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23 October 2009

The Company Announcements Office
ASX Limited

Via E Lodgement

LEGACY SIGNS HEADS OF AGREEMENT TO FAST TRACK IRON ORE ASSETS

Emerging iron ore and gold explorer, Legacy Iron Ore Limited (ASX: LCY, LCYO) (the "Company" or "Legacy") today announces it has signed a conditional heads of agreement ("HOA") for the exploration and development of its iron ore assets.

Provided the conditions of the HOA are satisfied, the Company has an option to subsequently enter into a 50:50 joint venture ("JV") with Lachlan Capital Partners Pty Ltd ("Lachlan"). The Board believes that this is a unique opportunity and is an excellent way for the Company to fast track the development of its Robertson Range and Hamersley iron ore assets in Western Australia's Pilbara region.

The tenements, the subject of the HOA, consists of three tenements, prospective for iron ore and manganese, which cover over 798 square kilometres in the Robertson Range located east of Newman and near the East of Jigalong Community. Two additional tenements are located in the Hamersley Iron Ore Province located 50 km west of Tom Price (together "the Tenements").

The Company's tenements are in close proximity to BHP, Rio Tinto and FerrAus, where significant iron ore resources have already been identified. With strong interest in commodities, especially iron ore, this HOA (with the potential to enter into the JV) is a great opportunity for Legacy to not only develop, but retain a significant interest in the project, whilst still adding value to shareholders through the continued development of the Company's gold assets.

The field work carried out to date by Legacy on the Tenements has shown rock chip assay samples with up to 55.66% Fe (see announcement dated 29 June 2009), confirming the presence of iron mineralisation.

Upon satisfaction of the terms of the HOA and in the event that the parties unanimously decide to enter into the JV over the Tenements, Lachlan will commit to spend up to \$10 million in drilling and exploration expenditure, in order to develop a JORC resource for the preparation of a bankable feasibility study. The two year timeframe of this capital expenditure will allow for the project to be explored in a relatively short period of time, whilst still providing the Company with exposure to iron ore.

In addition to this expenditure, Lachlan will also subscribe for \$150,000 of equity in Legacy at an issue price of not less than \$0.045 per share, being the same price as Shares offered under the recently completed rights issue.

The Board believes that the execution of this HOA is an important step in the Company's asset development strategy and that it will bring significant funds and substantial expertise to the development of the iron ore projects.

About Legacy:

Legacy Iron Ore is a progressive West Australian explorer with a broad spread of interests in gold and iron. The Company has a multi-pronged exploration strategy centred on a growing portfolio of quality tenements in the Kimberley, Pilbara and Yilgarn regions of Western Australia. The Company has recently intensified both its gold and iron ore programs to fast-track potentially viable mining operations and capitalise on buoyant commodity prices.

Legacy Iron Ore officially listed on the Australian Securities Exchange on 8 July 2008. For more information regarding the Company, visit the website at www.legacyiron.com.au.

About Lachlan:

Lachlan Capital Partners is a boutique resource investment group. It is headed by respected financial services specialist Jason Entwistle, mining consultant Stephen Woodham, who was the founder of the NSW field logistics company Southern Cross Technical & Field Services, solicitor and geologist Richard Hill, who was a founding director of a number of ASX listed resource companies and Paul Quarrell, who is Managing Director of exploration drilling company, Techdrill Services Pty Ltd.

For more information on the company please visit contact Paul Quarrell directly via email (paul.quarrell@lachlancapital.com.au).

For more information please contact:

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Competent Person Attributes:

The Exploration information in this report is based on information compiled by Greg Whitfield who is a fellow of The Australasian Institute of Mining and Metallurgy and an independent consultant to Legacy Iron Ore Ltd. Mr. Whitfield has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Whitfield consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.