

15<sup>th</sup> March 2010

**Recommendation**

**N/A**

12 month volume	132.6m
12 month share low	\$0.046
12 month share high	A\$0.215

Market Risk	High
Liquidity Risk	High
Infrastructure Risk	High
Country Risk	Med

*IRESS & DJC Research*

**Issued Capital**

ASX	LCY
Share price	\$0.16
Mkt cap <sup>1</sup>	\$15.7m
Ordinary shares on issue	95.0m
Listed Options <sup>2</sup>	41.9m
Unlisted Options <sup>2</sup>	142.2m

<sup>1</sup> Undiluted *Source: IRESS*  
<sup>2</sup> Various dates and strike prices

**Directors**

Timothy Turner	Non-Exec Chairman
Sharon Heng	Executive Director
Hunt Han	Non-Exec director
Ivan Wu	Company Secretary

*Source: LCY*

**Major Shareholders**

Shkia Holdings Pty Ltd	18.1%
Heng Sharon Kia Le	10.1%
DT Resource Ltd	3.4%
Lagenda Resources Pty Ltd	3.3%
Sung Yoon Chon	1.7%

*Source: LCY*

**12 Month Performance**



*Source: IRESS*

# Legacy Iron Ore Limited (LCY)

LCY is an iron ore and gold exploration company with projects based in Western Australia. The company has two key iron ore projects – the Hamersley Project located south-west of Tom Price, and the Robertson Range project, located to the east of Jimblebar in the east Pilbara. Two of LCY’s gold projects are located around the South Laverton region whilst the third is located near Halls Creek in the East Kimberly region of northern Western Australia.

**Key Points**

- LCY has two key iron ore projects located in the Pilbara of Western Australia. The Robertson Range project is located 120km east-north-east of Newman, proximal to the BHP Jimblebar mine and Jigalong community with a total licence area of 798.6km<sup>2</sup>. The second project known as Hamersley consists of two granted tenements in the Hamersley iron province over an area of 52.3 km<sup>2</sup> which lies approximately 60km to the west of Tom Price. Both projects are located within reasonable trucking distance of infrastructure.
- Air photo interpretation and Landsat imagery interpretation has outlined a total of 14 iron ore targets, 4 manganese targets and 4 fault controlled alteration targets on the Robertson Range iron ore tenements. In February 2010 a helicopter reconnaissance survey was flown with the aim of checking the validity of targets identified from satellite imagery.
- LCY has a suite of gold projects with between 80-100% equity spread over two key focus areas in the Yilgarn and the East Kimberley, both located in Western Australia. During 2009 LCY acquired the South Laverton and Mount Celia gold projects which are located close to existing mining operations and areas of historical gold mining.
- Projects in the East Kimberley are located in the Halls Creek area, approximately 347km south of Kununurra. LCY has four granted tenements and three tenements under application covering an area of 370km<sup>2</sup> prospective for gold, base metals and manganese. Mineralisation is targeted in greenfields projects that have existing geochemical anomalism and projects centering on historical gold mining camps near Ruby Plains.
- Exploration in 2010 will consist of RC scout drilling on the Robertson’s Range prospects in April - May with extensive RAB/RC programs planned for the South Laverton projects commencing in May and extending all the way up till July-August. Ground reconnaissance of manganese targets on E46/818 will commence in May 2010.
- LCY raised approximately \$2.3m in December 2009 at \$0.11/share with a 1 for two free attaching option and an exercise price of \$0.15/share. The company currently has ~\$4.06m in cash to be used to finance ongoing project development of their exploration properties.

## Capital structure & corporate

LCY has 95m fully paid ordinary shares on issue. In addition there are 41.9m listed options with strike prices between \$0.10c and \$0.22 as well as 28m performance shares and 60.06m restricted shares. The company also has 54.18m unquoted options with strike prices of between \$0.10 - \$0.22. The top 5 shareholders hold 36.48% of the issued capital and the top 40 shareholders hold 62.69%.

LCY raised approximately \$2.3m in December 2009 at \$0.11/share with a 1 for two free attaching option and an exercise price of \$0.15/share.

Fully diluted the company has a market capitalisation of \$41m including listed and unlisted options. The company currently has ~\$4.06m in cash to be used to finance ongoing project development of their exploration properties.

<i>Type</i>	<i>Number of Shares</i>
<b>Fully Paid shares</b>	
LCY	95,042,280
<b>Listed Options</b>	
LCYO (Exercise price \$0.22)	12,975,572
LCYOA (Exercise price \$0.15)	13,954,547
LCYOB (Exercise price \$0.10)	15,000,000
<b>Restricted Shares</b>	60,060,000
<b>Performance Shares</b>	28,000,000
<b>Unquoted options</b>	
LCYAF (Exercise price \$0.22)	26,180,000
LCYAQ (Exercise price \$0.22)	1,820,000
LCYAG (Exercise price \$0.22)	26,180,000
<b>Total Number of Shares</b>	<b>279,212,399</b>

Table 1 Capital structure

Source: LCY

## Projects Overview

LCY has two key iron ore projects located in the Pilbara of Western Australia. The Robertson Range project is located 120km east-north-east of Newman, proximal to the BHP Jimblebar mine and Jigalong community with a total licence area of 798.6km<sup>2</sup>. The second project known as Hamersley consists of two granted tenements in the Hamersley iron province over an area of 52.3 km<sup>2</sup> which lies approximately 60km to the west of Tom Price. Both projects are located within reasonable trucking distance of infrastructure.

LCY has a suite of gold projects with between 80-100% equity spread over two key focus areas in the Yilgarn and the East Kimberley, both located in Western Australia. During 2009 LCY acquired the South Laverton and Mount Celia gold projects which are located close by to existing mining operations and areas of historical gold mining.

LCY's projects in the East Kimberley are located in the Halls Creek area, approximately 347km south of Kununurra. LCY has four granted tenements and three tenements under application covering an area of 370km<sup>2</sup> prospective for gold, base metals and manganese. Mineralisation is targeted in greenfields projects that have existing geochemical anomalism and projects centering on historical gold mining camps near Ruby Plains.

**Iron ore projects overview**

LCY has two key iron ore projects located in the Pilbara of Western Australia. The Robertson Range project is located 120km east-north-east of Newman, proximal to the BHP Jimblebar mine and Jigalong community with a total licence area of 798.6km<sup>2</sup>. The second project known as Hamersley consists of two granted tenements in the Hamersley iron province over an area of 52.3 km<sup>2</sup> which lies approximately 60km to the west of Tom Price. Both projects are located within reasonable trucking distance of infrastructure.

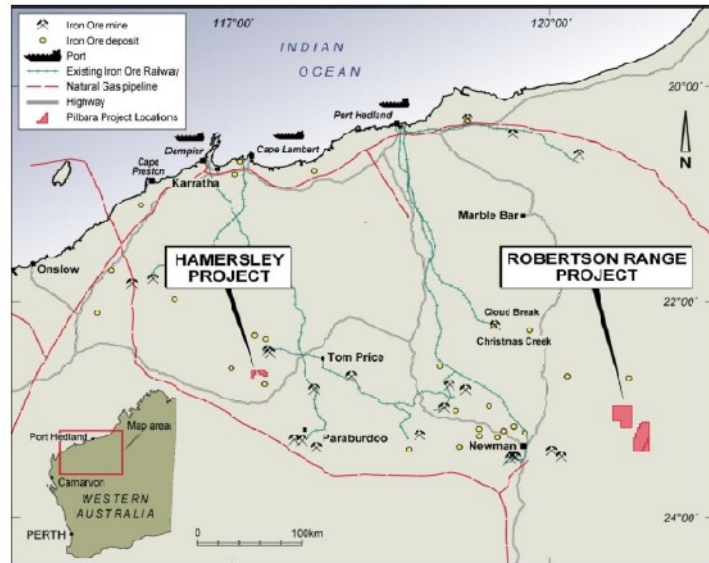


Figure 1 LCY Iron Ore projects

Source: LCY

**Robertson Range iron ore project**

LCY had the Robertson Range tenements granted in late 2009. Using air photo interpretation and satellite imagery, a total of 14 iron ore targets, 4 manganese targets and four fault controlled alteration targets were identified. Mineralisation consists of mainly massive and vuggy goethite. Overall visual spotting of the outcropping mineralisation is hampered due to widespread alluvial cover and shallow windblown dunes.

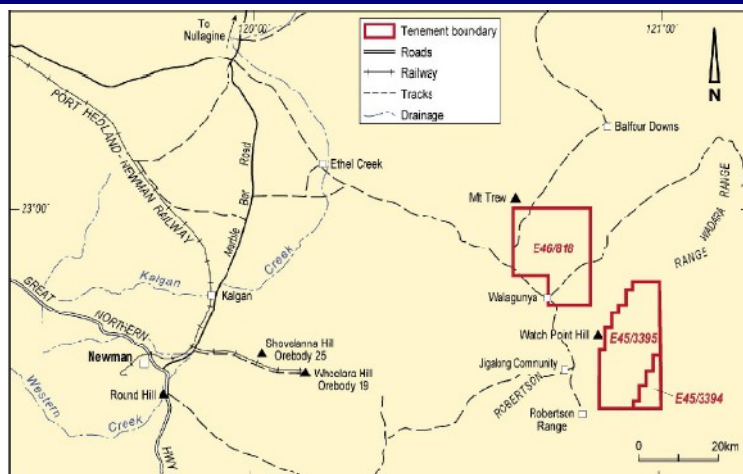


Figure 2 Robertson's Range projects

Source: LCY

In February 2010 a helicopter reconnaissance survey was flown with the aim of ground truthing targets identified from satellite imagery. A total of 5 rockchip samples were taken on E45/3995 returning anomalous iron mineralisation – results are shown in table 1.



Sample	Easting	Northing	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	Mn %	P %	S %	LOI %
RRS01	281629	7412866	53.13	9.55	4.36	0.68	0.067	0.12	7.57
HRS02	280833	7413772	47.88	17.13	2.48	0.16	0.029	0.448	9.17
HRS03	281968	7409487	14.48	85.26	6.11	0.86	0.04	0.164	1.98
RRS04	285798	7411360	55.2	4.64	5.57	0.01	0.008	0.055	10.09
RRS05	285078	7411453	51.60	7.87	7.22	0.01	0.011	0.041	9.6

Figure 3 Robertson’s Range rockchip assays and ground truthing

Source: LCY

Further work on landsat interpretation has revealed a number of potential Channel Iron Deposit targets located in the north-east of the tenement. These targets will be investigated in subsequent drill programs.

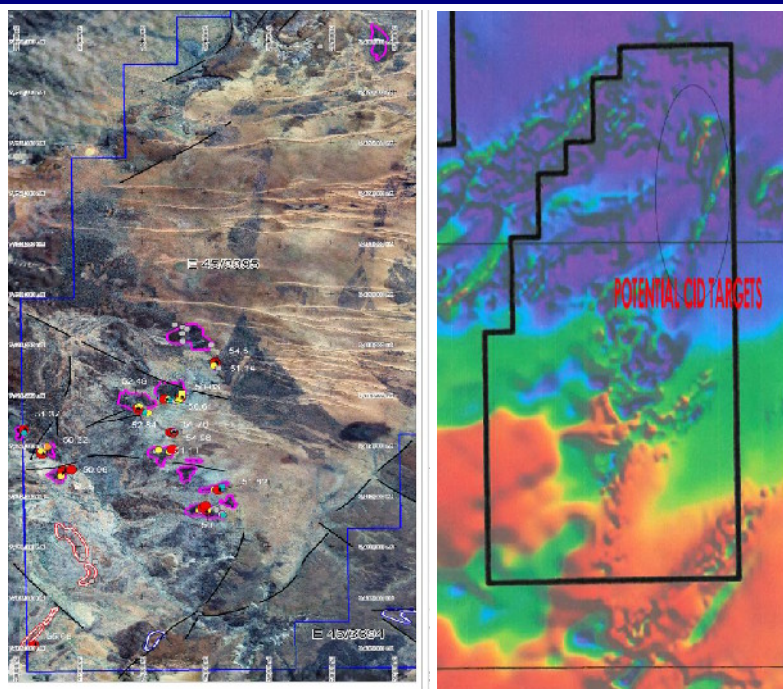


Figure 4 Robertson’s Range landsat and aeromagnetics

Source: LCY

### Hamersley iron ore project

The Hamersley project is located 50km west of Tom Price and 22km south of Mt Brockman in the West Pilbara. The two granted exploration licences flank the Beasley River Channel iron deposit. A recent helicopter reconnaissance survey identified outcropping CID iron ore mineralisation to the immediate east of the Beasley River deposit. Assays are pending.

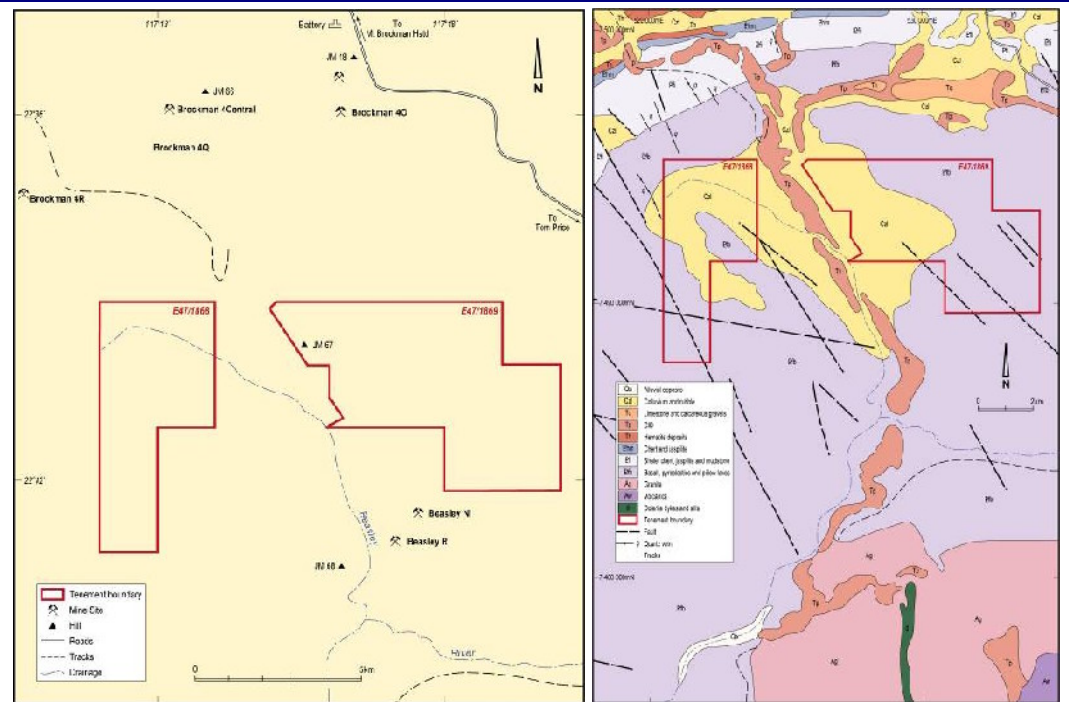


Figure 5 Hamersley project tenement and geology

Source: LCY

### Planned exploration - iron ore tenements

#### Robertson Range Project

A 3000m scout RC program is planned to address the Jim-Jim iron ore targets in May - June. Acquisition of high resolution aeromagnetic and gravity data is also planned in order to better define drilling targets. Ground reconnaissance of manganese targets on E46/818 will commence in April-May 2010. It is anticipated that heritage clearances will be granted by 1Q2010.

#### Hamersley Project

A 2000m scout RC drilling program is planned to investigate the CID mineralisation identified to the east of the Beasley River CID deposit.

**Gold Projects**

LCY has a suite of gold projects with between 80-100% equity spread over two key focus areas in the Yilgarn and the East Kimberley, both located in Western Australia.

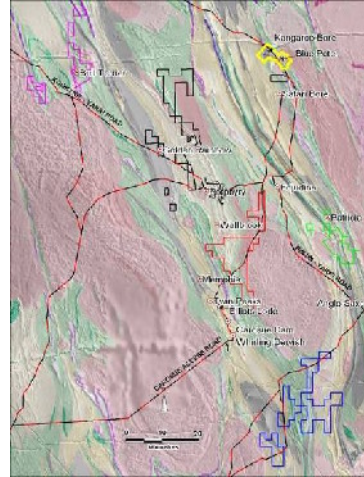


Figure 6 South Laverton projects

Source: LCY

**South Laverton Projects**

Legacy's South Laverton tenement package lies along the Keith Kilkenny Tectonic Zone (KKTZ) and the southern part of the Laverton Tectonic Zone (LTZ). These structures host numerous major gold mines, with the LTZ in particular hosting gold resources of some 20 million ounces. LCY considers the area to be largely underexplored and has identified at least 25 untested targets over 4 prospect areas.

**Key targets:**

**Stophanis Well prospect:**

The project is located along strike from the abandoned Patricia Gold mine. LCY completed a reconnaissance RAB/Aircore drilling program in late 2009 comprising 121 holes for 2973m, assays were composited over 4m intervals. Drilling was aimed at testing gold soil anomalies. Best results of 4m @ 0.8g/t gold were returned. Drilling encountered similar lithologies and quartz veining to those evident in the Patricia mine. A second RAB/Aircore program is planned for May 2010 with a further 6000m of RAB and 2000m RC proposed.

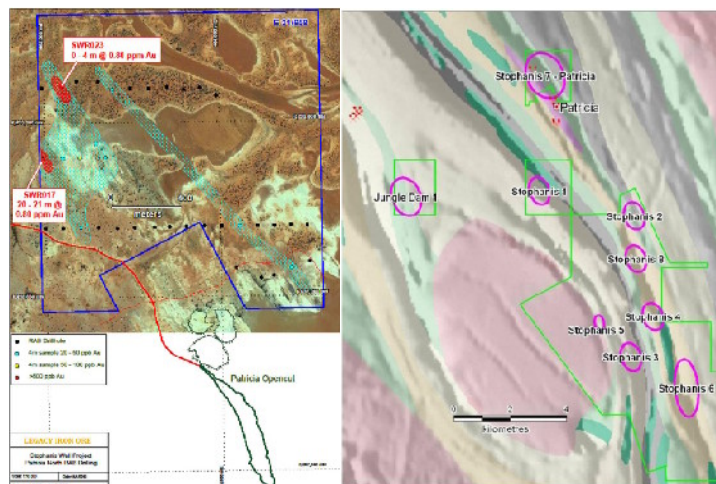


Figure 7 Stophanis Well prospect

Source: LCY

***Yerilla prospect:***

The project lies on the margins of a splay off the main regional Keith Kilkenny tectonic structure. Numerous small workings are evident in the area in addition to a historical inferred JORC resource at the Bull Terrier deposit of 527Kt @ 1.92g/t Au for 32koz of gold. An initial 2500m RAB/Aircore program is planned for May 2010 with potential for up to 1500m RC drilling planned for July 2010.

***Yilgangi prospect:***

The project lies close to historically calculated JORC inferred resources of 204kt @ 1.83g/t Au for 12Koz of gold. The project area is located close to the recently re-established Porphyry gold mine currently operated by Saracen Mineral Holdings Ltd. An initial program of 3000m of RAB/Aircore and 2000m of RC drilling is planned for July/August 2010.

***Mt Celia – Prospect:***

Previous work at Mt Celia has focussed on the Kangaroo Bore workings which has a historical JORC resource inferred resource of 46Koz of gold. LCY believes there are numerous gold intersections outside the resource which require follow-up drilling. Additional targets below shallow sandy cover are also being investigated. A priority area is the extensive Blue Peter line of historical gold workings which has only had minor RC drill testing. An exploration program of 3000m RAB/Aircore and potential for a further 2000m of RC drilling is planned for June-July 2010 depending on statutory clearances.

**East Kimberley gold projects**

LCY's projects in the East Kimberley are located in the Halls Creek area, approximately 347km south of Kununurra. LCY has four granted tenements and three tenements under application covering an area of 370km<sup>2</sup> prospective for gold, base metals and manganese. Mineralisation is targeted in Greenfields projects that have existing geochemical anomalism and projects centering on historical gold mining camps near Ruby Plains.

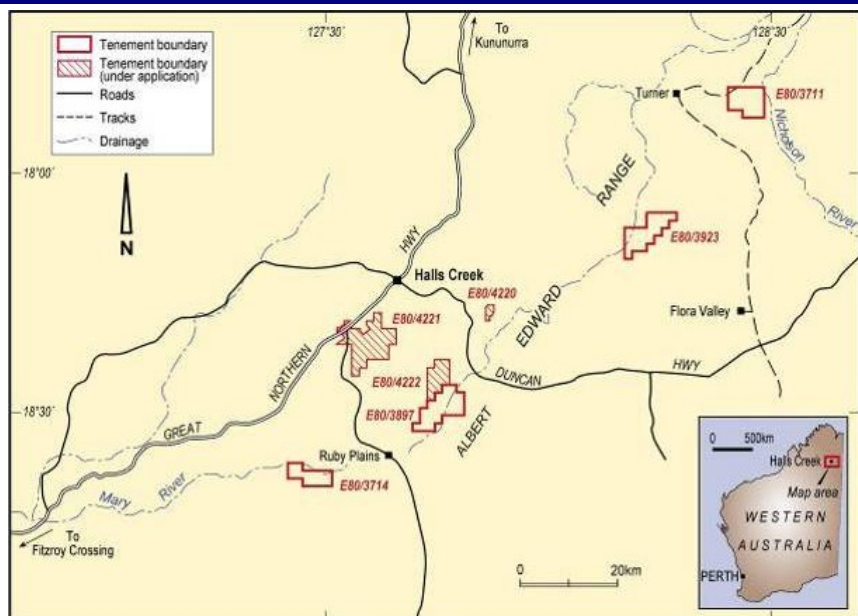


Figure 9 East Kimberley projects

Source: LCY

## Investment Risks

### Exploration Risk :

LCY is currently a pure exploration play. The mineralisation at Robertson's Range and Hamersley has never been drilled and there is therefore a risk that the surface mineralised pods and lenses – a common occurrence in iron ore and manganese deposits – are too diffuse or don't hang together sufficiently well enough to warrant mining.

### Infrastructure Risk :

Manganese and iron ore require are bulk commodities and require access to significant infrastructure in order to be economic. Existing infrastructure in the Pilbara is owned and operated independently by BHP, RIO and FMG and as such an infrastructure access agreement for use of port and rail facilities is necessary in order for the project to proceed to a mining phase. Alternatively LCY may delineate a project that could necessitate construction of their own infrastructure.

## Directors

### Timothy Turner

***BBus (Acc), FTIA, FCPA***

**Non-Executive Director, Chairman**

A partner with accountants Hewitt Turner and Gelevits, Timothy Turner specialises in mergers and acquisitions, corporate and tax structuring, due diligence reporting, new ventures and business development consulting. He is also a registered company auditor and a fellow of both CPA Australia and the Taxation Institute of Australia with more than 20 years experience in management and business consultancy. Timothy is currently non-executive director and company secretary of Cape Lambert Iron Ore Ltd and Global Iron Ltd and non-executive director of International Goldfields Ltd. All three companies are listed on the ASX.

### Sharon Heng

***BA (Pol Sc), MBA***

**Executive Director, Chief Executive Officer**

With a background in commodities trading, international business development and strategic alliance planning, Sharon Heng has more than 12 years experience in joint venture negotiations, resource funding and capital raising. Sharon has extensive knowledge of international commodities markets based on her dealings with government and private sectors in China, right across the oil and gas, energy, infrastructure and mining industries.

### Hunt Han

**Non-Executive Director**

Working as a diplomat for China's Ministry of Foreign Trade and Economic Corporation, Hunt Han has more than 15 years experience in foreign trade and investments. He is the vice-general manager of China's Export Base Development Corporation and has an extensive network of corporate clients and government contacts around the world.

### Ivan Wu

***BSc (Comp Sc), MAICD***

**Company Secretary, General Manager**

Ivan Wu is a graduate from Curtin University and has more than 15 years commercial experience in the utility and IT industries, primarily in corporate role as a developer of business and systems. He has been particularly active in the areas of business optimisation, cost efficiency and business process improvements. He was one of the key team members involved in the Company's Initial Public Offering and listing on the ASX.



**Disclosure Disclaimer**

RCAN0869

This Research report, accurately expresses the personal view of the Author.

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**Declaration**

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