tenements after February 1, 2006. Astro has provided commercial warranties which are usual for a transaction of this nature in favour of Legend. Astro intends to schedule a meeting of its shareholders in April 2006 to consider and vote upon the Contract. Under Australian law, Astro is 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 the subject of the transaction was Australian dollars \$1.5 million. This formed the basis of the consideration agreed by the parties.

The President and Chief Executive Officer of the Company, Mr. J. I. Gutnick, is Chairman and Managing Director of Astro and Dr DS Tyrwhitt, an independent Director of the Company is also a Director of Astro.

The Company is currently working on funding options to provide the cash for the payment of the purchase price which may include equity or debt funding or a mixture of both.