



## DRAGON ACQUIRES IRON ORE PROJECTS IN PILBARA AND MIDWEST REGIONS

ASX ANNOUNCEMENT

4 DECEMBER 2009

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Dragon Energy Ltd (“Dragon”) is pleased to announce that as part of its iron ore and coal growth strategy, three iron ore projects have been acquired from Polaris Metals N.L. (“Polaris”). The projects comprise 7 tenements totalling 596 km<sup>2</sup> in size and have sound potential to host large scale hematite and magnetite iron ore deposits.

The Pilbara **Ashburton** project is close to existing operating iron ore mines and has a “detrital iron target potential in the range 600Mt to 1200Mt”<sup>1</sup>.

The Midwest **Milly Milly** project has potential to host significant Jack Hills style high quality magnetite iron ore deposit. The project is also prospective for chromite mineralisation.

The **Lee Steere Range** project contains a 47 km strike length of favourable iron rich lithology with up to 66% Fe rock chip samples being reported. Dragon’s exploration focus will be on significant hematite/goethite and magnetite iron ores. The tenements are also prospective for calcrete hosted uranium mineralisation.

The major acquisition terms for the three projects are as follows:

- Aggregate cash payment of \$450K;
- Acquiring 100% of Ashburton and 100% of Milly Milly;
- Acquiring 75% of iron ore rights and 100% other mineral rights for Lee Steere;
- Dragon to sole fund the first \$1M of iron ore exploration expenditure on Lee Steere;
- Polaris retains a royalty right of \$1.00 per tonne of iron ore mined, capped at \$10M aggregate for all three projects.

Dragon will have 6 iron ore exploration projects consisting of 7 granted licences and 3 applications in Western Australia totalling 958Km<sup>2</sup> in size, and will deploy significant resources in a short time frame to fully test the potential of these projects. Dragon will continue to pursue suitable project acquisitions and farm-in opportunities in Australia with a principal focus on bulk commodities iron ore and coal.

Mr Jie Chen, Dragon’s Chairman, stated “This is an important strategic step for Dragon, its major shareholder the Shandong Taishan Sunlight Group Limited (“Shandong Group”) welcomes the acquisitions and will fully support Dragon in advancing these projects”. The Shandong Group is a leading Chinese coal mining group with a world-class safety record and exceptional business credentials.

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## PROJECT DESCRIPTIONS

### Ashburton – E08/1511, E08/1512, E08/1513, E08/1528

The Ashburton Project consists of four granted exploration licences covering an area of 365km<sup>2</sup> located between 10 km and 40 km south of the Rio Tinto Paraburdoo iron ore mine in the southern Pilbara region of Western Australia.

The area is considered prospective for transported iron ore deposits such as buried Robe pisolitic channel iron deposits (“CID”) and surficial iron rich gravels in paleodrainage systems that extend in a southwest direction away from the ranges hosting the Paraburdoo iron deposits.

In 2007 Polaris completed a scoping study of the project and announced a “detrital iron target potential in the range 600Mt to 1200Mt based on an estimate of the area of surficial gravel beds mapped within the Company’s exploration licences and the reasonable expectation that the depth of gravel beds ranges from 3m to 6m.”<sup>1</sup> In the same announcement Polaris reported “Heron (Heron Resources Limited) previously investigated areas of raised iron-rich paleodrainage material and submitted samples from five shallow pits for gravity separation test work. For the +4.075mm fraction the 3.3SG sink product averaged 60.6% Fe, 6.3% SiO<sub>2</sub>, 2.25% Al<sub>2</sub>O<sub>3</sub> and 0.09% P. The sink product for the -4.075mm +1mm fraction had similar Fe (59.77%) lower SiO<sub>2</sub> (4.86%) but higher Al<sub>2</sub>O<sub>3</sub> (4.20%). The mass recovery of the +1mm material was in the order of 20%. At the 20% recovery the +1mm iron ore target potential can be inferred to be in the range 120 to 140Mt.”<sup>1</sup>

The key strengths of the project are its location close to existing plant and infrastructure, the large scale target potential and the low phosphorus content of the beneficiated stream making it an attractive blending product.

Dragon will commence exploration by acquiring high resolution aeromagnetic, Landsat, digital elevation and airborne EM data to enable detailed mapping of paleodrainages and potential CID material and depth of alluvial cover. Bulk sampling and reconnaissance drilling will then be initiated to determine the extent of the iron ore mineralisation.

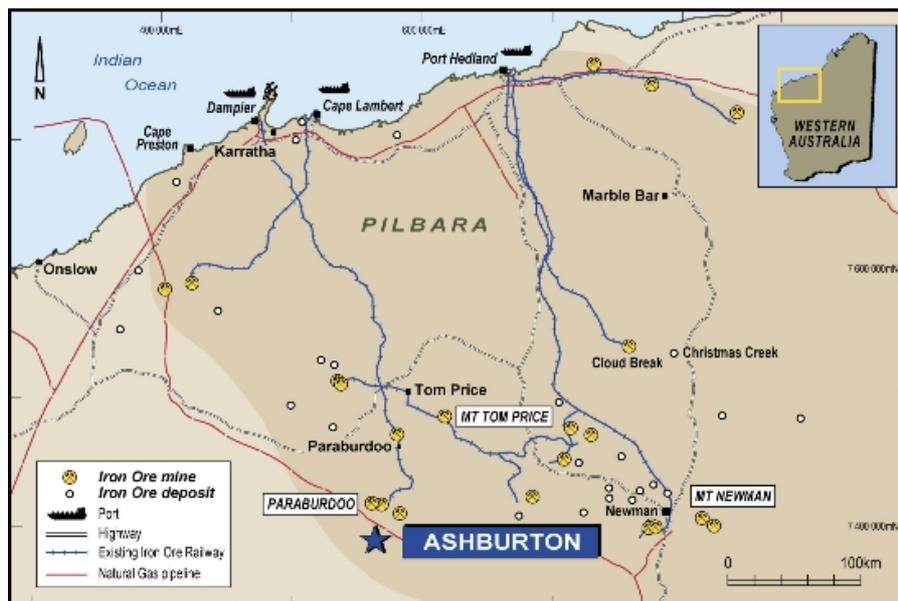


Figure 1: Ashburton project location

<sup>1</sup> Polaris Metals NL, Iron Ore Exploration Results, Perrinvale and Ashburton Projects, WA. ASX Release, 27 Feb 2007.

## Milly Milly – E09/1277

The Milly Milly project is located in the rapidly emerging Mid West region of Western Australia. The tenement covers an area of 191km<sup>2</sup> and lies 65km west of the Jack Hills iron ore mine and 360 km northwest of the regional port of Geraldton. The Mid West region has a resource inventory of several billion tonnes of magnetite and hematite mineralisation currently being exploited or being developed for export.

The tenement contains a series of northeast trending magnetite rich banded iron formations (“BIF”) having extensive surface exposure. Detailed ground magnetic surveys indicate that individual BIF horizons have strike lengths ranging from hundreds of metres to several kilometres.

Exploration to date has been limited to reconnaissance mapping and surface sampling. Rock chip samples collected from the BIF units contained 30-40% Fe with a peak value of 44% Fe. Apart from the iron ore potential a chromite rich magnetite layer with an interpreted strike length of 1.6km provides an alternative exploration target.

Dragon believes the potential magnetite mineralisation at Milly Milly may have similar properties to that at Jack Hills where studies have determined that the concentrate is of a superior quality with low levels of contaminant and is amenable to upgrading at coarse grind sizes resulting in considerable energy savings.

The main exploration target is a large tonnage magnetite deposit which can be readily upgraded to produce a premium concentrate product. Initial exploration will focus on metallurgical testwork to confirm the beneficiation characteristics of the BIF together with more detailed magnetics surveys and drill testing to estimate project resources.

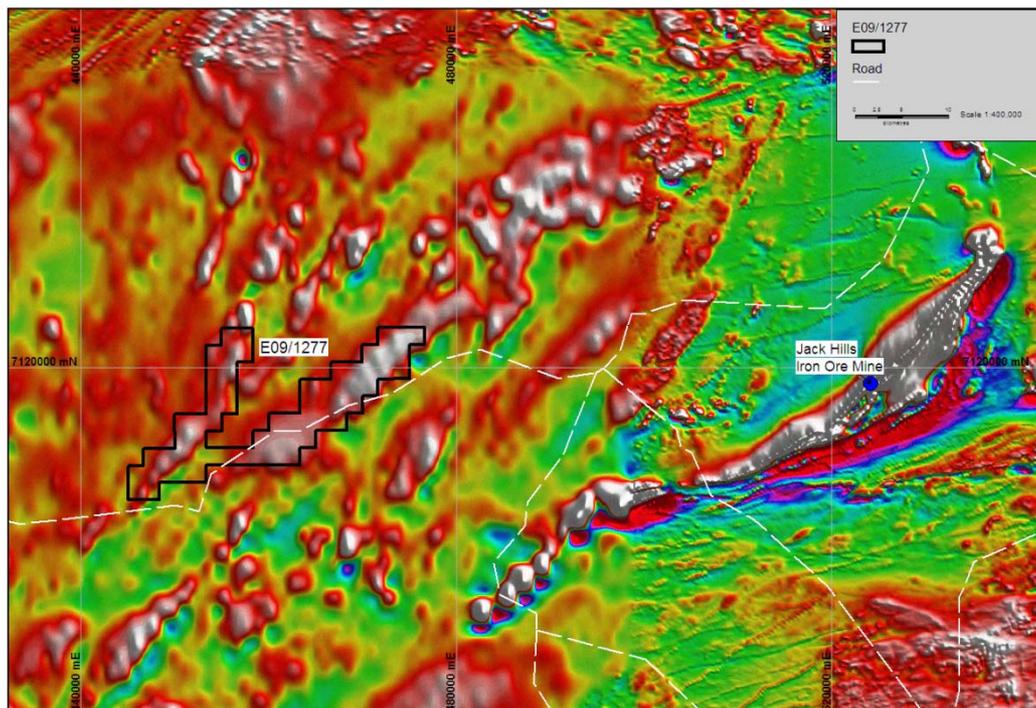


Figure 2: Milly Milly Project over regional magnetic intensity image

### Lee Steere Range – E69/2116, E69/2377

The Lee Steere Range project comprises two tenements some 80km apart in the Proterozoic Earraheedy Basin, 220km northeast of Wiluna. The tenements have an area of 226km<sup>2</sup> and contain a 47km strike length of favourable iron rich lithology that has the potential for significant discovery of both hematite/goethite and magnetite iron ores.

The basin was the subject of reconnaissance style iron ore exploration during the late 1970's undertaken by BHP and Amax Exploration (Australia) Inc that targeted extensive iron formations (Frere Formation) developed within the basin. The Earraheedy Basin is comparable in both in age and size to the Hamersley Basin and exhibits similar rock types and styles of mineralisation. A number of areas of direct shipping hematite mineralisation were located and sampled with grades from rock chip samples up to 66% Fe.

The aeromagnetic response over the Frere Formation indicates a considerable concentration of magnetite in an extensive and partly dislocated zone. The unit forms a series of parallel ridges containing granular and banded iron formation, hematite shale, and minor stromatolitic carbonate rocks. Laterisation occurred in the Tertiary and was probably accompanied by the development of large calcrete bodies which filled broad valleys.

Initial exploration by Dragon will focus on delineation of large scale iron ore deposits using multi-client aeromagnetic surveys as a targeting technique followed by geological reconnaissance and surface rock ship sampling. Reverse circulation drilling will be used to evaluate the resource potential of the iron rich units.

As well as the potential for iron ore mineralisation the tenement is prospective for calcrete hosted uranium and galena has been identified in the stromatolitic carbonate rocks. The tenements may also be subjected to search for precious metals and base metals.

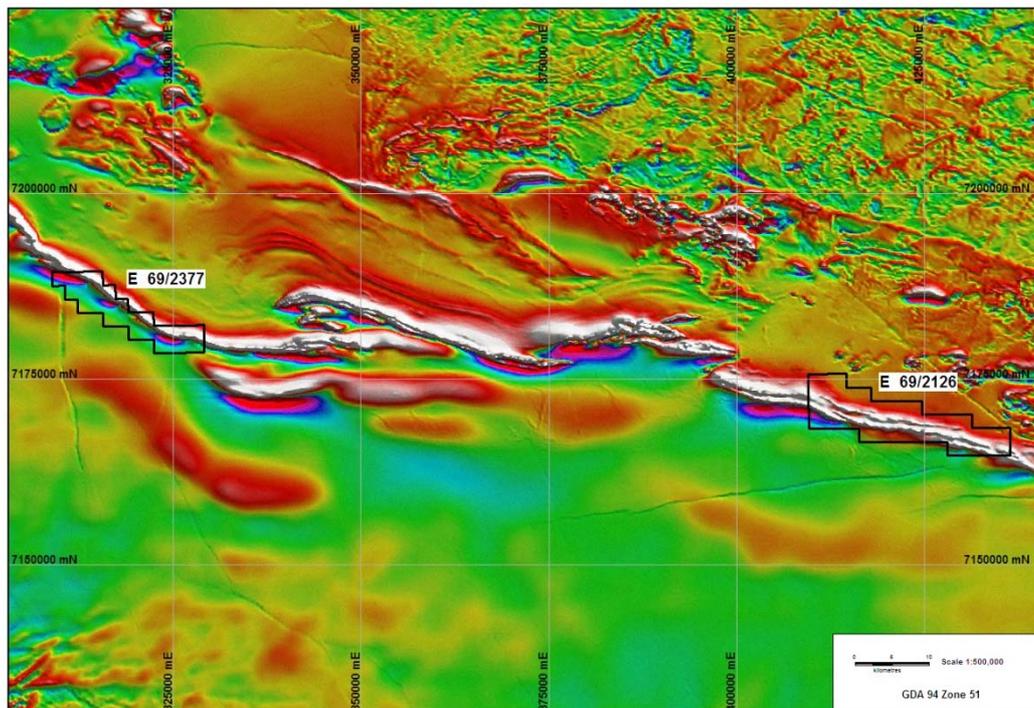


Figure 3: Lee Steere Range project over regional magnetic image

### **Competent Persons' Statements**

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Lindsay Cahill (Exploration Manager), who is a member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cahill consents to the inclusion in the report of the matters based on the information in the form and context in which it appears*

### **Authorised by:**

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### **About Dragon Energy**

Dragon Energy Limited (ASX: DLE) is an exploration and resources company. The listing of Dragon Energy on the Australian Securities Exchange (ASX) in February 2009 was facilitated by a cornerstone investor, the China-based Shandong Taishan Sunlight Group Company Limited (**Shandong Group**). Shandong Group controls 1.5 billion tonnes of coal and 100 million tonnes of iron ore resources in China as well as engaging in steel making and power generation. Shandong Group, essentially a private enterprise, will avail direct and indirect financial capacity and funding capability, wide industry connections, and mining know how, to underpin plans for Dragon Energy's growth and pursuit of suitable mine projects world-wide.

Dragon Energy has a twofold strategy:

- To participate in exploration projects with a view to advancing the status of the projects through to development or alternatively to introduce appropriate and suitable overseas partners, particularly from China, who may take long term positions in those project development opportunities; and
- To secure a leading position in advanced minerals projects and to bring development to fruition at the earliest opportunity.

Since listing in February 2009, Dragon Energy has already evaluated a number of bulk commodity projects in Australia and USA and some metalliferous projects in Australia with a view to participating or securing development opportunities. Although preferred targets are in iron ore and coal, other commodities and minerals will be considered for review.

Dragon Energy's project evaluation efforts are facilitated by a small, but highly experienced, team of professionals with, collectively, vast experience in mineral exploration, development, financing and operations in Australia and overseas, in particular in start up projects.