



ASX/MEDIA RELEASE

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## EMERGENT TO ACQUIRE DE GREY'S INTEREST IN BEYONDIE IRON PROJECT

### Key Points

- Emergent to acquire 100% ownership of Beyondie Magnetite Iron Project through purchase of De Grey's right to 20% free carried interest in the project
- Emergent to pay De Grey an initial payment of \$4.5m and deferred payments totaling \$2.25m plus interest
- Completion of Purchase and Sale agreement dependent on Emergent's shareholders approval for issue of shares and options to China Metallurgical Investment Co Ltd and also Foreign Investment Review Board approval

Emergent Resources Limited (ASX: EMG) (Emergent, the Company) is pleased to advise that it has entered into a Purchase and Sale Agreement with De Grey Mining Limited (ASX: DEG) (De Grey) to acquire 100% ownership of the Beyondie Iron Ore Project in Western Australia's mid-west iron ore region.

Under the terms of the Purchase and Sale Agreement Emergent will acquire De Grey's right to a 20% free carried interest in the Beyondie Iron Project, giving Emergent 100% ownership of the project, for an initial payment to De Grey of \$4.5 million plus deferred payments totaling \$2.25 million (plus interest).

The initial \$4.5 million payment to De Grey is due within 30 days of Emergent receiving shareholder approval for the issue of Emergent shares and options to China Metallurgical Investment Co Ltd (CMIC) under Emergent's proposed Development Joint Venture with CMIC for the development of the Beyondie Project, and having CMIC's investment approved by the Australian Foreign Investment Review Board.

Emergent's Farm-in Agreement with De Grey for the Beyondie Iron Project will terminate at completion of the Purchase and Sale Agreement, and it will acquire 100% ownership and title to the Project tenements will pass to Emergent. De Grey will retain the rights to all non-iron ore minerals.

Key terms of the proposed Purchase and Sale Agreement are attached to this announcement.

Emergent Managing Director Garry Hemming said: "We are very pleased to have entered into the Purchase and Sale Agreement with De Grey for us to acquire 100% ownership of the Beyondie Iron Project. The transaction provides us with certainty on the terms, and future equity and profit share for Emergent and our partner, CMIC, in the Development Joint Venture for Beyondie."

## **Background**

In February 2008 Emergent entered into a farm-in and joint venture agreement with De Grey under which Emergent could earn up to 80% interest in iron ore and associated minerals on exploration licence E52/1806 and exploration licence application ELA 52/2215 (the Project). Those tenements comprised part of De Grey's Beyondie Project located in the northern region of Western Australia's Mid-west Iron Ore Province.

Under the terms of that agreement, Emergent could earn an initial 60% interest in the Project by sole funding \$750,000 exploration expenditure and a further 20% interest by sole funding a further \$1 million expenditure, after which De Grey would retain, 20% free carried interest to a decision to mine. The effective commencement date of the first earning period was 10 November 2008 and on 21 July 2009 Emergent served notice that it had satisfied the requirements of its Stage 1 earn-in and had therefore moved to 60% interest in the Project.

Emergent has since continued to sole fund a substantial exploration program at Beyondie and is close to fulfilling the second-stage 80% earn-in expenditure. (Refer to Emergent's previous ASX releases on the ongoing exploration results at the Project.)

In July 2009 Emergent announced that it had entered into a non-binding Memorandum of Understanding (MOU) with CMIC. The MOU provides for establishment of a 50:50 Development Joint Venture and provision of \$200 million funding to establish mining operations at the Project. The MOU also provides for a placement of Emergent shares and options to CMIC to raise an estimated \$4.9 million as additional working capital for Emergent. The execution of a formal joint venture agreement is subject to CMIC's satisfactory due diligence, which it is currently undertaking. (Refer to Emergent's ASX release dated 3 July 2009 for further details).

ENDS

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*Technical information in this report has been prepared under the supervision of Mr Garry Hemming, a director of the company and a member of the Australasian Institute on Mining and Metallurgy (AusIMM). Mr Hemming has sufficient experience which is relevant to the style of mineralisation 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" (the JORC Code). Mr Hemming consents to the inclusion in this report of the Information, in the form and context in which it appears.*

## **Proposed Purchase and Sale Agreement**

Emergent has entered into a Beyondie Tenement Sale Agreement (the Agreement) with De Grey over De Grey's 20% free carried interest to decision to mine in the Beyondie Iron Ore Joint Venture.

Key terms are:

- The Agreement completes when Emergent shareholders approve the proposed issue of Emergent shares and options pursuant to the establishment of the Development Joint Venture with CMIC AND CMIC's investment is approved by the Australian Foreign Investment Review Board (FIRB).
- Emergent is to pay \$4.5 million to De Grey within 30 days of the Agreement completing.
- Upon commencement of commercial operations at the Project, Emergent is to pay a further \$2.25 million plus interest, payment by quarterly installments comprising 10% of Emergent's actual or deemed share of the Development Joint Venture's net revenue. Interest accrues at RBA benchmark rate plus 1.5% from the date upon which the Purchase and Sale Agreement completes until the date upon which the debt to De Grey is extinguished.
- In the event of default by Emergent, the further payment plus accrued interest is secured by a right for De Grey to convert the amount owing to an issue of Emergent Shares to the value of the debt outstanding, with the number of Emergent shares to be issued to De Grey calculated as 80% of Emergent's volume-weighted average share price in the ten trading days preceding conversion. Emergent retains the right to alternatively remedy the default prior to De Grey's notice of its intention to convert.
- The further payment plus accrued interest becomes due and payable should Emergent's interest in the Project fall below 25% or should Emergent be removed from the official list of the ASX.
- The Beyondie Iron Ore Farm-in Agreement terminates at completion of the Purchase and Sale Agreement.
- Title to the Project tenements is to pass to Emergent with De Grey retaining rights to all non-iron ore minerals.

The directors of Emergent regard the transaction as necessary to bring certainty to the terms and future equity and profit share of the partners in the CMIC – EMG Joint Venture