

# DRAGON ENERGY COMPLETED SETTLEMENT OF ROCKLEA PROJECT

ASX ANNOUNCEMENT

20 JANUARY 2011

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- **Dragon Energy completed a \$4.5m settlement for the Rocklea Project and has assumed 100% title**
- **Major Shareholder Shandong Group assisted by providing \$3.5m unsecured, interest free loan**

Dragon Energy Ltd (ASX:**DLE**) is pleased to announce that it has completed the \$4.5m settlement payment for the Rocklea Project (E47/1024-I) in the Pilbara iron ore province and has assumed 100% title for the tenement. The payment was made to AusQuest Limited (ASX: AQR) and its Joint Venture partners ( "**Vendor**") on 19 January 2011. Under the agreement with the Vendor, the Company will make two additional payments, being:

- A cash payment of \$1.5m on or before 19 January 2012; and
- A cash payment of \$1.0m on or before 19 January 2013.

Funding for this \$4.5m payment was through the Company's internal resource and a \$3.5m loan from major shareholder ("**Shareholder Loan**"), the Shandong Taishan Sunlight Group Company Limited ("**Shandong Group**"). The Shareholder Loan is unsecured, interest free and repayable on completion of the upcoming \$21.4m underwritten rights issue (see announcement on 12 January 2011 and prospectus lodged on 18 January 2011). As stated in previous announcements, Shandong Group has committed to underwrite a minimum of \$18m for the rights issue.

Commenting on this settlement, Dragon Energy's Managing Director Gang Xu said:

"Dragon Energy is pleased to complete this acquisition. We will now focus on fast tracking exploration and evaluation of Rocklea and its neighbouring Nameless tenement – our flagship iron ore projects."

"Our major shareholder, the Shandong Group, has once again demonstrated their support by funding the settlement on favourable terms to the benefit of all shareholders."

## **Rocklea Project (E47/1024-I):**

The Rocklea Project comprising 35km<sup>2</sup> in area is located 33km southwest of the mining town of Tom Price, and immediately north of Murchison Metals' Rocklea CID Project.

In the 1970s Hamersley Exploration Pty Ltd (now Rio Tinto) outlined a small resource on this project. Between 2005 and 2009, AusQuest enhanced and expanded the resource. On 17 August 2009 AusQuest reported a JORC Inferred Resource of 63.1Mt grading 53.4% Fe (60.4% caFe), including a higher grade component of 28.2Mt grading 55.6% Fe (62.7% caFe). Calcined Iron grade (caFe) is a measure of iron content upon the removal of volatiles (i.e. LOI), and is a more relevant measure of the quality of iron ore deposits.

	Million tonnes	Fe (%)	caFe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (1000°C) (%)	Cut-off grade
Inferred	63.1	53.38	60.37	7.69	2.54	0.03	11.59	50%
Inferred	28.2	55.58	62.68	6.04	2.26	0.03	11.33	54%

*\*Source: Ausquest 17 August 2009 ASX announcement*

This resource is open to the south and east. Outcropping CID in the NE and the non-contiguous portion of the tenement to the south have not been drill tested.

An assessment of the project will be carried out with the aim of undertaking a step-out and exploratory drilling programme targeted to expand the resource, followed by a scoping study.

#### **Authorised by:**

**Gang Xu**  
**Managing Director**

For further information or corporate opportunities please refer to our website [www.dragonenergyltd.com](http://www.dragonenergyltd.com) or contact:

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#### **About Dragon**

Dragon Energy Limited (**Dragon**) listed on the Australian Securities Exchange (ASX) in February 2009 (**ASX: DLE**). The Company's listing on the ASX was facilitated by cornerstone investor the China-based Shandong Taishan Sunlight Group Company Limited ("Shandong Group"), which controls 1.5Bt of coal and 100Mt of iron ore resources in China as well as engaging in steel making and power generation. It has also facilitated many large commercial mining transactions in the Chinese resources sector. Shandong Group is a private enterprise and provides Dragon with direct and indirect financial capacity, wide industry connections, and mining know how, to underpin Dragon's growth and pursuit of mineral projects.

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

#### **Competent Person's 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. Mr Hafer 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 Hafer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears".*