



Quarterly Report

For the period ended 31 March 2011

Highlights

- Acquisition of Rocklea Project in the Pilbara finalised and data handover completed
- Exploration target of 140 to 190 Mt of grade 48-52%Fe (54 – 56% caFe) generated for Nameless Project
- Field reconnaissance at Rocklea and Nameless in preparation for upcoming drilling program
- Exploration at Lee Steere awaiting agreement on native title access
- Rights issue and option entitlement issues successfully completed, raising around \$19.3m.

ASX Announcement

ASX Code: DLE

Released: 27 April 2011

For Further Information

Gang Xu

Managing Director

Tel: +61 8 9322 6009

Directors

Jie Chen

Chairman

Gang Xu

Managing Director

Anthony Ho

Executive Director

Qingyoung Guo

Non Executive Director

Wenle Zeng

Non Executive Director

Share Registry

Computershare Investor Services

Level 2, Reserve Bank Building

45 St George's Terrace

Perth WA 6000

www-au.computershare.com

Contact Details

Dragon Energy Ltd

Suite 8, 1297 Hay Street

West Perth, WA 6005

PO Box 1968, WA 6872

Tel: +61 8 9322 6009

Fax: +61 8 9322 6128

www.dragonenergyltd.com

ABN: 38 119 992 175

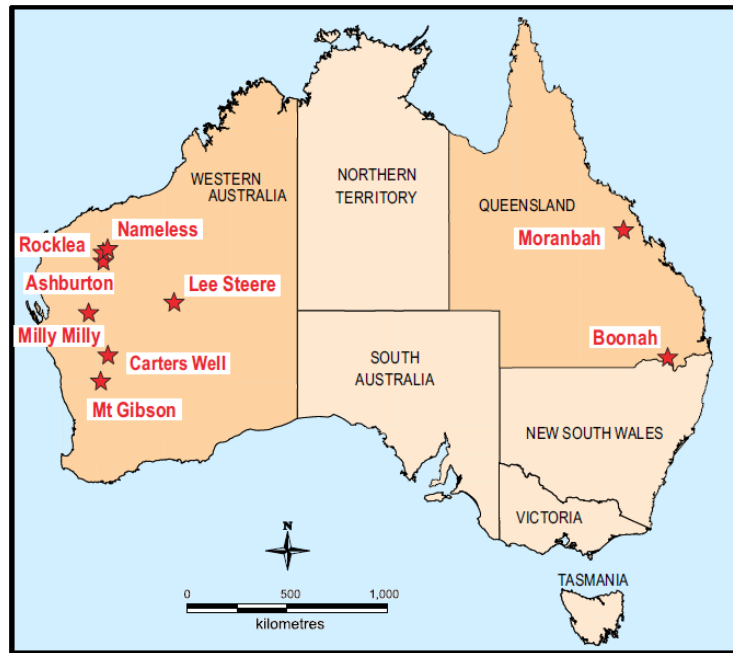


Introduction

Dragon Energy Ltd ("Dragon") is a Western Australia based explorer which controls a portfolio of mineral exploration tenements and coal exploration permits in Western Australia and Queensland.

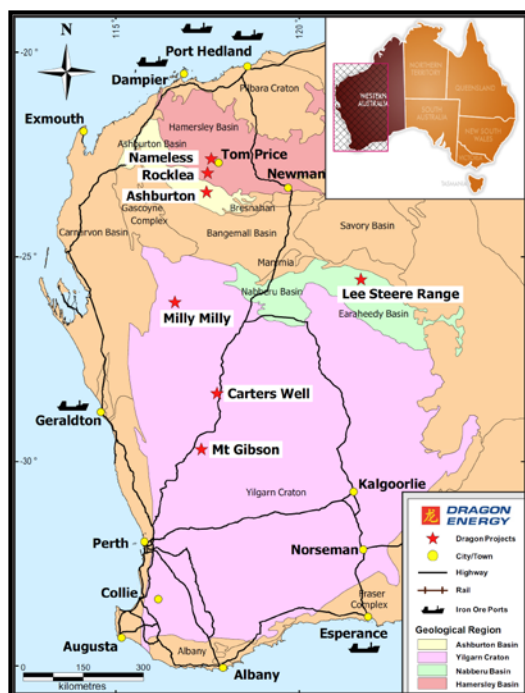
The WA tenements are located in the Pilbara and Midwest regions. Primary exploration targets are iron ore, with the potential for manganese, gold, base metals and uranium.

The Queensland exploration permits are situated in the Surat and Bowen Basins. These permits were acquired through a farm in with Alterra Resources Ltd (recently renamed to Cokal Limited).



Project Locations

During this quarter exploration activities included a field assessment of the Nameless and Rocklea Pilbara projects, the completion of modelling and resource drilling design of the Nameless project, and further drilling planned at Rocklea to potentially expand its resource.



WA Project Locations

PROJECTS - WESTERN AUSTRALIA

(Dragon 100%)

Dragon holds 7 projects in Western Australia, comprising 18 tenements (including 9 applications), totalling 1,327km² in area. The primary exploration targets include iron (hematite & magnetite) and manganese mineralisation. Other potential commodity targets include gold, base metals and uranium.

The Rocklea, Nameless and Ashburton Projects are situated in the Pilbara Region within the Hamersley and Ashburton Basins. Carters Well, Milly Milly, Mt Gibson and Lee Steere Projects are located in the Midwest Region, within the Yilgarn Craton and Eoraheedy Basin.

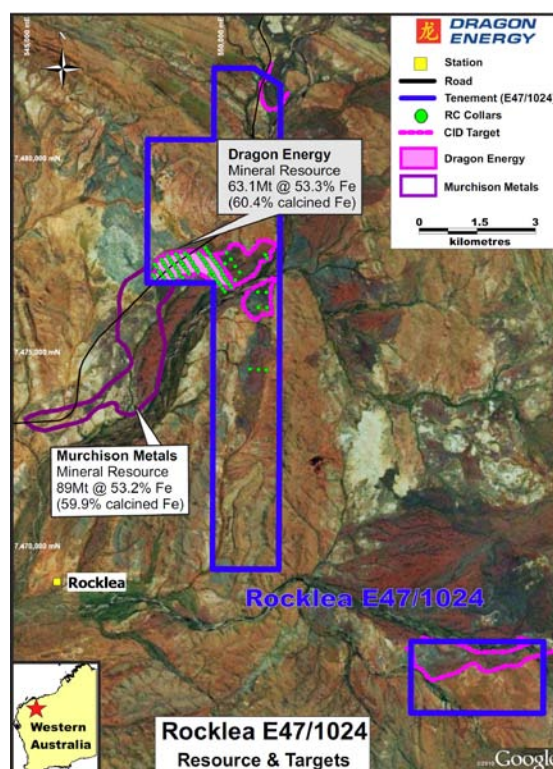
Rocklea Project is located 33km northwest of the mining town of Tom Price, and immediately north of Murchison Metals' Rocklea CID project in the Pilbara.

The Rocklea Project is located on the eastern side of the Rocklea dome where Archaean age Fortescue Group Formations dip to the east and are overlain by Tertiary age CID and other Cainozoic deposits of sand and gravels. The Rocklea CID comprises goethitic and hematitic detrital deposits of the Tertiary Robe Pisoliths.

Drilling from 2005-2009 outlined an Inferred Resource of 63.1Mt @ 53.4% Fe (60.4% caFe), including a higher grade component of 28.2Mt @ 55.6% Fe (62.7% caFe).

This resource is open to the east and southeast, and outcropping CID in the NE corner of the tenement has not been drill tested. No outcropping CID was observed in the palaeo-drainage on the non-contiguous southern portion of the tenement during field reconnaissance in the quarter.

A drilling programme has been designed to infill and step-out from existing drill sites, and test the CID in the NE area of the tenement. A heritage survey and DMP approval is required prior to Dragon initiating a drilling programme, which is anticipated to commence late in the following quarter.



Rocklea- Resource & CID Targets

	Million tonnes	Fe (%)	caFe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	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: Golder Associates Resource Statement prepared for 2009 AusQuest Limited's

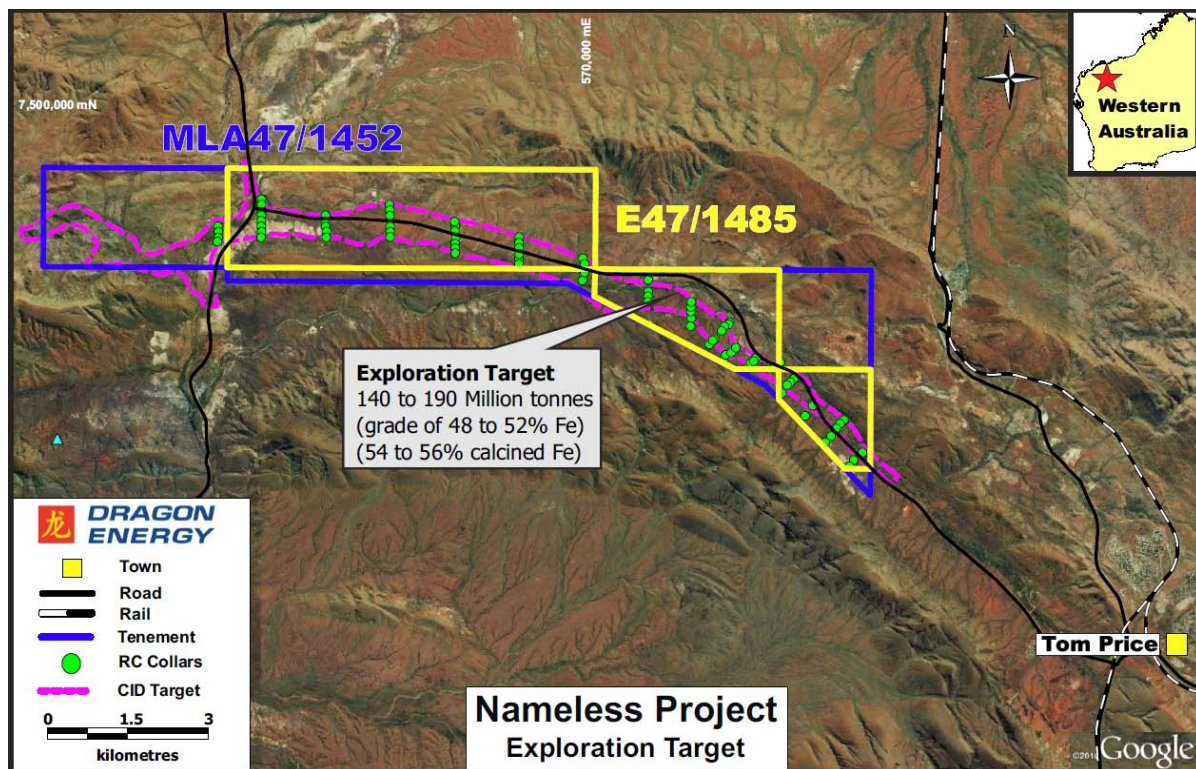
Nameless Project is located 10km NW of Tom Price in the Pilbara.

The project is situated along the south-dipping northern limb of the Mt Turner Syncline within the South Pilbara Basin of the Hamersley Basin. Bedrock lithologies comprise volcano-sedimentary rocks from the Fortescue and Hamersley Groups, with the Marra Mamba Iron Formation paralleling the southern boundary of the tenement. Cainozoic cover sequences include the Robe Pisolite Formation.

Mapping by AusQuest delineated 15km strike of a prospective 200-600m wide palaeochannel, of which 12.5km was drill tested in 2006 and 2008 by AusQuest Limited ("AusQuest") on 400m to 1200m spaced drilling traverses. CID mineralisation is up to 24m in thickness and infill drilling is required to define its continuity and calculate an inferred resource.

During the quarter 2D and 3D modelling of the CID and lesser Marra Mamba mineralisation generated an exploration target of 140 to 190Mt of grade 48-52% Fe (54-56% caFe). An infill drilling programme has been designed from which an infill resource should potentially be calculated. A heritage survey and DMP approval is required prior to Dragon initiating a drilling programme, which is anticipated to commence late in the following quarter.

Negotiations are anticipated to commence in the following quarter with the native landholders with regards to the Mining Lease application.



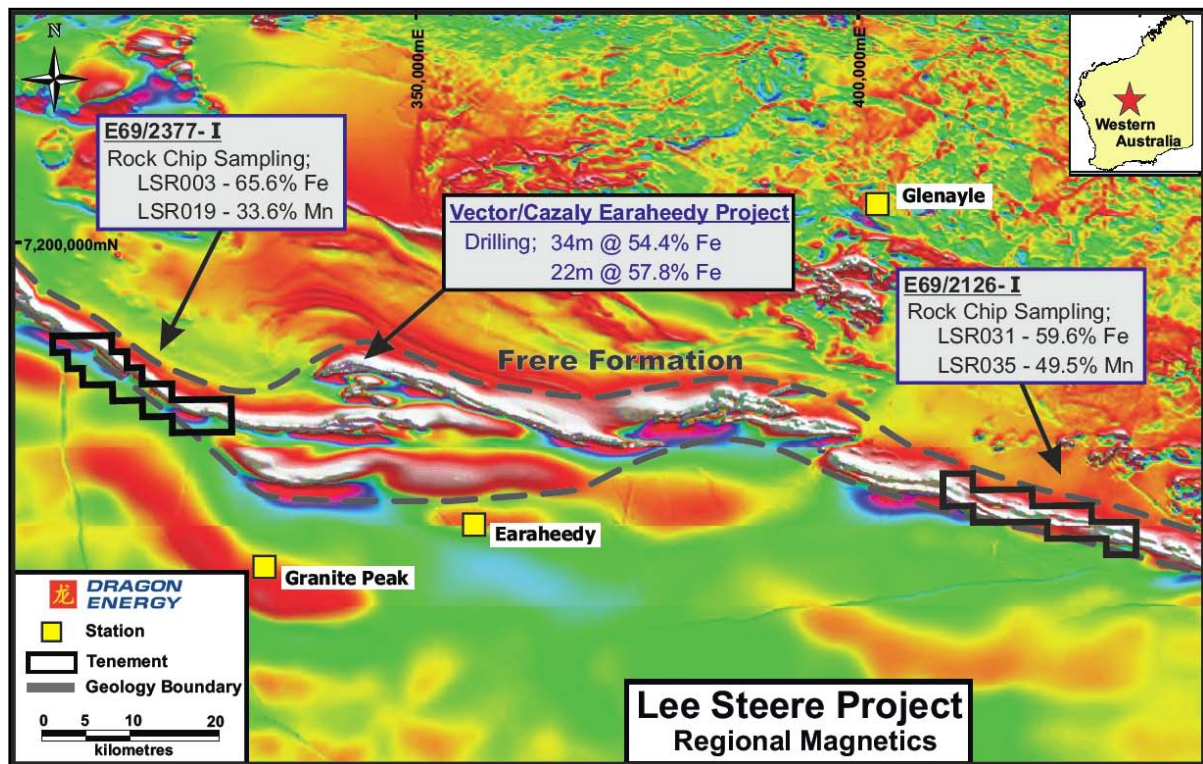
Nameless- Exploration Target

Lee Steere Project is located some 200km NE of Wiluna, and Vector Resources/Cazaly Resource's Earaheedy iron project lies 20km east of E69/2377.

Previous exploration activities in the 1970s identified enriched hematite mineralisation of BIFs and Superior-type iron within the Frere Formation; rock chips of up to 66.1% Fe were reported. The project contains 48km strike of the prospective Frere Formation, as identified from magnetics and outcrop. Dragon's exploration focus has been on supergene enriched hematite/goethite and manganese mineralisation.

During the quarter 3D modelling of the ground gravity and magnetic data of E69/2377 was completed and an exploration drilling programme designed, primarily to test the stratabound manganese unit adjacent to Superior-type iron mineralisation. New native title access agreements

were received during the quarter of which negotiations are required to be finalised before heritage surveys and DMP approval for drilling.

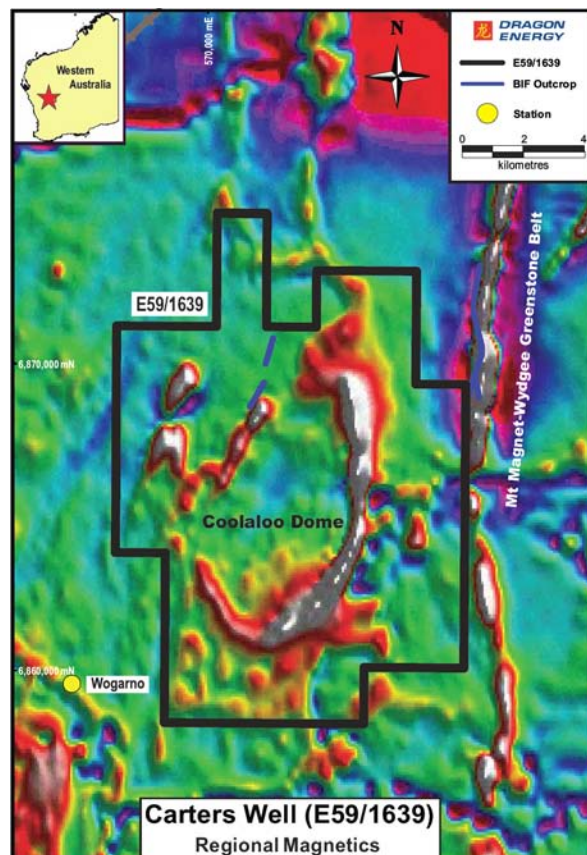


Lee Steere- Regional Magnetics

Carters Well Project- is located 30km south of Mt Magnet, adjacent to the Great Northern Highway.

The tenement overlies the Coolaloo Dome, a granite batholith having a prominently magnetic margin which may reflect the presence of a hematite-magnetite-quartz shear (BIF) adjacent to the contact. BIF has been mapped within the western granitoids, and the Mt Magnet-Wydege Greenstone Belt on the eastern margin. The structure outcrops poorly but is well defined on the aeromagnetic data beneath transported overburden.

Major NE striking faults on the Boogardie Synform exhibit important control over many of the ore deposits in the Mt Magnet district. Such NE structures are exhibited on the project area. The transported overburden in the area was problematic for geochemical sampling and reconnaissance drilling in the past, consequently a targeted MMI surface sampling programme has been designed as first pass gold exploration.



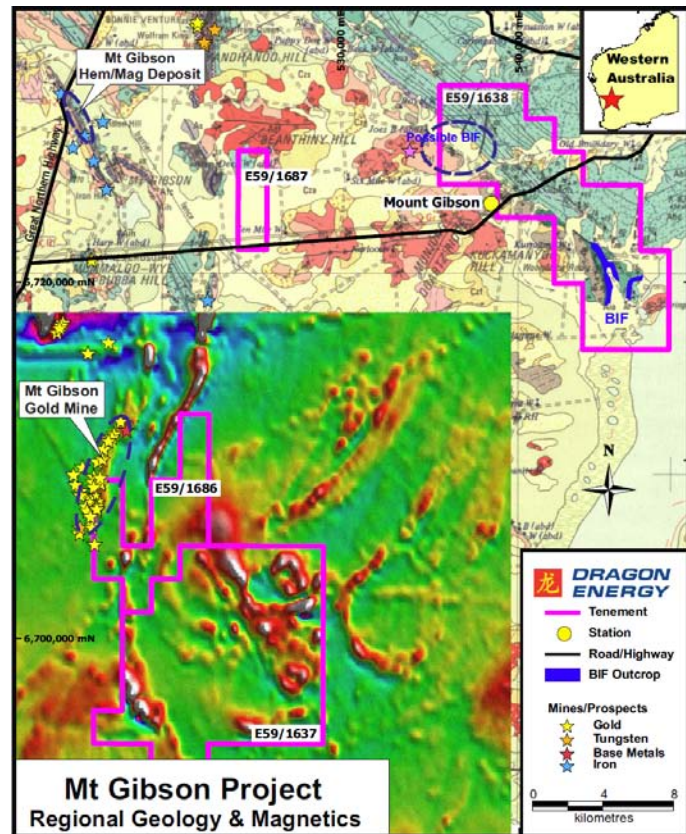
Carters Well- Regional Magnetics

Mt Gibson Project lies 80km NE of Wubin, 7-32km south and east of the Extension Hill Hematite/Magnetite Project, and partly hosts the Mt Gibson Gold Operation. The project is situated in the Midwest Region of the Yilgarn Craton.

A 7km outcrop of magnetite (hematite)-amphibole-quartz BIF has previously been mapped on E59/1638 within the southern Ninghan Belt. A similar prominent magnetic feature to the NW of the tenement may also represent BIF units. There is no record of exploration for iron ore in this area.

E59/1686 incorporates a couple of open pits from the Mount Gibson Gold Operation (870,000oz mined), within the southern Retaliation Belt, which hosts the Mt Gibson iron deposits to the north. Regional magnetics indicates that similar geological and structural features hosting gold mineralisation extend within E59/1686 and E59/1637, together with magnetic (BIF/ultramafic) units.

A review of past exploration activities was undertaken and a targeted low-level surface geochemistry sampling programme designed.



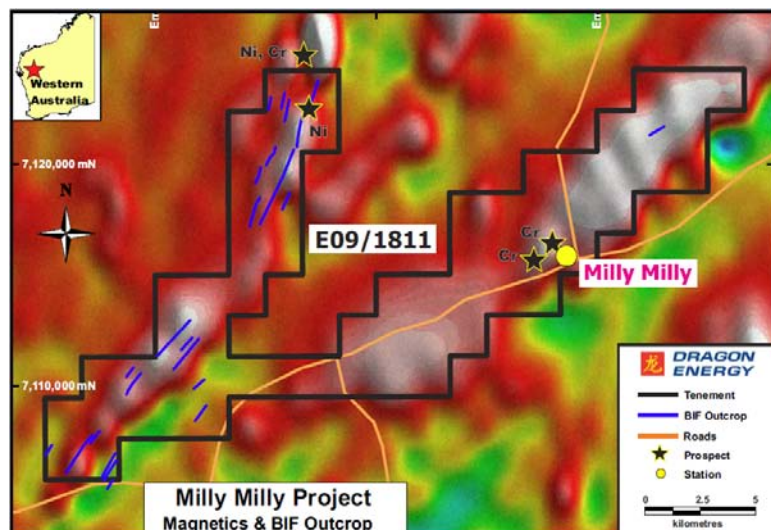
Mt Gibson- Regional Geology & Magnetics

Milly Milly Project is located 196km west of Meekatharra, and 58km east of the Jack Hills iron operation in the northern Yilgarn Craton.

The project has the potential to host Jack Hills style, high quality magnetite iron ore deposits. BMR regional magnetic surveys indicate favourable host rocks of 42km strike within the tenement. GSWA mapping indicates 26km strike of BIF (quartz-magnetite) outcrop, with previous exploration to date returning rock chip results of 30-40% Fe with a peak value of 44% Fe.

A chromite rich magnetite layer with an interpreted strike length of 1.6km provides an alternative exploration target.

No exploration undertaken as these tenements are currently progressing through the application process.

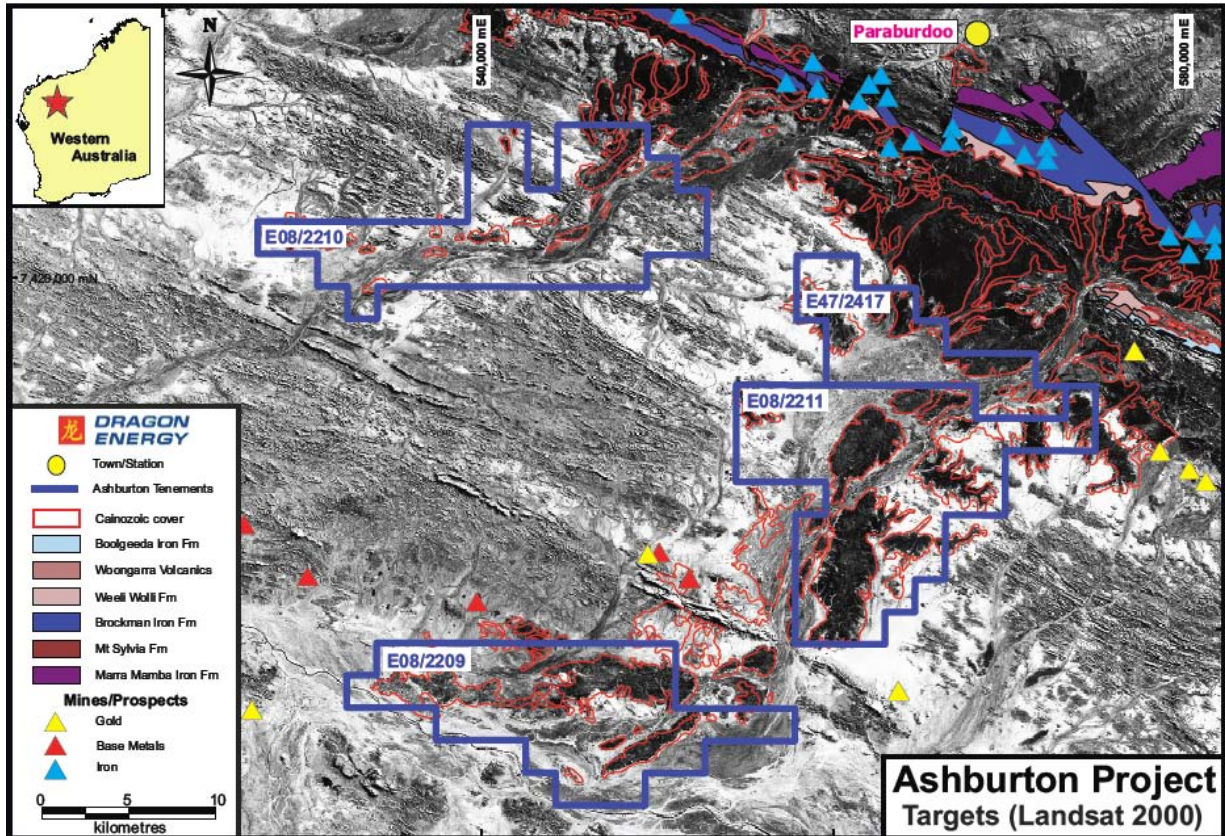


Milly Milly- Regional Magnetic BMR Data & BIF Outcrop

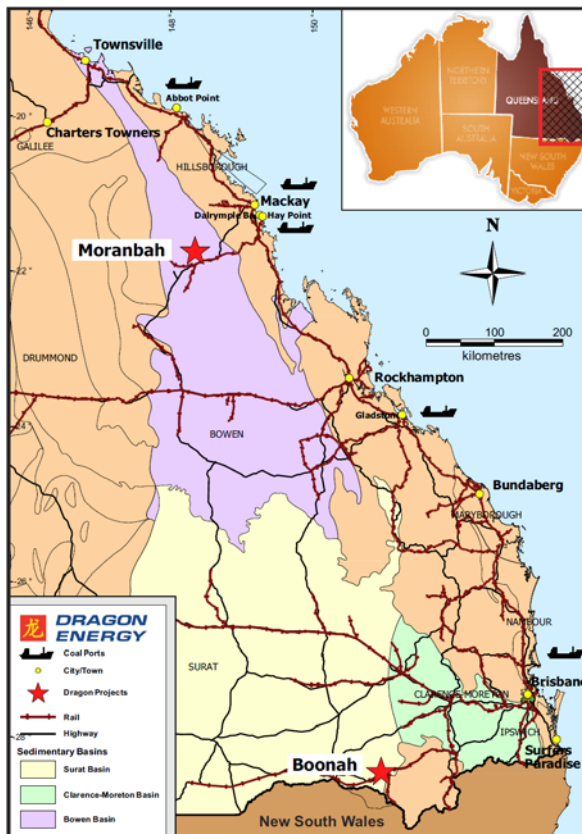
Ashburton Project is 10-40km from rail and other infrastructure associated with the Paraburdoo operations of Rio Tinto Iron Ore.

Approximately 50% of the project area has a Cainozoic cover which potentially conceals channel iron deposits (CID) within the braided drainages of Turee and Seven Mile Creeks, which drain the ranges of the Brockman Iron Formation near Paraburdoo.

No exploration undertaken as these tenements are currently progressing through the application process.



Ashburton- Landsat 2000 with Cainozoic sediment cover



Queensland Project Locations

PROJECTS - QUEENSLAND

(Dragon earning 85%)

A Joint Venture agreement with Alterra Resources Ltd (recently renamed Cokal Limited) on 13 Exploration Permits for Coal, totalling 4,558km² in area commenced July 2010. Dragon will be earning an 85% interest upon meeting agreed expenditure goals.

The Moranbah Project is located in the productive Bowen Basin. The Boonah Project is within the Surat Basin, while the remaining Permits are located in the Clarence Moreton Basin on the NSW border. The primary exploration targets are coking and thermal grade coal.

Following a field reconnaissance trip IMC Mining Solutions Pty Ltd was engaged to generate drill targets in the Surat/Clarence-Moreton and Bowen Basin EPCs. The focus in the southern permits was upon the Evergreen formation, located below the thin Walloon Coal Measures.

A number of tenements (7 in total) were released back to Cokal after a number of considerations, including depth to exploration target and potential social issues. The remaining permits are under review due to the lengthy permit granting process in Queensland and large expenditure commitments.

Moranbah Project is located 100km west of Mackay, and 30km from the town of Nebo.

It is situated within the Bowen Basin proximal to a number of operating coal mines, including the South Walker Creek, Coppabella and Riverside.

The permits are currently progressing through the application process.

Boonah Project lies 200km west of Brisbane, on the border with NSW.

The Boonah Project Claims lie within the Surat Basin which overlies the Clarence-Moreton and Bowen Basins. Intergen's subsidiary Millmerran Operating Company operates the Commodore coal mine, which is located 30km to the north.

The permits are currently progressing through the application process.

Corporate

Early in the quarter, Dragon completed the acquisition of Rocklea Project from Fortescue Resources Pty Ltd (a wholly owned subsidiary of AusQuest) and their joint venture partners, for \$7.0m consideration. This consideration is payable according to the following schedule:

- initial cash payment of \$4.5m on 19 January 2011 (this is now paid);
- second cash payment of \$1.5m on or before 19 January 2012; and
- final cash payment of \$1.0m on or before 19 January 2013.

Funding for the initial Rocklea payment was through a combination of internal funds and a \$3.5m unsecured, interest free loan from Dragon's major shareholder, Shandong Taishan Sunlight Group Company Limited ("Shandong Group"). This loan was repaid in full following the successful completion of Dragon's rights issue (see below).

On 12 January, 2011, Dragon announced an underwritten 1 for 2 rights issue and a 1 for 3 option entitlement issue (options exercisable at \$0.35 each and expiring 18 November 2014). A prospectus for these issues was dispatched to shareholder in early February. Both issues were successfully completed on 23 February 2011. The issues raised \$19,261,460 by way of issue of 64,046,667 shares at \$0.30 per share and 47,460,245 options at \$0.001 per option.

During this quarter, representatives of Dragon attended the Prospectors & Developers Association of Canada International Conference in Toronto, and the Mines & Money Hong Kong conference. Attendance to these events increases Dragon's market visibility.

Authorised by:

Gang Xu
Managing Director

For further information or corporate opportunities please refer to our website www.dragonenergytld.com or contact:

Gang Xu
Managing Director
Telephone: +61 8 9322 6009
Mobile: +61 411 039 645

Anthony Ho
Executive Director
Telephone: +61 8 6389 2688
Mobile: +61 422 862 829

Mark Hafer
Exploration Manager
Telephone: +61 8 9322 6009
Mobile: +61 403 966 776

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'. The information that relates to the Mineral Resources 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. Mr Hafer and Mr Stephen Godfrey consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

EXPLORATION TARGETS

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this report relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

About Dragon Energy

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 technical expertise, to underpin Dragon's growth and pursuit of mineral projects.

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