

# ACQUISITION OF MURCHISON METALS LTD'S ROCKLEA IRON PROJECT

ASX Announcement

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## Highlights

- Dragon Energy Ltd to acquire Murchison's Rocklea iron ore project including the southern extension of the Rocklea Deposit Channel Iron Mineralisation for a cash consideration of \$3.2m.
- Dragon's Rocklea Mineral Resource to substantially increase from 62.7Mt @ 53.41% Fe (60.39% caFe) to 151.7Mt @ 53.3% Fe (60.1% caFe).
- Consolidation of the Rocklea assets will provide significant cost efficiencies and substantially greater ability to pursue the development of the Rocklea Project.

Dragon Energy Limited ("Dragon", **ASX: DLE**) is pleased to announce that it has entered into a sale and purchase agreement with Murchison Metals Ltd ("Murchison", **ASX: MMX**) to acquire Murchison's Rocklea iron ore project ("the Murchison Project") located south west of Tom Price in the Pilbara region, Western Australia.

Dragon will pay \$3.2m to acquire the Murchison Project assets including tenements E47/952-I and P47/1429-I, as well as the iron ore rights to E47/1153-I which is held by Joytell Pty Ltd. The acquisition is subject only to the parties obtaining consent to the assignment of a standard heritage agreement. Completion to take place 5 days after the deed of assignment is executed.

The Murchison Project is located directly adjacent to Dragon's existing Rocklea tenement E47/1024-I and includes the southern extension of the Rocklea Deposit Channel Iron Mineralisation with a JORC Mineral Resource of 89Mt @ 53.2% Fe (59.9% caFe). The consolidation of the Rocklea CID iron ore deposit will bring together the two halves of the Rocklea Deposit Channel Iron Mineralisation, combining Murchison's Resource with Dragon's existing Rocklea project, with a total Mineral Resource of 62.7Mt @ 53.41% Fe (60.39% caFe), which was calculated in 2009 and revised in 2011. This consolidation will substantially increase Dragon's iron ore Mineral Resource at the Rocklea Project to a total Mineral Resource of 151.7Mt @ 53.3% Fe (60.1% caFe).

The increased scale of Dragon's Rocklea Project as a result of the acquisition will provide Dragon with significant cost efficiencies and substantially greater ability to pursue the development of the Rocklea Project.

Dragon Energy Ltd's Managing Director, Mr Gang Xu, stated that the acquisition of the Murchison Project is an exciting step for Dragon towards the development of its Pilbara Iron Project.

*"This is a major acquisition for Dragon and it was naturally attractive to Dragon due to the location of the Murchison Project adjacent to our own Rocklea project. It clearly shows that we are very committed to the long term production potential of the Rocklea project and the iron ore market in general."*

*"The acquisition of the Murchison Project will more than double the existing iron ore Resources for our Pilbara Iron Project. In combination with our upcoming announcements of resource updates for our Rocklea project and a maiden resource for the Nameless project, which we hope to announce in the next few weeks, it has the potential to allow a larger scale operation for the Pilbara project. This will also provide Dragon with more strategic options for both the short term development to initial production and long term, large scale and sustainable development options including the Anketell port and rail line development."*

*"Dragon is committed to pursuing the rapid development of the Pilbara Iron Project to enable the Project to be brought into production as soon as possible and this acquisition will allow us to pursue the project development with even greater confidence and flexibility."*

In addition to E47/952-I, the acquisition of the iron ore rights from Joytell Pty Ltd E47/1153-I will provide Dragon with possible new exploration targets and the potential to further grow the company's iron ore resources. The Joytell Pty Ltd E47/1153-I is located in a prospective area close to the existing Rio Tinto's Beasley River Limonites Deposit of some 400Mt iron, is adjacent to a number of FMG and Rio Tinto tenements, and Dragon intends to review the Murchison data and identify new targets in the latter half of 2012.

**Table 1: Rocklea JORC Resources**

	Million tonnes	Fe (%)	caFe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
<b>Rocklea (Dragon)</b>							
Inferred Resource (JORC) <sup>1</sup>	62.7	53.41	60.39	7.73	2.80	0.034	11.56
<b>Rocklea (Murchison)</b>							
Indicated Resource (JORC) <sup>2</sup>	15	53.2	60.0	7.7	4.0	0.04	11.4
Inferred Resource (JORC) <sup>3</sup>	74	53.2	59.9	8.3	3.4	0.03	11.2
<b>Rocklea (Dragon+Murchison)</b>							
Total Mineral Resource	151.7	53.3	60.1	8.0	3.2	0.03	11.4

<sup>1</sup> The Inferred Mineral Resource was estimated in 2009 and revised in 2011 in accordance with the guidelines of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore reserves (JORC Code 2004) using a 50% lower cut-off grade, and a specific gravity of 2.7. No mining parameters were applied to the model.

<sup>2</sup> The Indicated Mineral Resource was estimated in accordance with the guidelines of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore reserves (JORC Code 2004) using a 50% Fe lower cut-off grade, and a specific gravity of 2.37. No mining parameters were applied to the model.

<sup>3</sup> The Inferred Mineral Resource was estimated in accordance with the guidelines of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore reserves (JORC Code 2004) using a 50% Fe lower cut-off grade, and a specific gravity of 2.37. No mining parameters were applied to the model.

Dragon has two iron projects in the Pilbara; Rocklea and Nameless projects, which comprise the Pilbara Iron Project (the "Project"). The Project is located in the Central Pilbara, Western Australia, in close proximity to Rio Tinto's Tom Price and Paraburdoo iron ore mines (see Figure 1).

### Future Plan

Continue a study in developing the Pilbara Iron Ore Project:

- Identifying and securing approvals for an export port suited to road transportation;
- Launch and complete long lead time approval items, ie environmental studies, heritage agreements, mining lease approvals; and
- Identifying and securing financial resources for project development.

### Authorised by:

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**Figure 1: Rocklea Location Plan**

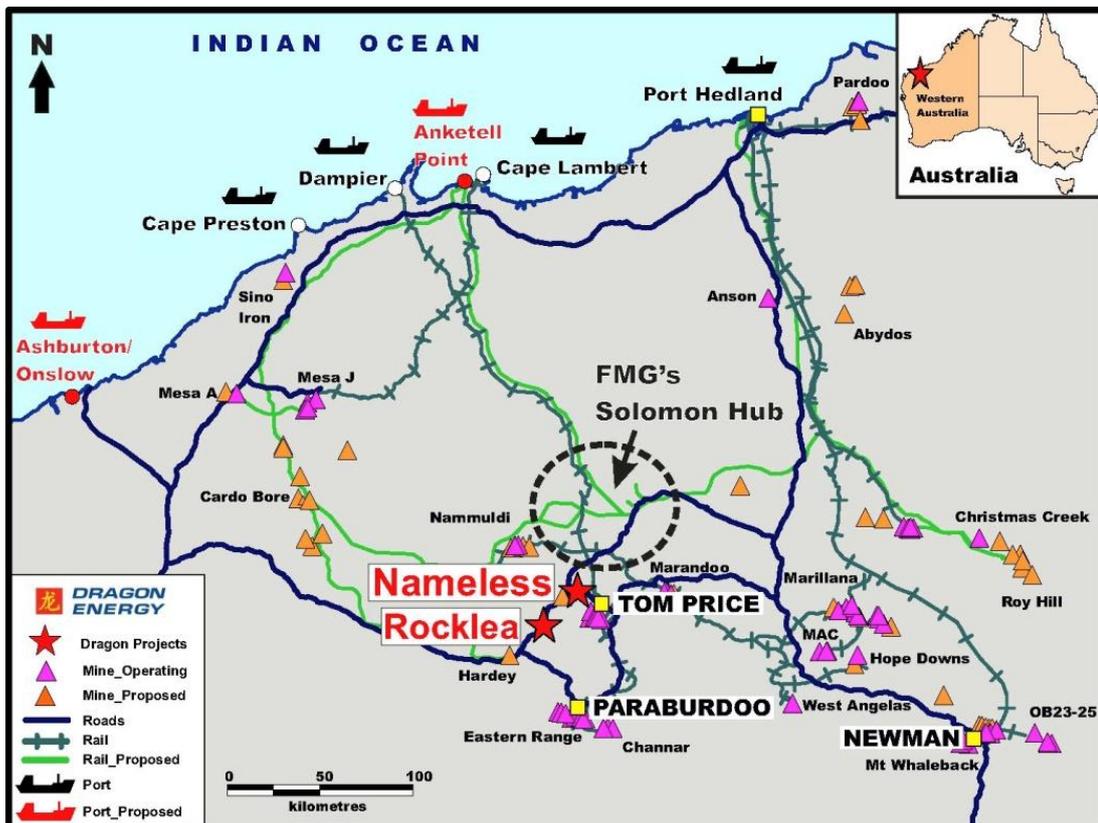
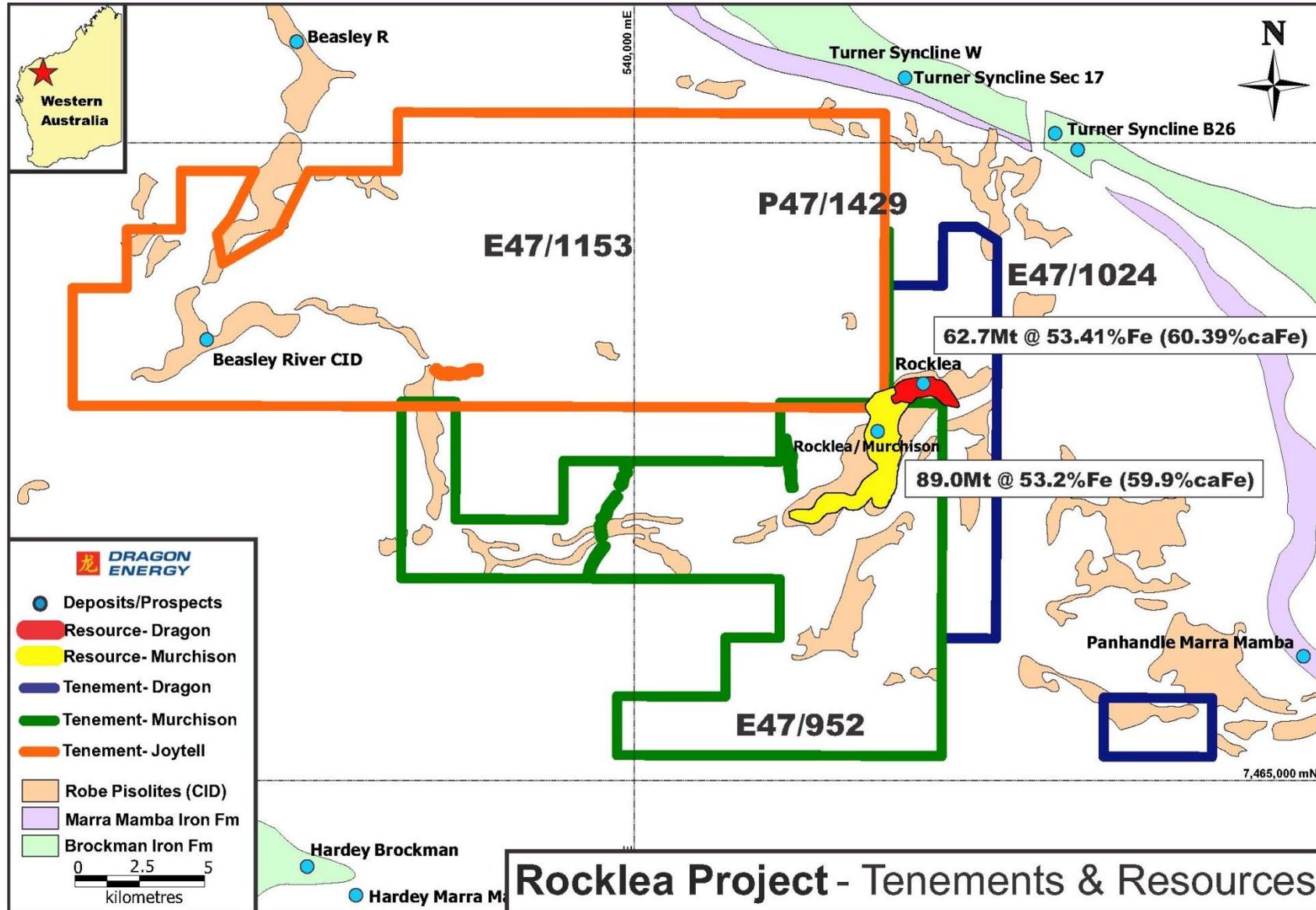


Figure 2: Rocklea Project Tenement Plan- New Acquisition



### **Competent Persons' Statement**

The information in the report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Mark Hafer, who is a Member of The Australian Institute of Geoscientists. Mr Hafer is a full-time employee of the company. The information that relates to the Rocklea (Dragon) Mineral Resource Estimate has been compiled by Mr Stephen Godfrey who is a Member of the Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists and an employee of Golder Associates Pty Ltd. The information that relates to the Rocklea (Murchison) Mineral Resource Estimate has been compiled by Daniel Guibal who is a Fellow of the Australasian Institute of Mining and Metallurgy and an employee of SRK Consulting.

Mr Hafer, Mr Godfrey and Mr Guibal have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hafer, Mr Godfrey and Mr Guibal consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **About Dragon Energy**

Dragon Energy Limited ("Dragon") listed on the Australian Securities Exchange (ASX) in February 2009 (**ASX: DLE**).

Dragon's flagship projects are Rocklea and Nameless iron projects in the Pilbara with a sizeable JORC Resource defined at the Rocklea Project and significant CID exploration targets at the Nameless Project. Dragon Energy's portfolio of tenements has numerous multi-commodity targets, including Fe, Mn, Au, base metals and U in Western Australia.