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17 July 2014

Company Announcements Platform
Australian Securities Exchange

LEGACY IRON ORE RENOUNCEABLE ENTITLEMENT OFFER – NOTIFICATION TO OPTIONHOLDERS

We are writing to you in relation to your option holding in Legacy Iron Ore Limited (ASX:LCY) (“Legacy Iron” or the “Company”).

PRO RATA RENOUNCEABLE ENTITLEMENT OFFER

On 7 July 2014, Legacy Iron announced a pro-rata 3 for 1 renounceable Entitlement Offer of new Legacy Iron Ore ordinary shares (“New Shares”) at an offer price of 1.4 cents per New Share to raise up to approximately \$24.8 million (the “Entitlement Offer”). The Entitlement Offer will result in the issue of up to approximately 1,771,841,091 New Shares, assuming no existing options are exercised prior to 5.00pm WST on 22 July 2014 (the “Record Date”). The Entitlement Offer is not underwritten.

Legacy Iron’s major shareholder, National Mineral Development Corporation Limited (“NMDC”) (48.8%), has confirmed its commitment to take up its full entitlement under the Entitlement Offer, which will raise a minimum amount of approximately \$12.1 million. NMDC’s participation under the Entitlement Offer is subject to approval from the Foreign Investment Review Board (“FIRB”). NMDC lodged an application for approval with FIRB on 1 July 2014.

LEGACY IRON OPTIONHOLDERS

In order to participate in the Entitlement Offer, you will need to exercise your options prior to 5.00pm WST on 22 July 2014 (the Record Date). Note also that only those option holders who are Eligible Shareholders (as defined below), will be able to participate in the Entitlement Offer upon the exercise of their options. An Eligible Shareholder means a shareholder at the Record Date:

- whose registered address is situated in Australia, New Zealand or Singapore; or

- whose registered address is situated in India and who represents and warrants each of the following:
 - that the law of that shareholder's place of residence does not prohibit the shareholder from being given the Prospectus and the Entitlement and Acceptance Form;
 - that the law of the shareholder's place of residence does not prohibit the shareholder from making an application for New Shares; and
 - that the shareholder is eligible to subscribe for part or all of its entitlement to participate in the Entitlement Offer.

EXERCISING YOUR OPTIONS

To exercise your options and thereby participate in the Entitlement Offer, you will need to deliver the following to Legacy Iron at Ground Floor, Canute House, 15 Rheola Street, West Perth, WA 6005:

- a) notice of exercise of options (attached to this letter);
- b) an option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- c) payment for the exercise price in respect of those options to be exercised by way of a cheque (crossed "Not Negotiable") made payable to "Legacy Iron Ore Limited – In Trust for Options Account".

To ensure that your shares are allotted and issued prior to the record date, the above must be received by Legacy Iron no later than 5pm (WST) on 21 July 2014.

If you do not wish to participate in the Entitlement Offer you do not need to take any action.

ENTITLEMENT OFFER PROSPECTUS

The Company has lodged a prospectus in relation to the Entitlement Offer with the Australian Securities and Investments Commission and ASX (the "Prospectus"). To the extent that you become an Eligible Shareholder, it is recommended that you read the Prospectus in its entirety and consult your professional adviser. The Prospectus is also available at the Company's website, www.legacyiron.com.au. The Company anticipates that the Prospectus will be dispatched to Eligible Shareholders of the Company on or about 25 July 2014. The Prospectus outlines the Entitlement Offer in detail.

For further information, please contact:

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