

## LEGACY IRON ORE LIMITED(LCY)

**March 2011 quarter cash flow and activities reports. Mt Bevan phase I drilling complete.**

### DIRECTORS

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

### MARKET DATA

ASX Code: LCY  
 Current Price \$0.105  
 52 week Share Price Range: \$0.078 - \$0.20  
 Market Capitalisation: \$ 18.7 million

### CAPITAL STRUCTURE

Shares on Issue: 186.4 million  
 Unlisted Options: 44.9 million  
 Convertible Notes 72.9 million

### FINANCIAL SUMMARY

	Dec 2010	Mar 2011
Cash Assets	1.5	1.7
Def. Explor. Costs	11.3	11.6
Total Assets	14.6	14.6
Debt	-	-

### MAJOR SHAREHOLDERS

Wealth Forever Limited 12.3%  
 SHKIA Holdings Pty Ltd 11.8%  
 Sharon Kia Le Heng 8.4%

### SENIOR ANALYST

John Cornleius  
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May 2011

### KEY POINTS

- Mt Bevan 5000m drilling program completed (2 May).
- 20 holes drilled on 5 drill lines (fences) approximately 1 km apart along strike, all holes intersected Banded Iron Formation (BIF) units showing strong continuity between lines. Initial assays show most of BIF intersected has grades of 35%-38% Fe.
- 5km of at least 11 km BIF horizon that extends beyond LCY ground to the Mt Ida, Jupiter resource area.
- This first phase Mt Bevan iron ore drilling program aimed at establishing a Maiden JORC compliant Inferred Resource.
- Mt Bevan is located in an emerging iron region and adjacent to Jupiter Mines, who have an inferred resource of 530Mt. The region is well serviced with infrastructure.
- LCY is earning 60% in Mt Bevan area and holds 18.03% in Hawthorn Resources Limited (ASX:HAW); its Mt Bevan partner.

## INVESTMENT PROPOSITION

LCY has focused its 2011 investment on establishing a JORC Resource at Mt Bevan, which if successful will place LCY in a strong strategic position with substantial upside.

Mt Bevan is strategically located adjacent to Jupiter Mines Limited's Mt Ida magnetite project, which has a January 2011 announced, 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 a development Feasibility Study.

With the completion of phase one drilling program of some 5000 meters RC drilling and with preliminary assay results showing Fe grades of 35%-38% LCY appears well positioned to be able to announce a Maiden resource at Mt Bevan when all drilling data, assays and preliminary metallurgical test work (Davis Tube Recovery) are available.

The February 2011 funding agreement reached with SpringTree Special Opportunities Fund places the Company in a financially strong position by 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. This funding will also enable the Company to add further value to its other well located and prospective tenements, to provide LCY with the option of farming out or proceeding with in-house development.

## EVENT

The net operating cash flow deficit for the March 2011 quarter amounted to \$623K of which \$298K was attributable to exploration activity. The cash balance as at 31 March 2011 was \$1.74 million with \$6.75 million in convertibles available to be called. (of available \$7.6 million in convertibles, an initial \$500K called plus tranches of \$200K and \$150K called in February and March)

LCY's March quarter focus has been on exploration drilling of the highly prospective of Mt Bevan project where the Company has an overall exploration target for magnetite of 1.5 billion tonnes grading 30%-40% Fe. Phase I preliminary drilling and assay results are very encouraging and with all data available modelling should provide an initial JORC compliant resource.

At Mt Celia - South Laverton area WA , LCY plans to conduct an RC drill program of 1200 meters (6-8 holes to 140-180m depth) to follow up encouraging scoping study results in the Blue Peter area where drilling to date to a maximum 80 meters had encountered continuous relatively high grades of gold mineralisation. Initial JORC inferred resource at Blue Peter stands at 239,232 tonnes @ 3.97 g/t.

## COMMENT

We believe that strong Asian, particularly Chinese and Indian demand for quality magnetite will continue 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 will attract greater attention and 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.

## COMPANY BACKGROUND AND STRATEGIC OVERVIEW

Since its July 2008 IPO listing on the ASX, LCY has built a strong, well positioned and highly prospective exploration portfolio, which is primarily focused on iron ore and gold but, also with prospective manganese and VHMS projects.

LCY's key objective is to be a successful explorer / producer. Between listing in 2008 and 2011, the Company raised \$8.45 million in equity, has significantly strengthened its Board of Directors and its technical management and has generated a more focused approach to its exploration efforts. This approach has led to successful exploration outcomes and LCY is now poised to move to resource definition.

LCY will, in our opinion, attract strong joint venture or outright acquisition interest in several interesting, non strategic, projects such as the Robertson Range and Hamersley iron ore and the Stophanis Well - Patricia North and Yerilla gold projects while the Company intensifies focus on its Mt Bevan JV and the Mt Celia- Blue Peter gold project, both with significant potential.

## 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)
- The recently completed 5000m 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, aimed to provide an initial JORC Inferred Resource of circa 500Mt grading 30-40% Fe.
- The availability of key infrastructure components will have a significant impact on development options.

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