

Quarterly Report

For the period ended 30 June 2011

ASX Announcement

ASX Code: DLE

Released: 29 July 2011

Highlights

- Focus during the quarter on exploration and early development of the Pilbara Iron Projects (the Rocklea and Nameless Projects)
 - Completed planning for resources drilling programme at Rocklea and Nameless, aiming to commence drilling in the coming quarter, pending completion of Heritage Surveys and Department of Mines approvals
 - Continued Mining Lease application process for Nameless, expected to commence negotiation with Native Title holders in the coming quarter
 - Decided in principle to pursue rapid development of the Pilbara Iron Projects, entered into detailed discussion with a number of consulting groups regarding preparation of a scoping study
 - Further announcement on the appointment of a consulting group will be made in due course
- Successful application for Western Australian State Government Exploration Incentive Scheme at the Lee Steere Project. Drilling to commence after completion of new native title access agreements
- Completed planning for an MMI geochemical surface sampling programme at Carters Well Project to seek gold targets. Sampling to commence in the coming quarter.
- Joint Venture with Altera Resources Limited (renamed as Cokal Limited) on Queensland coal exploration permits expired at the end of the Quarter. Dragon Energy remains interested in coal and is seeking suitable coal projects

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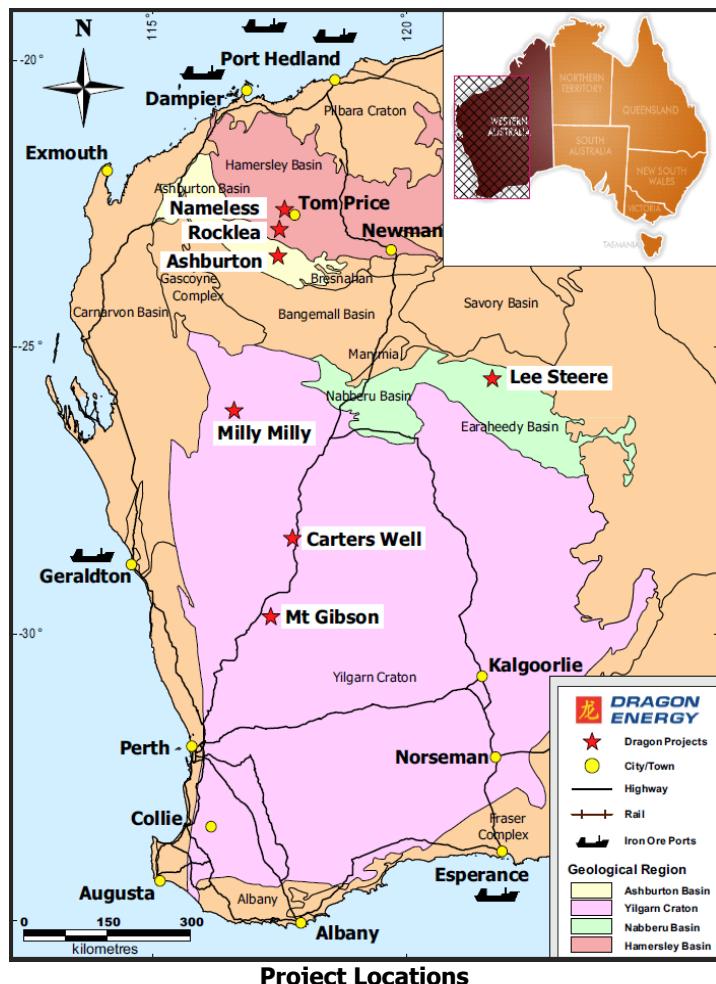
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Introduction

Dragon Energy Ltd ("Dragon") is a mineral exploration company which controls a portfolio of mineral exploration tenements in Western Australia.

Dragon presently holds 7 projects located in the Pilbara and Midwest regions of Western Australia. These projects comprise 18 tenements (including 9 applications), totalling 1,327km² in area. Primary exploration targets are iron ore, with the potential for manganese, gold, base metals and uranium.



During the quarter, Dragon decided in principle to pursue rapid development of the Rocklea and Nameless Iron Ore Projects. Towards quarter end, Dragon entered into detailed discussion with a number of reputable consulting groups regarding preparation of a scoping study.

Exploration activities included final planning of a resource drilling programme of the Nameless Project, and further drilling of the existing Rocklea inferred resource. These programmes are expected to commence in the following quarter, upon the completion of a Heritage Survey and Department of Mines approvals.

An exploratory drilling programme for the Lee Steere Project submitted towards the State Government's Exploration Incentive Scheme- Co-funded Drilling was successful in attracting government support. Drilling will commence once the negotiation process for new native title access agreements have been completed.

An investigation of further acquisitions continued during the quarter. A number of tenement applications were submitted, expanding the Western Australian portfolio.

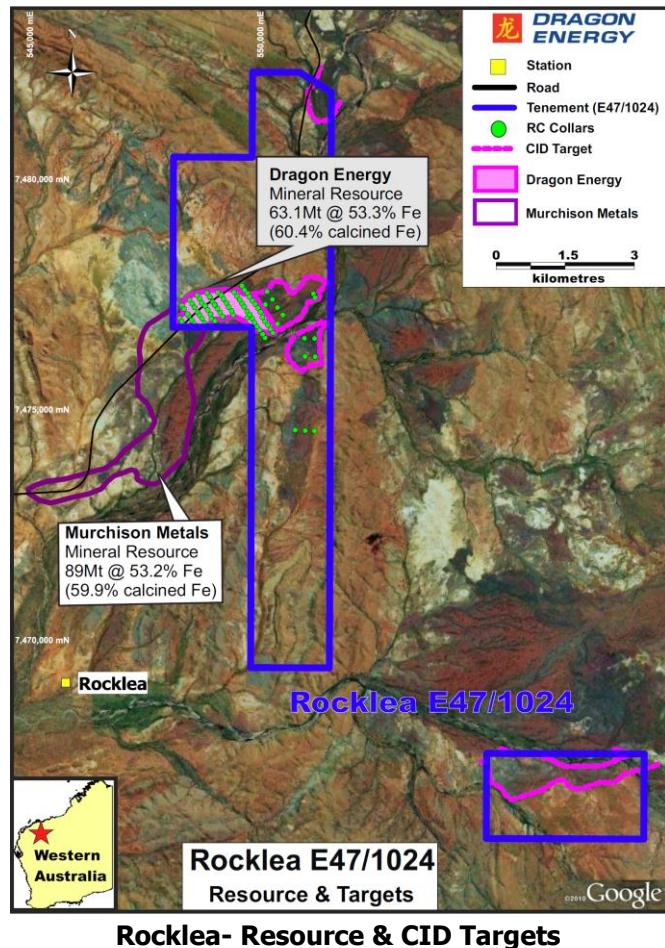
Rocklea Project is located 33km southwest of the mining town of Tom Price, and immediately north of Murchison Metals' Rocklea CID project in the Pilbara.

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 Pisolites.

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.

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 has been arranged for July, following which DMP approvals will be sought prior to initiating a drilling programme.



	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 2009 Resource Statement prepared for AusQuest Limited

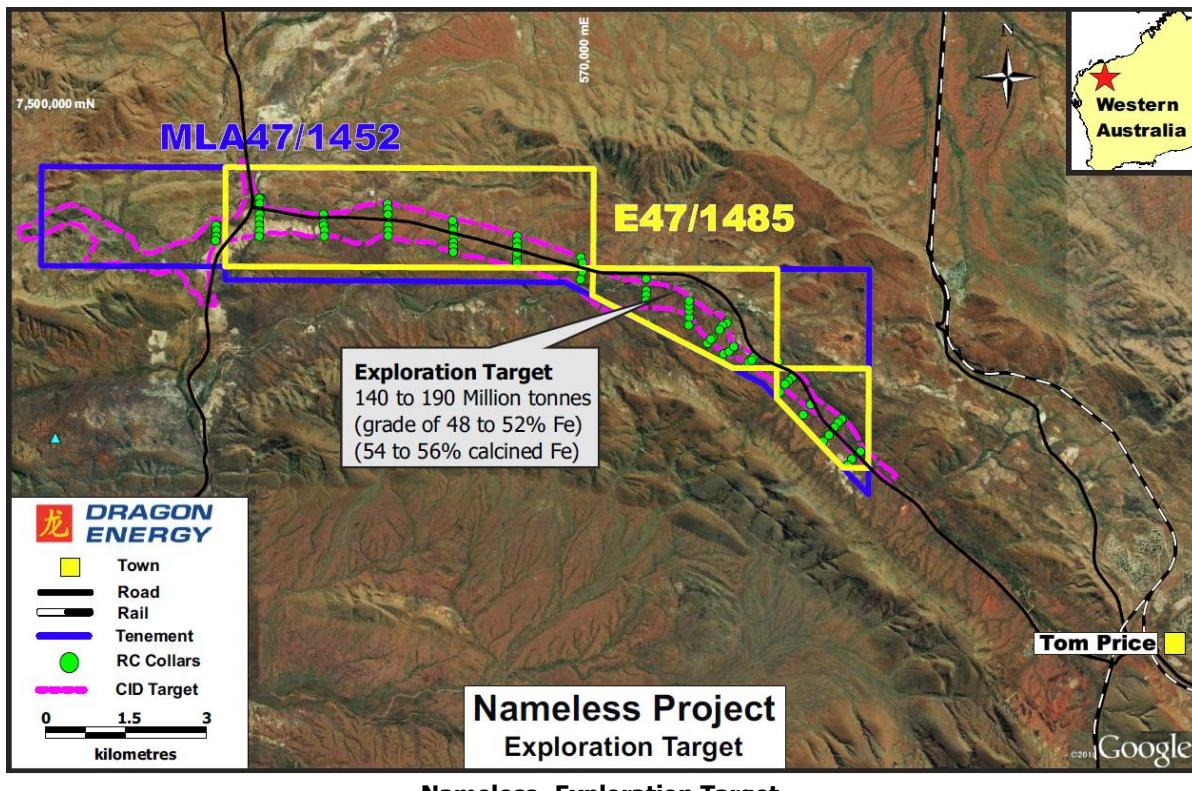
Nameless Project is located 10km NW of Tom Price in the Pilbara.

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 Limited ("AusQuest") delineated 15km strike of a prospective 200-600m wide palaeochannel, of which 12.5km was drill tested in 2006 and 2008 by 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.

An exploration target of 140 to 190Mt of grade 48-52% Fe (54-56% caFe) has been defined by Dragon of CID and Marra Mamba detrital mineralisation. An infill drilling programme has been designed from which an inferred resource is expected to be calculated. A heritage survey will be arranged in the following quarter, following which DMP approvals will be sought prior to initiating the drilling programme.

Negotiations with the native title holders, with regards to the Mining Lease application, are expected to be initiated late July.



Lee Steere Project is located some 200km NE of Wiluna, in the Earaheedy Basin of the Midwest.

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 outcropping manganese mineralisation.

A drilling programme submitted towards the State Government's Exploration Incentive Scheme- Co-funded Drilling was successful in attracting government support. This drilling programme has been designed primarily to test an identified stratabound manganese unit adjacent to Superior-type iron mineralisation. New native title access agreements are in the negotiation process and require a resolution before heritage surveys can be undertaken, following which DMP approvals for drilling will be required.

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. Rock chip sampling returned Fe grades of up to 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.

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

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-Wydgee Greenstone Belt on the eastern margin. The structure outcrops poorly but is well defined on the aeromagnetic data beneath transported overburden.

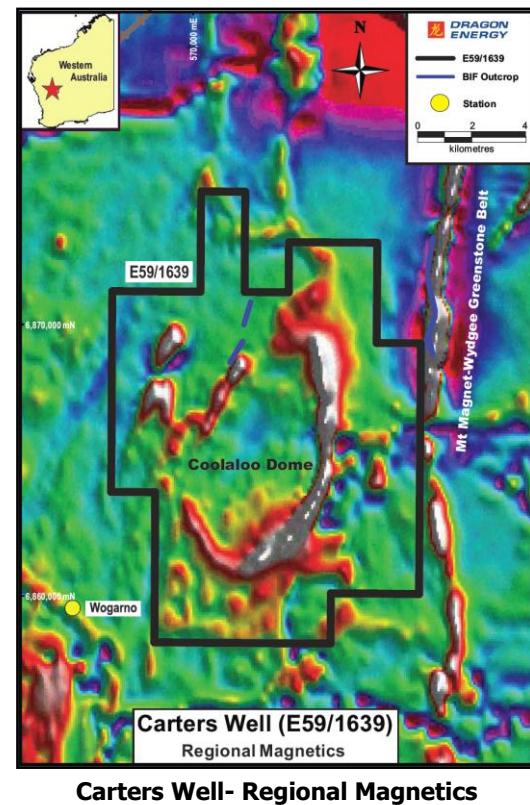
Major NE striking faults on the Boogardie Synform exhibit important control over many of the ore deposits in the Mt Magnet district. Such NE structures are exhibited on the project area. The transported overburden in the area was problematic for geochemical sampling and reconnaissance drilling in the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

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.

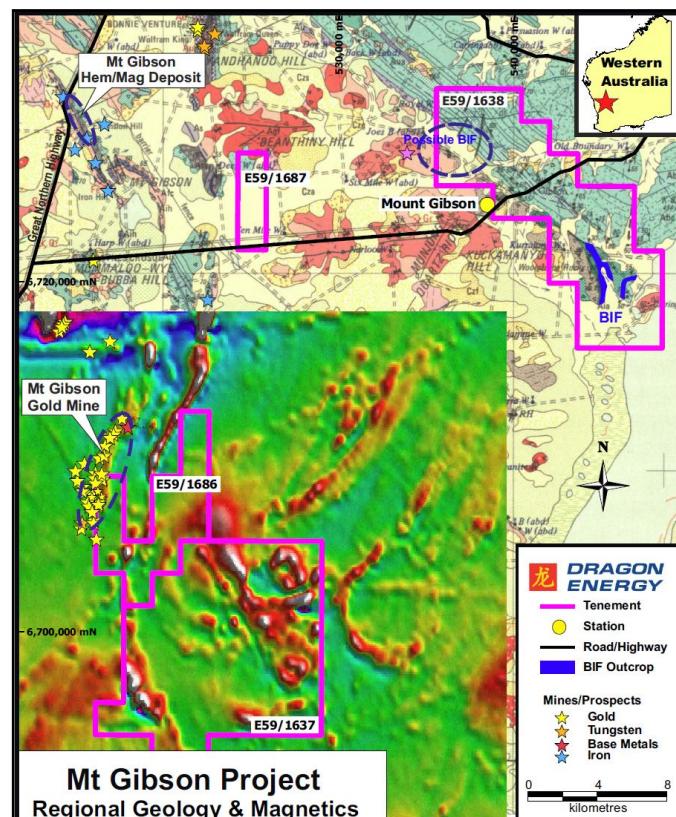
A 7km outcrop of magnetite (hematite)-amphibole-quartz BIF has previously been mapped on E59/1638 within the southern Ninghan Belt. However, recent field reconnaissance failed to reveal prominent BIF outcrops in the area. Exploration will focus on commodities other than iron on this tenement.

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 low-level surface geochemistry sampling programme has been designed to test various structural and geological targets.



Carters Well- Regional Magnetics

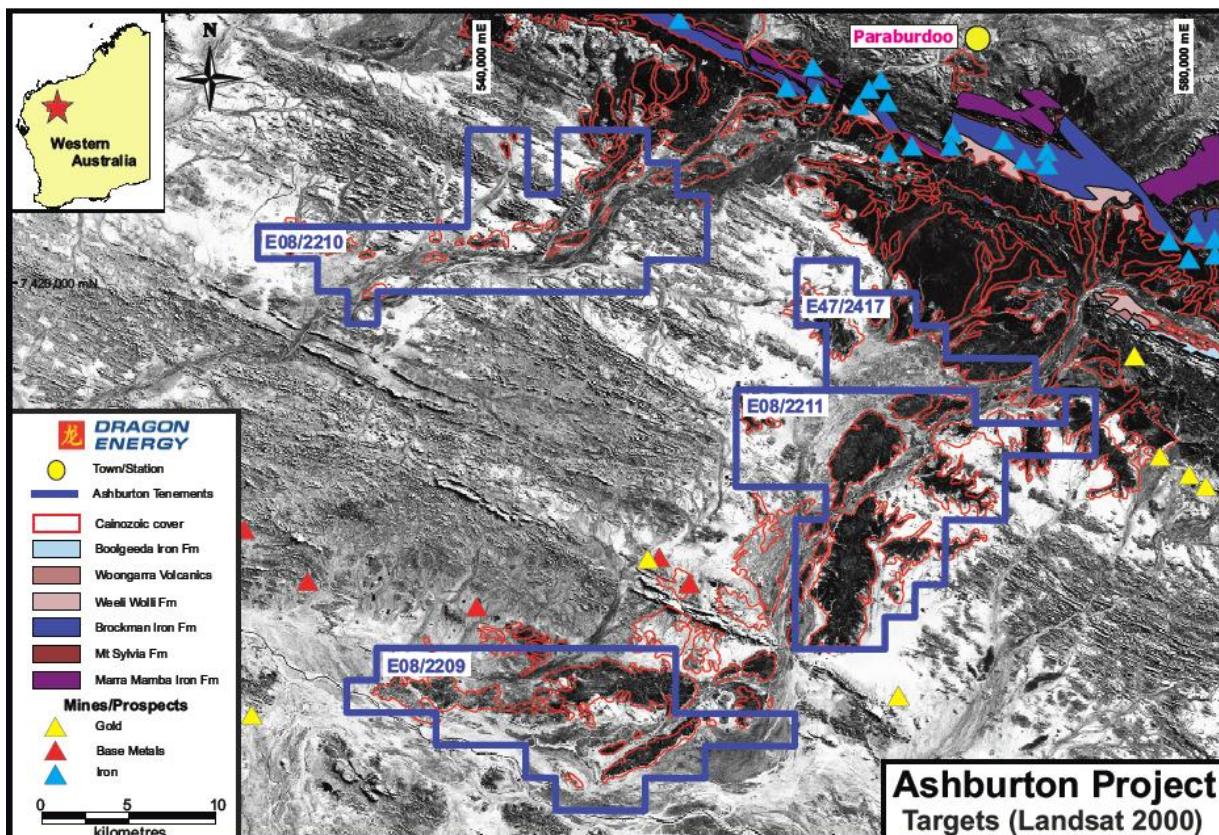


Mt Gibson- Regional Geology & Magnetics

Ashburton Project is located in the Ashburton Basin, and is 10 to 40km from rail and other infrastructure associated with the Paraburadoo 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 Paraburadoo. Base metals and gold provide alternative exploration targets.

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



Ashburton- Landsat 2000 with Cainozoic sediment cover

PROJECTS - QUEENSLAND

The Joint Venture agreement with Altera Resources Ltd (recently renamed Cokal Limited) on Exploration Permits for Coal was terminated end June 2011. This was primarily due to the lengthy permit granting process in Queensland, which prevented Dragon from conducting detailed exploration.

Dragon remains interested in coal and is seeking suitable coal projects.

Corporate Development

During the Quarter, Dragon conducted a preliminary evaluation on the Pilbara Iron Projects (Rocklea and Nameless Projects), and decided in principle to pursue rapid development. Priority is placed on self-determination and speed to market. Towards Quarter end, Dragon entered into detailed discussion with a number of reputable consulting groups regarding preparation of a Scoping Study. Dragon will make further announcements on this subject in due course.

Dragon has entered into discussion with a number of parties regarding different modes of cooperation. These discussions are preliminary, but the interest shown by these parties are encouraging.

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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.