

ASX RELEASE

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8 June 2009



Dragon Mountain Gold Reports on Initial Metallurgical Results from its Liba Gold Project

- Overall gold recovery to flotation concentrates in the range of 90 to 94%.
- Concentrate grades ranging from 20 to close to 25g/t gold.

Dragon Mountain Gold (ASX:DMG) is pleased to report on the excellent metallurgical results from test work conducted on a Zhao Gou global composite sample from the Liba Gold Project.

Results to date demonstrate that high recoveries of gold (94%) can be achieved using conventional rougher flotation methods to produce a bulk sulphide concentrate. The rougher concentrate product assayed circa 20g/tAu. Further test work has shown that the rougher concentrate product can be readily upgraded using concentrate regrind and cleaning stages. This results in an overall recovery of 90% of the gold into a final cleaner concentrate of 8.6% by weight, assaying 25g/tAu.

Robert Gardner, Executive Director of Dragon Mountain Gold, said: "We are obviously very pleased with these results since they confirm that we are able to produce a marketable grade concentrate from the primary ore at Zhao Gou. We are continuing our test work to identify a final process route that includes treatment of the bulk sulphide concentrate using a broad range of available processes, and remain confident we are headed in the right direction."

The test work program included crushing, grinding, and flotation to produce a saleable concentrate as well as preparation of a bulk sulphide concentrate for testing of oxidative pre-treatment routes. Initial investigative testing of ultra-fine grind (UFG) with Carbon-In-Leach (CIL) and a two-stage roast/UFG/CIL was carried out on the bulk sulphide concentrate. Further treatment of the flotation concentrate product will be undertaken by testing more vigorous process routes such as; UFG/OX/CIL (Albion Process®) and UFG/bio-oxidation/CIL (BIOX®/CIL).

The test work was conducted at the AMMTEC laboratories in Perth and was supervised by Metallurg Pty Ltd.

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DETAILS OF THE TESTWORK PROGRAM

The primary aims of the metallurgical testwork program were to:

1. Conduct metallurgical testwork on representative global and high grade bulk samples, composited from a diamond metallurgical drill hole (ZG 5370DD05) representing the primary ore zone from the Zhao Gou deposit. Figure 1 shows the location of the metallurgical drill hole and domain types that were blended to prepare the respective global and high grade composite samples.
2. Testing of two process options:
 - Replication of a three-stage crush and single stage mill with a rougher/regrind/cleaner flotation circuit to produce a saleable bulk sulphide concentrate; and
 - Replication of a three-stage crush and single stage mill with a rougher flotation circuit, followed by investigation of oxidative pre-treatment process routes to produce doré.

Metallurgy:

Metallurgical testwork was carried out on global and high grade composite samples prepared from a representative blend of the various domain types and grade ranges present in the Zhao Gou primary ore zone. A separate split of the global composite sample was sent for the comminution testwork. Sample quantity requirements were estimated and drill-hole intercepts selected for the following:

- Comminution testwork to characterise the grindability of the various ore types to define parameters to allow design and simulation of the proposed grinding circuit.
- Metallurgical testwork to establish the optimum process route and treatment conditions based on composite and variable samples representing the major ore types, gold grades and geographical locations.

Head Assays:

Head assays for the global and high grade composite samples are summarized in Table 1.

Table 1: Global and High Grade Composite Head Assays

SAMPLE I.D.	HEAD ASSAYS								
	Au (ppm)	Ag (ppm)	Cu (ppm)	Pb (ppm)	Zn (ppm)	Fe (%)	As (%)	TS (%)	OrgC (%)
Global Comp.	2.38	2.35	69	247	351	3.70	0.22	3.4	0.04
High Grade	7.14	6.15	50	58	225	4.12	0.16	4.5	0.04

The key metallurgical test work outcomes including physical, flotation and oxidative pre-treatment are detailed below:

Physical Characteristics:

- The Bond Ball Mill Work Index for the main shear zone was 13.8kWh/t (at a closing screen size P80 of 106µm) and is considered medium to hard.
- Liner and media consumption are expected to be moderate.

Metallurgical Characteristics:

I. Flotation

➤ **Option 1: Bulk Sulphide Concentrate Flotation**

Rougher flotation conducted on the global composite recovered 94.1% of the gold into a rougher concentrate mass of 10.9% w/w, assaying 22.1 g/t gold. Results of the rougher test are detailed in Table 2.

Table 2: Optimum Rougher Flotation Test Results

Grind Size P80 (µm)	Test No.	Float Conc.	Conc. Mass (Wt %)	Concentrate Assay				Metal Distribution			
				Au (g/t)	Ag (g/t)	S (%)	As (%)	Au (%)	Ag (%)	S (%)	As (%)
75	WH 1196	Rougher	10.9	22.1	14.7	31.9	1.96	94.1	66.5	96.5	90.0

➤ **Option 2: Saleable Concentrate**

Further upgrading of the rougher concentrate with a regrind and cleaning stages recovered 89.16% of the gold into a final cleaner concentrate mass of 8.6% w/w, assaying 25.0 g/t gold. Results of the Rougher / Regrind / Cleaner Flotation Test are summarized below in Table 3:

Table 3: Open Cycle Cleaner Test

Grind Size P80 (µm)	Test No.	Float Conc.	Conc. Mass (Wt %)	Concentrate Assay				Metal Distribution			
				Au (g/t)	Ag (g/t)	S (%)	As (%)	Au (%)	Ag (%)	S (%)	As (%)
75	WH 1198	Rougher	11.5	18.8	13.9	28.4	1.8	90.05	69.26	94.86	86.74
44		Cleaner	8.6	25.0	18.3	37.9	2.3	89.16	67.99	94.07	84.80

II. Oxidative Pre-Treatment

The bulk sulphide concentrate products from the global and high grade composites were then subjected to testing of oxidative pre-treatment routes to produce doré on site. Ultra-fine grinding (P80 of 10µm) of the rougher concentrate product, in conjunction with CIL, resulted in a moderate gold leach recovery of 65.4%, after 48 hours. Reagent consumptions for lime and cyanide were very high.

Results of the UFG/CIL tests, as completed on the global composite and a high grade composite are reported in Table 4.

Table 4: UFG/HICL Test Results

Sample Comp. I.D.	Grind Size P ₈₀ (µm)	Test No.	NaCN Concn (%)	Metal Recovery		Reagent Consumption	
				Au (%)	Ag (%)	Lime (kg/tcon)	NaCN (kg/tcon)
Global	10	WH 1549	2.0	65.39	80.02	5.84	92.08
High Grade	10	WH 1492	2.0	66.36	88.43	13.56	38.64

Two-stage roast/UFG/CIL testing on the rougher concentrate product resulted in an improved metallurgical performance, with 89.35% of the gold recovered after 48 hours of intensive cyanidation leaching. Lime and cyanide consumptions were moderate at 2.88 kg/t and 41.74 kg/t concentrate.

Results of the UFG/roast/CIL test are detailed in Table 5.

Table 5: UFG/Roast/CIL Test Results

Sample Comp. I.D.	Grind Size P ₈₀ (µm)	Test No.	NaCN Concn (%)	Metal Recovery		Reagent Consumption	
				Au (%)	Ag (%)	Lime (kg/tcon)	NaCN (kg/tcon)
Global	5	WH 1573	2.0	89.35	60.14	2.88	41.74

The ore can be classified as partially refractory with gold locked in pyrite and arsenopyrite. It is planned to conduct further testing of the Albion Process and BIOX® process routes, to establish whether the Zhao Gou sulphide concentrate is amenable to processing using these more vigorous oxidative pre-treatment routes and to determine potential realised leach recoveries and reagent consumptions.

Testwork has shown that the Zhao Gou primary ore zone is treatable by conventional crushing and grinding followed by flotation. The flotation concentrate can either be processed by:

- **Option 1:** Regrinding of the bulk sulphide concentrate to a P80 grind size of 45µm. The reground bulk sulphide rougher concentrate then requires three stages of cleaning to produce a high grade saleable concentrate. Market research conducted within China has shown that there is a demand for gold bearing sulphide concentrates with arsenic grades <2%As. Concentrates with >2% As, attract penalties are imposed by the Chinese smelter/roaster facilities. The penalties are based on a sliding scale from 2%As to 10%As.
- **Option 2:** Oxidative pre-treatment of the rougher concentrate to produce doré on site. Testwork to date has shown that adopting a two-stage roast/UFG/CIL results in overall leach recoveries of 88%.

Further testing of more rigorous oxidative pre-treatment routes such as the Albion Process and BIOX process are proposed to further improve pre-

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treatment/leach stage recoveries, and therefore overall combined recoveries. Thereby further enhancing overall economics of the Liba gold project.

Test work conducted at the AMMTEC laboratories in Perth. AMMTEC Pty Ltd. is one of the largest metallurgical and mineral testing consultancies in the world and produces bankable results.

Metallurgical test work was completed under the supervision of Mr Gary Patrick, an external consultant to the Company. Mr Patrick has sufficient experience, which is relevant to the style of mineralization 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 Patrick consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

On Behalf of the Board:

Rob Gardner
Executive Director

About Dragon Mountain Gold Limited

- Listed on the Australian Stock Exchange (Code ASX:DMG)
- A gold development and exploration company specialising in China's resource sector.
- Highly skilled management with multinational experience.
- 75% ownership of major, advanced stage Lixian gold project.

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Figure 1

Liba Project -ZhaoGou Deposit - Section 5370mE

