LEGACY

IRON ORE LIMITED

(ABN 31 125 010 353)

Interim Financial Report for the Six Month Period Ended 31 December 2010

CONTENTS

DIRECTORS' REPORT

Your Directors present their report on Legacy Iron Ore Limited ("Legacy" or the "Company") for the half year ended 31 December 2010.

1. DIRECTORS

The names of Directors in office during the whole of the half year and up to the date of this report:

Mr Timothy Turner (Non-Executive Chairman)
Ms Sharon Heng (Executive Director/CEO)
Mr Tao Han (Non-Executive Director)

2. COMPANY SECRETARY

Mr Ivan Wu held the position of company secretary during the whole of the half year and up to the date of this report.

3. REVIEW OF OPERATIONS

<u>CORPORATE</u>

- In October 2010, the Company signed a Farm-in and Joint Venture Agreement ("JV Agreement") with Hawthorn Resources Limited ("Hawthorn") on its Mt Bevan Iron Ore Project ("Mt Bevan"), located approximately 100km west of Leonora in the central Yilgarn region of Western Australia. The JV Agreement requires Legacy to spend a minimum of $3,500,000 to develop Mt Bevan to a pre-feasibility stage. Upon completion of the minimum spend Legacy will earn a 60% interest in Mt Bevan.

- In accordance with the JV Agreement with Hawthorn, Legacy was issued 250,000,000 fully paid ordinary shares in Hawthorn at $0.006, totalling $1,500,000. Legacy has also executed a Co-operation Deed with Messrs M G Kerr and M E Elliot in relation to Hawthorn.

- On 12 October 2010, the Company completed the first tranche funding for the Mt Bevan project with the issue of 23,000,000 shares at $0.10 to a Chinese sophisticated investor raising a total of $2,300,000.

- On 24 December 2010, the Company issued the following equity securities:
  (i) 1,000,000 fully paid ordinary shares pursuant to Heads of Agreement with Advisory Committee dated 19 June 2009 as consideration for advisory fees; and
  (ii) 7,000,000 options to acquire ordinary shares with an exercise price of $0.10 expiring on or before 23 December 2015 to employees pursuant to the Company's Employee Share Option Plan following the end of 2010 employee performance review.

3. REVIEW OF OPERATIONS (continued)

EXPLORATION

- **Mt Bevan Iron Ore Project**

Mt Bevan project is considered to hold excellent potential for the definition of substantial DSO hematite and magnetite iron resources that are located close to existing road, rail and port facilities.

The project covers the northern parts of the Mt Ida Archaean greenstone belt. To the immediate south along strike, Jupiter Mines Limited ("Jupiter") have reported a JORC compliant inferred resource comprising DSO hematite of 5.75Mt @ 59.9% Fe at Mt Mason, and are currently drilling out a magnetite resource at Mt Ida with an exploration target of some 1.1 – 1.3Bt grading between 30 – 40% Fe. Jupiter have recently reported a maiden inferred resource for the Mt Ida magnetite project of 530Mt at 31.9% Fe for the Central Area – over only some 30% of the strike length considered as the conceptual target within their ground.

An initial 5,000m RC drilling program has now recently commenced. This program will be the first of several programs designed to systematically explore the extensive Banded Iron Formation ("BIF") units that outcrop over some 20km of strike. The drilling program is located in the southern part of the project area, to the immediate north of the hematite and magnetite resources held by Jupiter. Previous reconnaissance drilling in this area encountered thick (circa 100m) shallow dipping magnetite mineralisation hosted within the BIF.

This drilling will test to depths of approximately 200m - 250m over a 5km strike length and aims to provide an initial JORC compliant inferred resource for the zone with an exploration target for magnetite mineralisation of 500Mt* grading between 30% and 40%. This zone represents only some 30% of the prospective BIF stratigraphy at Mt Bevan as identified to date. This first phase drilling program is due to complete by late March.

- **Robertson Range Iron Ore Project**

Reconnaissance air core drilling was conducted over potential CID targets in the northern part of E45/3395. This program successfully intersected alluvial channels containing strongly ferruginous pisolitic and nodular material of presently unknown provenance. The channels, where intersected by fence drilling, were typically up to 200m wide. The iron rich zones showed a vertical (true) thickness of up to 5m, but on average from 1 - 3m. Assays of up to 42.2% Fe were obtained, with most samples being in the assay range of 25 - 35% beneficiation studies are planned to determine the commercial significance of this mineralisation.

- **Robertson Range Manganese Project**

Field mapping has shown that most of the extensive 370km^2 tenement is underlain by Balfour Formation manganiferous shales, masked in part by surprisingly thin alluvial cover. The shales are host rocks to the major Nicholas Downs manganese mine located some 25km along strike to the NNE. The Nicholas Downs deposit, previously known as the Balfour Downs deposit, is being developed by a joint venture comprising Hancock Prospecting and PMI (Mineral Resources Ltd). Mining has recently commenced of this high grade manganese orebody, with the first shipment achieved in December 2010. The deposit has an inferred JORC resource of approximately 20Mt, with a targeted production of 540,000 tonnes per annum of 38% manganese ore.

Field work has identified several areas of strongly manganiferous shales, typically lying under thin alluvial wash. At the Narmana prospect, manganese mineralisation occurs over several low hills near a contact with Enacheddong Dolomite represented locally by banded cherts. This association bears similarities with manganese deposits located further to the north within the Manganese Subgroup e.g. Woodie Woodie.

During the months of July and September 2010 several visits were made to the project area with potential investment groups, and field work including flying heliborne EM is planned for early 2011.

- **South Laverton - Mt Celia Gold Project**

In December 2010, the Company has increased its gold inferred resource by 34% to 121,454oz. A 3,100m RC drilling program was completed on the Blue Peter shear system where an earlier drilling program produced numerous high grade gold intersections over a combined strike length of some 740m. A number of significant gold intersections were made, and the mineralised zones expanded along strike and at depth.

An initial JORC compliant resource was calculated for the Blue Peter prospect. This inferred resource stands at 239,232 tonnes at 3.97g/t gold (30,554oz gold). This resource is in addition to the 46,000oz and 44,900oz gold inferred JORC resource at the Company's adjacent Kangaroo Bore and Yilgangi deposits respectively.

A scoping study is planned to investigate the open cut and underground mining potential of the Blue Peter prospect, and to ascertain the optimum follow up drilling program.

- **East Kimberley – Koongie Park – Basemetals**

Koongie Park lies adjacent to the Koongie Park base metal deposit held by Anglo Australian Resources NL ("AAR"). This is an advanced copper–zinc project with major base metal deposits defined at the Onedin and Sandiego prospects. The deposit is a Volcanogenic Hosted Massive Sulphide deposit ("VHMS") deposit. Significant VHMS deposits in Western Australia include the recent Doolgunna discovery of Sandfire Resources, and the Jaguar and Bentley discoveries of Jabiru Metals. The project is currently undergoing a feasibility study incorporating extensive drilling. Recent drilling at the Sandiego prospect has identified additional high grade copper zinc mineralisation including shallow high grade supergene copper (e.g. Drillhole SRC061 – 71m at 5.04% Cu, 7.69% Zn, 68 g/t Ag and 0.43g/t gold[#]).

Legacy's Koongie Park tenement lies adjacent to the AAR ground and contains in its northern sector the same volcanisedimentary package that hosts the base metal deposits identified to date. Much of the area is poorly exposed, but imminently accessible from the main Northern Highway. Previous reconnaissance exploration has identified at least six basemetal prospects in the Legacy tenement. .

A full analysis of past exploration data is underway, and a geochemical program has been planned to investigate priority target areas, particularly in the Earth Dam and Atlantis South areas. This will likely be followed up with aircore and ground geophysical surveys in due course. It is anticipated that most work will be completed during the 2011 field season.

** 500Mt is part of the exploration target for the Mt Bevan project of between 1–1.5Bt grading 30%–40% Fe should be considered in line with clause 18 of the JORC code. The potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.*

[#] Anglo Australian Resources NL: ASX announcement 22 June 2010

Competent Person's Statement:

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Steve Shelton who is a member of The Australasian Institute of Geoscientists and a full time employee of Legacy Iron Ore Limited. 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.

4. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of the Board of Directors.

Sharon Heng
Director

Perth, 11 March 2011

AUDITORS' INDEPENDENCE DECLARATION OF LEGACY IRON ORE LIMITED

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Auditor's Independence Declaration
To The Directors of Legacy Iron Ore Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Legacy Iron Ore Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Director - Audit & Assurance

Perth, 11 March 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half Year 2010 $	Half Year 2009 $
Other income	75,600	32,491
Compliance and regulatory expenses	(63,057)	(54,061)
Depreciation and amortisation expenses	(29,187)	(32,356)
Key management personnel remuneration	(161,389)	(101,473)
Employee benefits expense	(36,814)	(41,204)
Exploration expenditure expensed	(7,927)	(51,229)
Exploration tenements written off	(201,138)	(16,265)
Administration expenses	(483,558)	(386,726)
Commissions expense	(210,000)	-
Finance costs	(5,181)	(7,174)
Share based payment	(701,904)	(770,348)
Loss before income tax	(1,824,555)	(1,428,345)
Income tax benefit	-	-
LOSS FOR THE HALF YEAR	(1,824,555)	(1,428,345)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income, net of tax	-	-
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR	**(1,824,555)**	**(1,428,345)**
Basic and diluted loss per share	(1.10) cents per share	(1.27) cents per share

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31 December 2010 $	30 June 2010 $
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		1,548,813	2,624,732
Trade and Other Receivables		98,877	77,996
TOTAL CURRENT ASSETS		1,647,690	2,702,728
NON-CURRENT ASSETS			
Plant and Equipment		100,460	119,852
Exploration and Evaluation Expenditure	3	11,337,179	10,649,870
Available for Sale Financial Assets	4	1,500,000	-
TOTAL NON-CURRENT ASSETS		12,937,639	10,769,722
TOTAL ASSETS		**14,585,329**	**13,472,450**
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables		145,430	116,242
Short-Term Provisions		8,323	47,492
Borrowings		84,276	34,608
TOTAL CURRENT LIABILITIES		238,029	198,342
NON-CURRENT LIABILITIES			
Borrowings		-	66,590
TOTAL NON-CURRENT LIABILITIES		-	66,590
TOTAL LIABILITIES		**238,029**	**264,932**
NET ASSETS		**14,347,300**	**13,207,518**
EQUITY			
Issued Capital	5	18,500,223	16,157,790
Reserves	6	11,490,499	10,868,595
Accumulated Losses		(15,643,422)	(13,818,867)
TOTAL EQUITY		**14,347,300**	**13,207,518**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Ordinary Share Capital $	Share Based Payment Reserve $	Option Premium Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2009	13,517,062	6,935,496	90,539	(10,108,503)	10,434,594
Loss attributable to the members of the Company	-	-	-	(1,428,345)	(1,428,345)
Total other comprehensive income for the period	-	-	-	-	-
Options issued during the period	4,389,606	-	-	-	4,389,606
Transaction costs relating to shares/options issued	(1,843,281)	1,492,736	-	-	(350,545)
Recognition as remuneration of options and performance shares issued	-	770,348	-	-	770,348
BALANCE AT 31 DECEMBER 2009	**16,063,387**	**9,198,580**	**90,539**	**(11,536,848)**	**13,815,658**

	Ordinary Share Capital $	Share Based Payment Reserve $	Option Premium Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2010	16,157,790	10,778,056	90,539	(14,602,618)	12,423,767
Adjustment of an error in the prior period	-	-	-	783,751	783,751
Adjusted equity at 1 July 2010	16,157,790	10,778,056	90,539	(13,818,867)	13,207,518
Loss attributable to the members of the Company	-	-	-	(1,824,555)	(1,824,555)
Total other comprehensive income for the period	-	-	-	-	-
Shares issued during the period	2,380,000	-	-	-	2,380,000
Transaction costs relating to shares/options issued	(37,567)	-	-	-	(37,567)
Recognition as remuneration / consultancy fees of options and performance shares issued	-	621,904	-	-	621,904
BALANCE AT 31 DECEMBER 2010	**18,500,223**	**11,399,960**	**90,539**	**(15,643,422)**	**14,347,300**

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half Year 2010 $	Half Year 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	19,721	-
Payments to suppliers and employees	(995,467)	(695,726)
Interest received	63,419	22,387
Interest paid	(4,532)	(6,138)
Net cash flows used in operating activities	(916,859)	(679,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for exploration and evaluation	(894,775)	(413,640)
Payment for purchase of available for sale financial assets	(1,500,000)	-
Payment for purchase of fixed assets	(9,795)	-
Net cash flows used in investing activities	(2,404,570)	(413,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	2,300,000	4,295,356
Payments for costs of capital raising	(37,568)	(339,545)
Repayment of borrowings	(16,922)	(15,317)
Net cash flows from financing activities	2,245,510	3,940,494
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,075,919)	2,847,377
Cash and Cash Equivalents at the Beginning of Half Year	2,624,732	1,215,706
CASH AND CASH EQUIVALENTS AT THE END OF HALF YEAR	**1,548,813**	**4,063,083**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION OF HALF YEAR REPORT

These general purpose financial statements for the interim half year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Legacy Iron Ore Limited (the Company). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2010 together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following Accounting policy:

Financial Instruments – Available for Sale Financial Assets

Initial Recognition, Classification and Measurement
Available for sale financial assets are initially measured at fair value plus transaction costs. They represent non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor determinable payments. Available for sale financial assets are included in non-current assets, except those which are expected to mature within 12 months after the end of the reporting period.

Subsequent Measurement
Available for sale financial assets are subsequently remeasured at fair value. The quoted price in an active market is used to determine fair value. Fair value is determined based on the current bid prices for quoted investments.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Company has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period.

Impact of new and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Company include:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9

In December 2009, the AASB issued AASB 9 Financial Instruments which addresses the classification and measurements of financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. However, initial indications are that it will have no impacts on the Company's financial statements. The Company has yet to decide when to adopt AASB 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 DECEMBER 2010

1. BASIS OF PREPARATION OF HALF YEAR REPORT (continued)

Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-5 Introduces amendments to Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognized assets in the statements of cash flows and the classification of leases of land and buildings.

The adoption of these amendments, have not resulted in any material changes to the Company's accounting policies and have no effect on the amounts reported for the current or prior periods.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters.

The key clarifications include:

- The measurement of non-controlling interests in a business combination;
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008); and
- Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

The adoption of these amendments, have not resulted in any material changes to the Company's accounting policies and have no effect on the amounts reported for the current or prior periods.

2. DIVIDENDS

No dividends have been paid or proposed during the six month period ended 31 December 2010.

3. EXPLORATION AND EVALUATION EXPENDITURE

Non-Current	**31 December 2010 $**	**30 June 2010 $**
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases	**11,337,179**	**9,866,119**
Movement in carrying amounts		
Carrying amount at the beginning of the period	10,649,870	9,808,662
Exploration assets acquired	-	-
Exploration expenditure capitalised during the period	888,447	909,752
Less: Exploration written-off on areas to be relinquished	(201,138)	(852,295)
Adjustment for an error in prior period	-	783,751
Carrying amount at the end of the period	**11,337,179**	**10,649,870**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 DECEMBER 2010 (continued)

3. EXPLORATION AND EVALUATION EXPENDITURE (continued)

The recoverability of the carrying amount of exploration and evaluation is dependent on:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and commercial exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

4. AVAILABLE FOR SALE FINANCIAL ASSETS

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. Hawthorn Resources Ltd is listed on the Australian Stock Exchange. Shares were valued as at 31 December 2010.

	31 December 2010 $	**30 June 2010 $**
Shares at Fair Value:		
Hawthorn Resources Limited	1,500,000	-
	1,500,000	**-**
During the half year, the balance movement was as follows:		
Opening balance 1 July 2010	-	-
Acquired pursuant to share subscription agreement	1,500,000	-
Fair value gain on available-for-sale assets reserve	-	-
Closing balance 31 December 2010	**1,500,000**	-

5. ISSUED CAPITAL

	31 December 2010		**30 June 2010**	
Issues of Ordinary Shares	**No**	**$**	**No**	**$**
At beginning of reporting period	156,103,280	16,157,790	155,102,280	16,063,387
Shares issued during the half year (i)	24,000,000	2,380,000	1,001,000	100,110
Less: Capital raising costs	-	(37,567)	-	(5,707)
At reporting date	**180,103,280**	**18,500,223**	**156,103,280**	**16,157,790**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (continued)

5. ISSUED CAPITAL (continued)

(i) Shares issued during half year	**31 December 2010 No**	**31 December 2010 $**
12 October 2010 - Shares issued at 10 cents per share to a sophisticated investor	23,000,000	2,300,000
24 December 2010 - Shares issued as consideration for advisory services	1,000,000	80,000
	24,000,000	**2,380,000**

6. RESERVES

Share Based Payment Reserve	**31 December 2010 $**	**30 June 2010 $**
Balance at beginning of reporting period	10,778,056	9,198,580
Vesting of performance shares granted 7 January 2008	74,040	230,495
1 April 2010 – 3,230,000 options issued to employees	-	405,365
1 April 2010 – 2,800,000 options issued to directors	-	351,400
8 April 2010 – 6,000,000 options issued to corporate advisor	-	564,000
Vesting of employee option	10,047	28,216
24 December 2010 – 7,000,000 options issued to employees	537,817	-
Balance at end of reporting period	**11,399,960**	**10,778,056**
Option Premium Reserve		
Balance at beginning of reporting period	90,539	90,539
Options issued during the period	-	-
Less: Transaction costs on issuing options	-	-
Balance at end of reporting period	**90,539**	**90,539**
Total	**11,490,499**	**10,868,595**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (continued)

7. SEGMENT INFORMATION

Identification of Reportable Segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources.

The Company is managed on the basis of there being 2 (two) reportable segments being:

(i) Gold exploration and development in Australia; and
(ii) Iron ore exploration and development in Australia.

The mineral assets held via outright ownership or joint venture are considered 2 (two) business segments being gold and iron ore in Australia.

(i) Segment Performance	***Western Australia Iron Ore***	***Western Australia Gold***	***Total***
	$	***$***	***$***
Six months ended 31 December 2010			
SEGMENT REVENUE	-	-	-
Reconciliation of segment revenue to total company revenue			
Other revenue	-	-	-
Total revenue	**-**	**-**	**-**
SEGMENT NET LOSS BEFORE TAX			
Exploration tenements written off	201,138	-	201,138
Segment loss	201,138	-	201,138
Reconciliation of segment result to total company loss after tax			
Revenue	-	-	(75,600)
Depreciation	-	-	29,187
Corporate charges	-	-	1,669,830
Total loss before tax	**201,138**	**-**	**1,824,555**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (continued)

7. SEGMENT INFORMATION (continued)

	Western Australia Iron Ore $	Western Australia Gold $	Total $
Six months ended 31 December 2009			
SEGMENT REVENUE	-	-	-
Reconciliation of segment revenue to total company revenue			
Other revenue	-	-	-
Total revenue	**-**	**-**	**-**
SEGMENT NET LOSS BEFORE TAX			
Exploration tenements written off	-	16,265	16,265
Segment loss	-	16,265	16,265
Reconciliation of segment result to total company loss after tax			
Interest Revenue	-	-	(32,491)
Depreciation	-	-	32,356
Corporate charges	-	-	1,412,215
Total loss before tax	**-**	**-**	**1,428,345**

(ii) Segment Assets

	Western Australia Iron Ore $	Western Australia Gold $	Total $
Opening balance 30 June 2010	8,041,374	2,608,496	10,649,870
Additions	287,919	600,528	888,447
Exploration tenements written off	(201,138)	-	(201,138)
Total segment assets at 31 December 2010	8,128,155	3,209,024	11,337,179
Reconciliation of segment assets to company assets			
Unallocated assets:			
Cash and cash equivalents	-	-	1,548,813
Other receivables	-	-	98,877
Plant and equipment	-	-	100,460
Available for sale financial assets	-	-	1,500,000
Total assets at 31 December 2010	**8,128,155**	**3,209,024**	**14,585,329**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 DECEMBER 2010 (continued)

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 February 2011, the Company entered into a funding agreement with SpringTree Special Opportunities Fund, LP that will see Legacy issue up to $7,600,000 worth of convertible securities over a 24 months period.

No other matter or circumstance has arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

9. CAPITAL AND LEASING COMMITMENTS AND CONTINGENCIES

There has been no material change in contingent liabilities and commitments since the end of the last annual reporting period.

10. CORRECTION OF ERROR

During the year ended 30 June 2010, the Company had, in error, written off to the Statement of Comprehensive Income, $783,751 capitalised exploration expenditure. Further consideration of geological information available indicated it was not appropriate to write off these accumulated costs. This correction has been made retrospectively. The aggregate effect on the correction of error on the annual financial statements for the year ended 30 June 2010 is as follows:

STATEMENT OF COMPREHENSIVE INCOME

	30 June 2010	Adjustment	30 June 2010 (restated)
	$	$	$
Exploration tenements written off	(852,295)	783,751	(68,544)
Loss for the Year	(4,494,115)	783,751	(3,710,364)
Basic/diluted loss per share (cents)	(3.36) cents		(2.77) cents

STATEMENT OF FINANCIAL POSITION

	30 June 2010	Adjustment	30 June 2010 (restated)
	$	$	$
Exploration and Evaluation Expenditure	9,866,119	783,751	10,649,870
Accumulated Losses	(14,602,618)	783,751	(13,818,867)

DIRECTORS' DECLARATION

The Directors of the company declare that:

(a) the financial statements and notes, as set out on the accompanying pages, are in accordance with the Corporations Act 2001 including:

  (i) complying with Australian Accounting Standard, AASB 134 Interim Financial Reporting; and

  (ii) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half year ended on that date.

(b) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Sharon Heng
Director

Perth, 11 March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LEGACY IRON ORE LIMITED

Grant Thornton

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Independent Auditor's Review Report
To the Members of Legacy Iron Ore Limited

We have reviewed the accompanying half-year financial report of Legacy Iron Ore Limited ('Company'), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Legacy Iron Ore Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

INDEPENDENT AUIDITOR'S REVIEW REPORT TO THE MEMBERS OF LEGACY IRON ORE LIMITED

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Legacy Iron Ore Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Director - Audit & Assurance

Perth, 11 March 2011