



Hyatt Centre Suite 32, 23 Plain Street, East Perth, WA 6004
PO Box 6878, East Perth BC, East Perth, WA 6892
Tel: 9421 2005 Fax: 9421 2001
ACN 125 010 353

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The Company Announcements Office
ASX Limited

Via E Lodgement

LEGACY SIGNS HEADS OF AGREEMENT FOR LYONS RIVER IRON ORE TENEMENT

Following the recent decision to fast track its iron ore assets, emerging iron ore and gold explorer, Legacy Iron Ore Limited ("Legacy" or the "Company", ASX: LCY, LCYO) is pleased to announce that it has entered into an exclusive Heads of Agreement to acquire the highly prospective Lyons River iron ore tenement, E09/1446 ("Tenement"), located approximately 240km east of Carnarvon, Western Australia.

The Company recognises the potential for a shallow, easily accessible multi-million tonne resource of high grade iron ore. Hematite scree occurs on the tenement over an area, in excess of 8km x 1km, with surface oxidation yielding massive high-grade to low-grade hematite and goethite (*Figure 1*). Spot samples of the hematite mineralisation taken by prospectors have shown assays of 58.8% – 67.2% iron with low impurities.



Figure 1: Visible hematite scree

The 423km² tenement is accessible via graded station tracks and lies within 50km of major infrastructure, such as gas pipelines and major roads (Figure 2), meaning surface mining of the scree ore could be extremely cost effective and potentially provide the Company with early cash-flow opportunities.

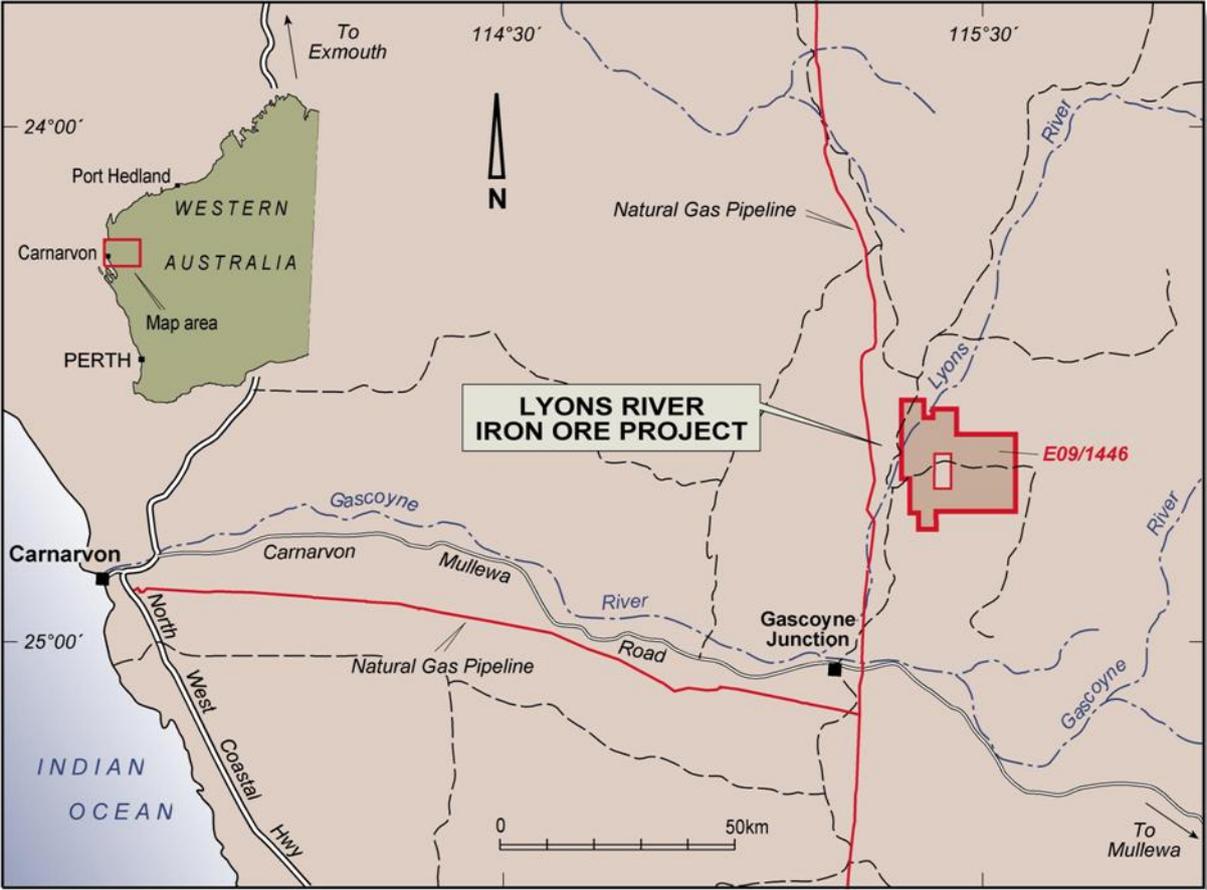


Figure 2: Location of Lyons River Iron Ore Prospect

The tenement has previously been explored between 1974 and 1982, by several uranium companies, including Uranerz, AGIP Nuclear, Afmeco and ESSO Minerals.

Hematite mineralisation has been found over a wide area within the tenement, occurring as boulder float and possible subcrop. Samples taken by the prospector vendors, appear to consist of massive silvery specular hematite (see photograph below- Figure 3).



Figure 3: Typical sample

Some samples show banding, and some hematite is crystalline. Assays of the samples show the presence of high grade iron, low LOI, low silica-alumina and relatively low phosphorus as follows:

SAMPLE NUMBER	Fe %	Al₂O₃ %	SiO₂ %	P₂O₅ %	LOI %
1	59.65	0.36	1.14	0.14	1.81
2	67.18	0.31	1.01	0.15	1.5
3	62.53	0.25	0.7	0.07	1.67
4	61.08	0.23	0.54	0.11	1.94
5	61.23	0.32	0.66	0.11	1.93
6	61.83	0.22	0.66	0.09	2.37
7	63.84	0.23	0.82	0.13	2.21
8	63.94	0.26	0.73	0.07	1.91
9	61.92	0.19	0.37	0.21	1.65
10	60.81	0.28	0.57	0.08	1.94
11	63.93	0.18	0.41	0.12	1.33
12	63.55	0.17	0.4	0.16	1.43
13	58.84	0.31	0.91	<0.01	2.82
14	60.34	0.17	0.47	0.11	2.15
15	62.02	0.21	0.92	0.04	2.73
16	62.89	0.18	0.51	0.05	1.65
17	62.14	0.21	0.4	0.07	1.08
18	60.32	0.26	0.85	0.07	2.49
19	59.24	0.23	0.6	0.09	2.25
20	60.34	0.27	0.65	0.04	2.09

Table 1: Assay Results for surface samples*

**Spot samples taken by prospectors over the tenement, no GPS coordinates at this time.*

Under the terms of the Heads of Agreement, the Company has paid a \$20,000 option fee to secure an exclusive 45 day period to conduct due diligence in order to determine whether it will exercise its option to proceed to the tenement acquisition stage.

The Heads of Agreement is consistent with the Company's strategy of acquiring and developing highly prospective iron ore tenements in order to meet the growing demand from countries such as China and India.

The style of mineralisation, its overall distribution and the source have not been determined to date. The Company's exploration manager, Mr Stephen Shelton, is currently planning a field trip to further evaluate the potential of this exciting project and look at the optimum way to proceed with exploration. Samples will be taken for further assay.

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 WA. The company has recently intensified its gold program to fast-track potentially viable mining operations and capitalise on buoyant commodity prices.

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

For more information please contact:

Sharon Heng

Chief Executive
Legacy Iron Ore Limited
T: +61 (8) 9421 2005
M: 0411 088 688
E: sharonheng@legacyiron.com.au

Jeff Benaud

Principal Consultant
Creative Nature Communications
T: +61 (8) 9355 6070
M: 0412 111 962
E: jeff.benaud@creativenature.com.au

Competent Person Attributes:

The Exploration information in this report is based on information compiled by Stephen Shelton who is a member of The Australasian Institute of Geoscientists and a full time employee of Legacy Iron Ore Ltd.. Mr. Shelton 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. Shelton consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.