

LEGACY IRON ORE LIMITED(LCY) UPDATE

**Mt Bevan test work delivers premium DTR weight recoveries and Fe grade magnetite.
Phase II Mt Bevan drilling to commence August 2011 targeting 1 billion tonnes.
NMDC formal offer expected week commencing 22 August 2011**

DIRECTORS

Timothy Turner, Non-Executive Chairman
Sharon Heng, Director Chief Executive Officer
Tao Han, Non-Executive Director

MARKET DATA

ASX Code: LCY
Current Price: \$0.14
52 week Share Price Range: \$0.078 - \$0.20
Market Capitalisation: \$32.6 million

CAPITAL STRUCTURE

Shares on Issue: 233.1 million
listed Options: 48.5 million
Unlisted Options: 56.3 million

FINANCIAL SUMMARY

	Dec 2010	June 2011
Cash Assets	1.5	1.3
Def. Explor. Costs	11.3	11.6
Total Assets	14.6	14.6
Debt	-	-

MAJOR SHAREHOLDERS

Sharon Kia Le Heng 19.1%
Wealth Forever Limited 9.6%
SHKIA Holdings Pty Ltd 9.2%

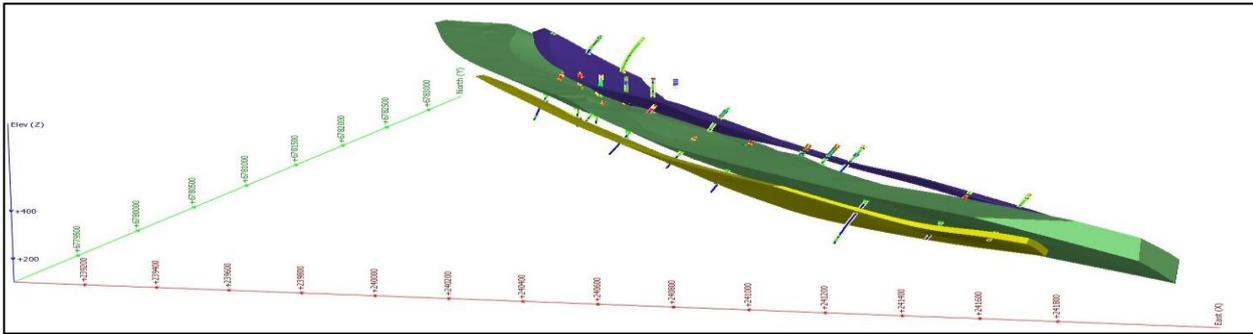
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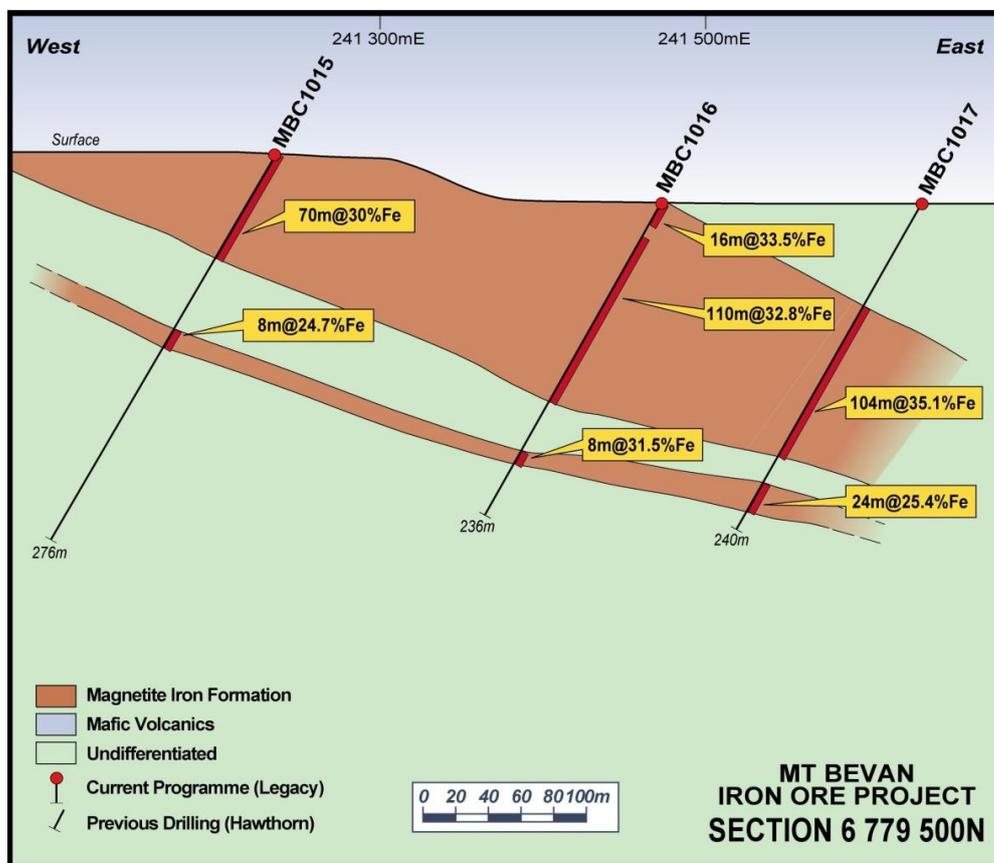
August 2011

KEY POINTS

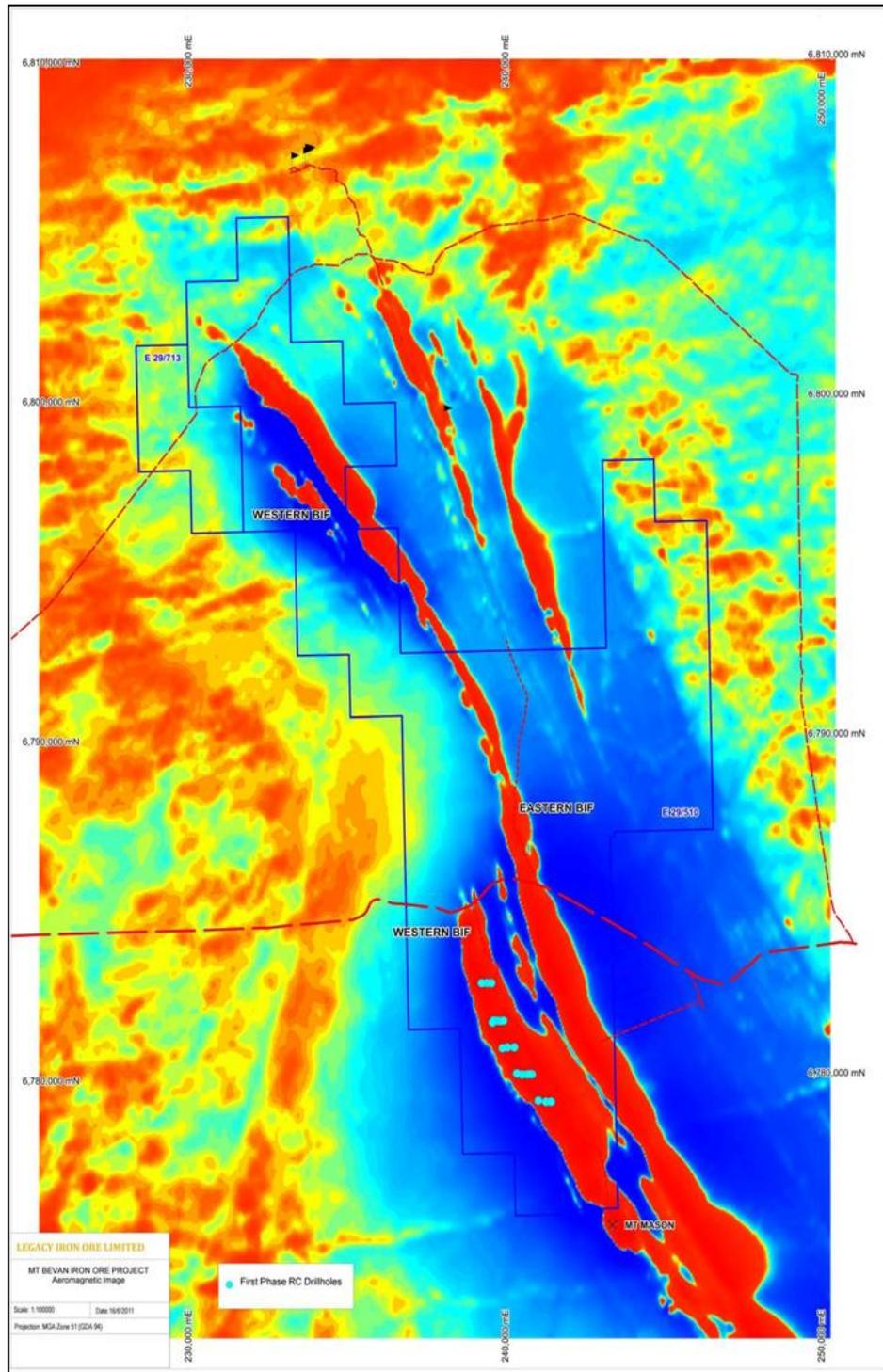
- Mt Bevan test work has provided outstanding results with a high average weight recovery of 44.63% and concentrate grade of 69.8% Fe, very low silica average 3.3%, low sulphur and phosphorus.
- Potential for Mt Bevan to deliver Blast Furnace (BF) or Direct Reduction (DR) grade quality pellets.
- LCY has announced a maiden Mt Bevan project JORC Inferred Resource estimate, by SRK Consulting, of 617 million tonnes magnetite ore at a grade of 32.1 % using a cut off grade of 15% following completion of first phase,500m drilling program.
- Exploration target expanded to 1.5 – 2.0 billion tonnes magnetite grading 30-40% considered to exist within the Western BIF target zone.(Eastern 20 km strike zone yet to be drilled) Potential also exists for definition of shallow detrital and DSO hematite iron ore.
- Resource covers only 40% of strike length with next phase drilling planned for August 2011 to extend the resource north and south and test the area bordering Jupiter Mines Limited's Mt Mason DSO hematite project.
- On 24 May 2011 LCY announced an MOU which subject to FIRB and shareholder approval will allow National Mineral Development Corporation Limited (NMDC) to acquire up to 50% of LCY. Independent valuation is now proceeding and LCY has agreed that the NMDC valuation be extended to include the latest outstanding Mt Bevan DTR results.
- A formal offer by NMDC is expected to be received by LCY in the week commencing 22 August 2011.



Mt Bevan first phase drilling – model of magnetite mineralised units with drillholes viewed to northeast. Main unit (green) averages circa 100m + true thickness. Thinner hangingwall and footwall mineralised units shown (purple and yellow).



Drill Section Line 3.



Aeromagnetic image showing magnetite bearing BIF units (in red) and first phase drill holes.

INVESTMENT PROPOSITION

Results of first phase drilling at Mt Bevan together with subsequent outstanding DTR test results confirm that LCY has an exciting and potentially premium magnetite project with initial resource expectations exceeded, and the exploration target resource potential increasing by 25% to 2 billion tonnes. Production of 69.8% Fe concentrate with low impurities makes Mt Bevan magnetite a very attractive product when compared to other Western Australian magnetite plays. With further drilling within its' earn in commitment (60% for \$3.5 million to pre feasibility) and with a major cornerstone investor in NMDC, LCY will command strong market attention likely to result in a significant re-rating from the current market capitalization of approximately A\$30m. Mt Bevan sits adjoining Jupiter Mines Limited's Mt Ida (DSO ore) and Mt Mason magnetite projects, with Jupiter Mines Limited currently capitalized at over A\$950m

While we expect that the introduction of NMDC to the LCY register will have substantial positive impact on the Company's future activities and performance, assessment of the degree of impact is difficult until details of a definitive agreement resultant from the MOU are released. We note that NMDC's diversified resources strategy, market position in the Indian iron and steel industry and expertise in commercialising several high grade iron ore mines in India, together with total resources in excess of 1.2 billion tonnes and currently producing 30Mt pa, clearly provide significant advantages to LCY from an expertise perspective. In addition the expected cash injection will provide LCY with additional funding to aggressively grow the resource or seek new opportunities. We continue to follow the agreement process.

NMDC has commissioned an Independent valuation and following agreement with LCY has extended the valuation to include the latest DTR test results from Mt Bevan. The LCY Board expects to receive a formal offer during the week commencing 22 August 2011. We note that any agreement is subject to a FIRB decision and shareholder meeting, but is likely to have strong support given that the directors are major shareholders in the company.

With LCY identifying exploration potential of a further 1.5bn to 2bn tonnes in the Western zone and excellent test results, planning is underway for a further phase of Mt Bevan drilling (August 2011) to extend further north and south of the phase 1 drilled area, including the area adjoining the Jupiter Mines Limited Mt Mason project. Additional drilling will lead to the potential expansion and upgrade of the current JORC resource, which will have the potential to quickly elevate LCY from explorer to pre development feasibility with significant upside.

Mt Bevan is strategically located adjacent to the Jupiter Mines Limited's Mt Ida magnetite project, which in January 2011 announced a maiden Inferred Resource of 530 Mt at 31.9% Fe, also Mt Mason with 5.75Mt at 59.9% Fe Hematite. Jupiter, Chaired by Brian Gilbertson (ex BHP Billiton) and very well funded, with significant Chinese investment, is moving to further expand its resource and has announced commencement of development Feasibility Study of its \$1.6B Mt Ida project and is currently capitalised at \$950 million.

The February 2011 funding agreement reached with SpringTree Special Opportunities Fund placed LCY in a financially strong position allowing it to capitalise on any early exploration success and thereby achieve its strategic objectives in iron ore at Mt Bevan and gold at the Mt Celia Projects. LCY has the capacity to draw down a further \$5.85million under its Convertible Note agreement with SpringTree, however, we now believe that this opportunity will be overtaken in part once the agreement with NMDC is complete.

LCY has also continued to progress its other West Australian Projects:

Iron Ore Hamersley and Robertson Range

Field work including scout drilling is planned for the September quarter at the Hamersley Project where LCY has identified a significant body of CID mineralization proximal to the Beasley River deposit (Rio) 400Mt resource.

At Robertson Range a program of mapping and sampling at manganese prospects is planned for the September quarter.

Negotiations are proceeding for the funding of these projects.

Gold

South Laverton

An initial JORC inferred resource of 239,232 tonnes at 3.97 g/t gold (30,554 oz gold)A drilling rig has been booked for September 2011 to for a proposed program of 6-8 RC holes to 140-180m depth.

East Kimberley Project

The projects seven exploration license cover some 370km² and are highly prospective; Koongie Park- Volcanogenic Hosted Massive Sulphide deposits base metals mineralization; Antrim Plateau- manganese and copper mineralization; Mt Bradley- Manganese and REE mineralization. A program of geological mapping and sampling will be carried out prior to a potential RC drilling program. Follow up high manganese assays will be carried out – assays up to 18.3% manganese were obtained from rock chip samples recently taken.

EVENT

Release of the Davis Tube Recovery tests (DTR) results showing an excellent average weight recovery of 44.63% and an average concentrate grade of 69.8% Fe with low silica 3.28% with very low sulphur and phosphorus demonstrate that the Mt Bevan resource will produce a high quality concentrate with low impurities.

The results place Mt Bevan magnetite resource at the highest quality level of West Australian magnetite products particularly the low silica where most WA magnetite show DTR concentrate silica in the 4.5 to 6% range.

The DTR results indicate that a high purity magnetite concentrate can be produced as either a BF grade pellet (silica <5.5%) which may be produced at a coarser grind size, or a premium DR grade pellets (silica <3%) at a finer grind size.

LCY announced on 20 June 2011, a 617 million tonnes at 32.1% initial JORC Inferred Resource estimate calculated by SKR Consultants. The resource only covers some 40% of strike of the Western Banded Iron Formation (BIF) ore target area (making a total of 4.6 km of effective strike length tested to date). The 20 hole program has been drilled on 5 drill lines (fences) approximately 1km apart along strike, all holes intersected shallow dipping magnetite bearing (approx 80 -140m true thickness) BIF units showing strong continuity between lines. Note, the Eastern 20 km plus BIF has not been drilled.

COMMENT

Having established a significant resource and achieved excellent DTR test results at Mt Bevan, LCY should emerge as a lead player in the Central Yilgarn's iron ore development, upon completing its earn in obligations.

Legacy has achieved recognition from the giant Indian market place hungry for resources and eager to invest particularly where potentially large resource commodities are available for Indian domestic consumption. While we expect to see more examples of the style of investment now evolving between LCY and NMDC, the opportunity for LCY shareholders to participate appears to have significant upside. When completed, the proposed agreement with NMDC will, we believe, provide LCY with significant impetus, financial and technical resources to further explore and to develop to production a diversified resource portfolio. NMDC have also indicated an intention to use LCY as a vehicle to further expand and acquire additional complimentary resource projects. We note in the latest quarterly report managements intention to recognise value by developing additional assets or creating value through a corporate play such as an in-specie distribution back to LCY shareholders.

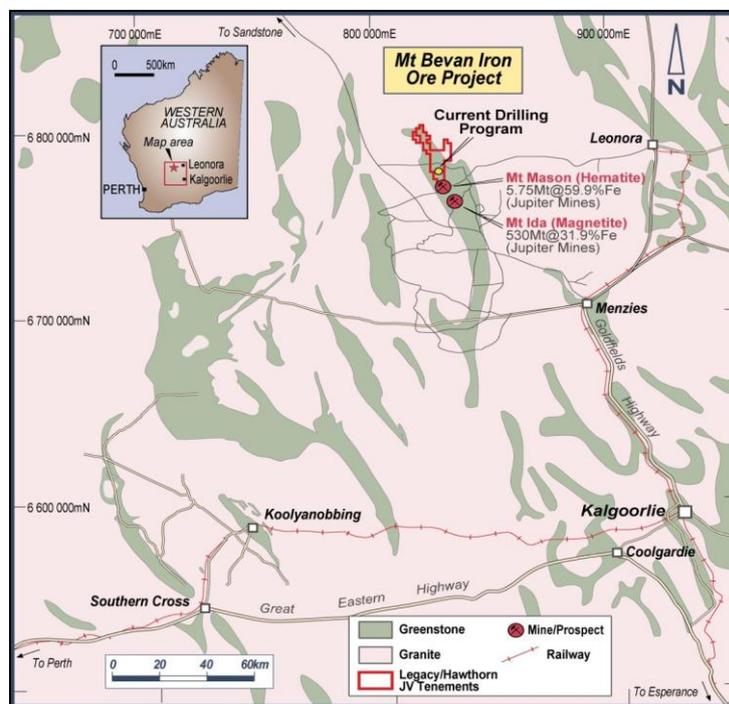
Strong Asian, particularly Chinese and Indian demand for quality magnetite continues to fuel the competition to secure access to resource and potential production that the LCY/HAW JV may establish at Mt Bevan. Focusing on the Mt Bevan joint venture in the increasingly recognised Yilgarn iron ore province has already attracted greater attention and we believe a market re-rating.

The Central Yilgarn region is seeing significant iron ore development activity with Jupiter, Fairstar, Cazaly and other Members of the Yilgarn Iron Ore Producers Association (YIPA) as is LCY. This area, unlike the Mid-West of WA, has access to infrastructure, rail, and Port (Esperance) that whilst in need of expansion or upgrade, can be achieved with relatively lower budgets and a shorter timeframe.

Legacy also expects to reach key resource development milestones at its two leading gold projects at Mt Celia, which will contribute substantially to the Company's value. The Company is considering production alternatives to generate early cash flows including toll treatment of ore at existing regional facilities.

MT BEVAN IRON ORE PROJECT E29/210 & E29/713

- LCY earning 60% from Hawthorn Resources Limited (HAW) by expending \$3.5 million to develop the Project to pre-feasibility status by 31 December 2012.
- LCY holds 250,000,000 Hawthorn (ASX: HAW) shares, representing over 18% shareholding (including holdings under the Co-Operation Deed).
- Mt Bevan tenements are located 100 km West of Leonora in the Central Yilgarn region of WA with 25km of Banded Iron Formation strike extending from the adjoining South East location of Jupiter Mines Limited's Mt Ida/Mt Mason iron ore Resource (530Mt @ 31.94% Fe). 5 km of at least 11 km BIF horizon that extends beyond LCY ground to the Mt Ida, Jupiter resource area.
- The recently completed 5,000m drilling program follows previous reconnaissance drilling that encountered magnetite mineralisation hosted within the Banded Iron Formation (BIF). This current drilling, tested only some 30% of the prospective BIF stratigraphy, with LCY targeting an initial JORC Inferred Resource of circa 500Mt grading 30-40% Fe. We note the first phase of drilling and maiden JORC Inferred Resource has substantially exceeded that initial target. Excellent DTR results have further added significant focus to the Mt Bevan project which will be flowed closely as the resource is expanded by Phase 2 drilling to commence August 2011.
- The availability of key infrastructure components will have a significant impact on development options.



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