

ASX Announcement
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Quarterly Report

For the period ended 30 June 2014

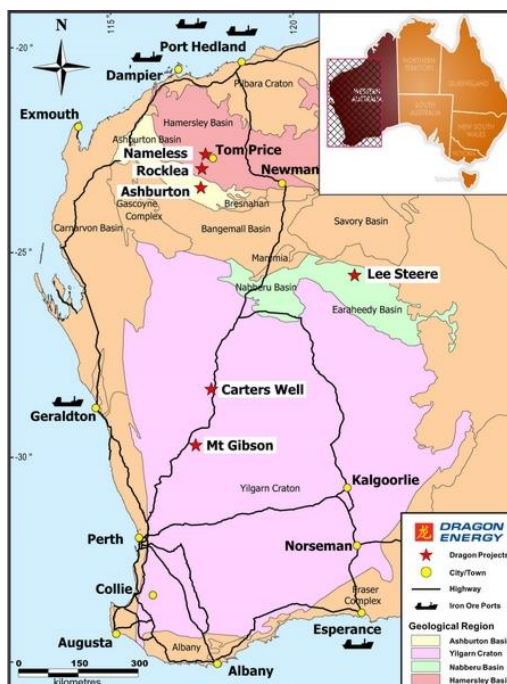
Highlights

- the Early Tonnes Mining Proposal for the Rocklea Project is under DMP's final review
- Rocklea Site Vegetation Clearance was granted in May 2014
- \$700,000 was received from Ashburton JV partners for 2nd year JV operations
- The company is aggressively looking for new project acquisition opportunities

Introduction

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

Dragon presently holds 6 projects located in the Pilbara and Midwest regions of Western Australia. These projects comprise 13 tenements, totalling 1,086km² in area. The primary exploration target is iron ore, with the potential for manganese, gold, base metals and uranium.



Pilbara Iron Project- development of a DSO operation (DLE: 100%)

The Pilbara Iron Project is Dragon's most advanced, flagship project, comprising the Rocklea and Nameless Channel Iron Deposits (CID) in the central Pilbara Iron Ore Province of Western Australia.

The project is ideally placed to be one of the Pilbara region's next producing iron ore mines, with Inferred and Indicated Mineral Resources¹ (JORC Code 2004) of **383.1Mt @ 50.94% Fe** using a 45% Fe cut-off grade, including a higher grade component of **263.6Mt @ 52.6% Fe** using a 50% Fe cut-off grade:

Pilbara Iron Project ² 50% Fe cut-off grade		Mt	Fe %	caFe ³ %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Rocklea Deposit								
Central ⁴	Indicated	78.94	52.37	59.31	8.48	3.27	0.030	11.71
	Inferred	9.44	51.40	58.49	8.69	3.58	0.030	12.13
South ⁵	Indicated	15.0	53.2	60.0	7.7	4.0	0.040	11.4
	Inferred	74.0	53.2	59.9	8.3	3.4	0.030	11.2
North ⁶	Inferred	5.22	50.97	58.11	8.00	4.62	0.034	12.28
sub-total		182.6	52.7	59.5	8.3	3.4	0.031	11.5
Nameless Deposit								
	Inferred	81.00	52.39	57.08	7.55	5.69	0.051	8.21
Total Mineral Resource		263.6	52.6	58.8	8.1	4.1	0.037	10.5

Pilbara Iron Project 45% Fe cut-off grade		Mt	Fe %	caFe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Rocklea Deposit								
Central	Indicated	96.32	51.85	58.77	8.80	3.48	0.030	11.78
	Inferred	12.00	50.89	57.98	8.91	3.85	0.030	12.23
South	Indicated	19.0	52.23	58.94	8.41	4.51	0.040	11.39
	Inferred	88.0	52.44	59.09	8.97	3.71	0.030	11.26
North	Inferred	8.75	50.47	57.52	8.41	5.03	0.035	12.27
sub-total		224.1	52.01	58.82	8.83	3.74	0.031	11.58
Nameless Deposit								
	Inferred	159.00	49.43	53.85	9.71	7.10	0.050	8.20
Total Mineral Resource		383.1	50.94	56.76	9.19	5.13	0.039	10.18

Table 1: Pilbara Project - Mineral Resources (JORC Code 2004)

Following the decision to pursue development of the Pilbara Iron Project a number of studies and negotiations have been completed or are in the planning phase.

Studies continue investigating transportation options for the Pilbara Iron Project. The company has pursued all viable road, rail and port options available and will finalise its studies and confirm a transport strategy for the Early Tonnes mining operation in the near future.

In May 2014 the Environmental Protection Agency determined to not assess this proposal under Part IV of the Environmental Protection Act 1986 (EP Act)- to be managed under Part V Division 2 of the EP ACT (Clearing). The Vegetation Clearance Permit was granted.

1 Rocklea Central & North, and Nameless Mineral Resources were updated in 2012 using an in situ density of 2.7 t/m³ and 2.65 t/m³ respectively, Rocklea South Mineral Resource was updated in 2009 using an in situ density of 2.37 t/m³ in accordance with the guidelines of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore reserves (JORC Code 2004). No mining parameters were applied to the model.

2 This information was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The Inferred Mineral Resources have not been subsequently updated to satisfy compliance with the JORC Code- 2012 Edition as the information has not materially changed since it was last reported.

3 Dragon calculated calcined iron using the following formula: $caFe\% = (Fe\% / (100 - LOI)) * 100$ which is the grade after interstitial water has been removed.

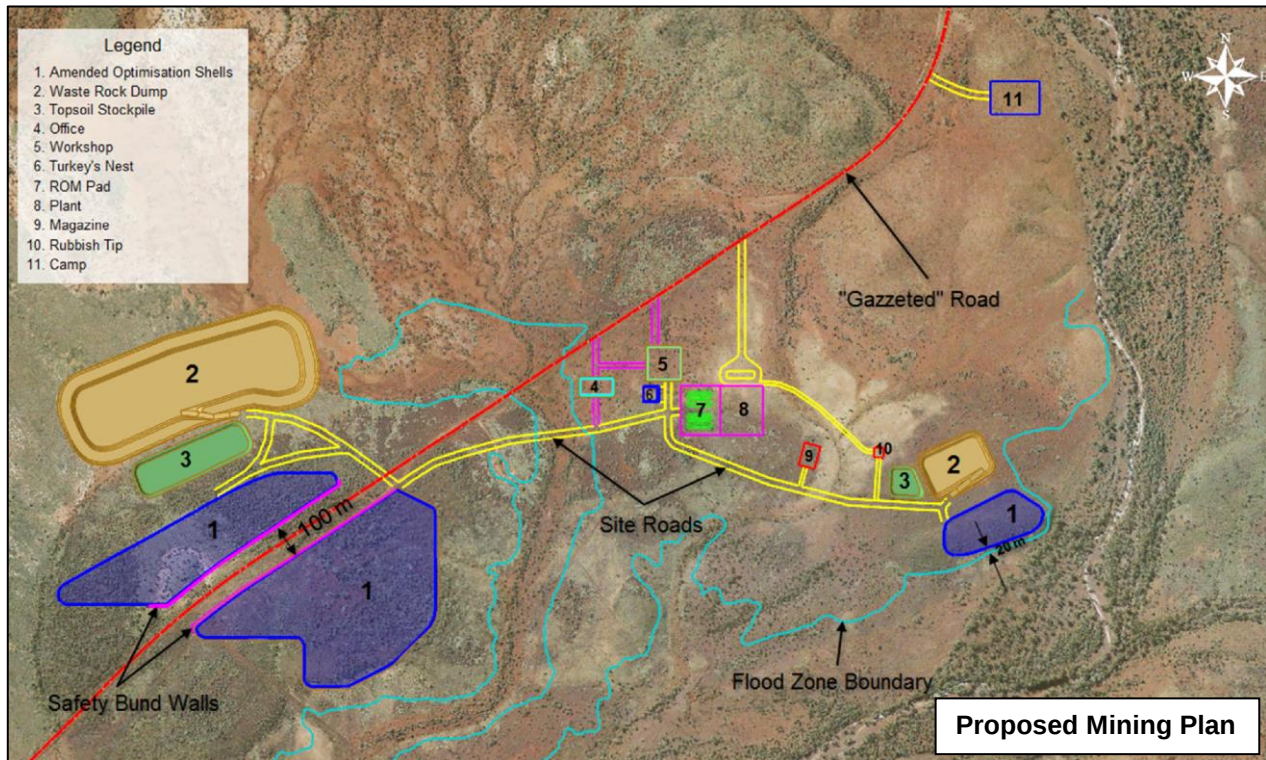
4 "Rocklea Central" was previously named "Rocklea Main" in the Mineral Resource ASX Release reported 25 July 2012.

5 "Rocklea South" was previously named "Rocklea Iron Ore Project" in the Mineral Resource ASX Release reported 30 September 2009.

6 "Rocklea North" was previously named "Rocklea North Pod" in the Mineral Resource ASX Release reported 25 July 2012.

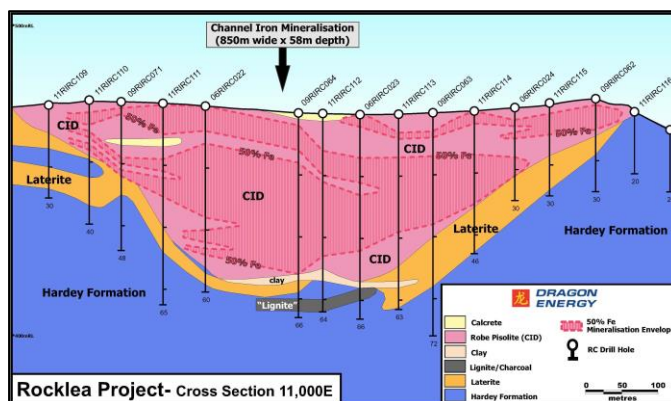
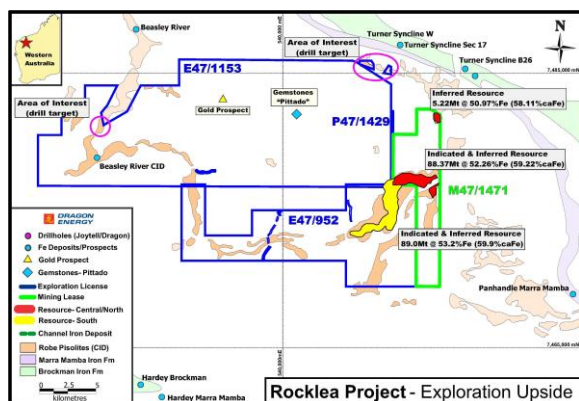
In the previous quarter a mine planning study, an environmental management plan and a mine closure plan were incorporated into a Mining Proposal for a Rocklea Early Tonnes mining operation, which was submitted to the DMP. The DMP has subsequently reviewed the Mining Proposal and Dragon is currently following up a number of DMP queries for further information.

The early tonnes mining operation will be initiated upon financing and DMP approvals. This operation will attempt to prove that an iron product can be extracted at expected market specs. If the Early Tonnes mining operation proves to be economical, full development can be initiated.



Rocklea Project (DLE: 100%) is located 33km southwest of the mining town of Tom Price, 9km south of Rio Tinto's Turner Syncline deposits and 24km north-east of API's Hardey deposit. The project is situated on the eastern margin 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.

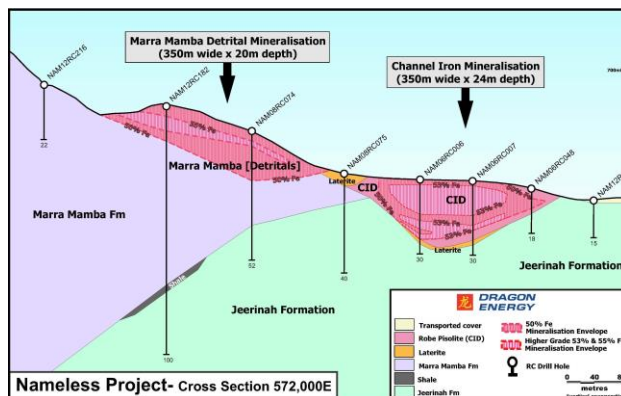
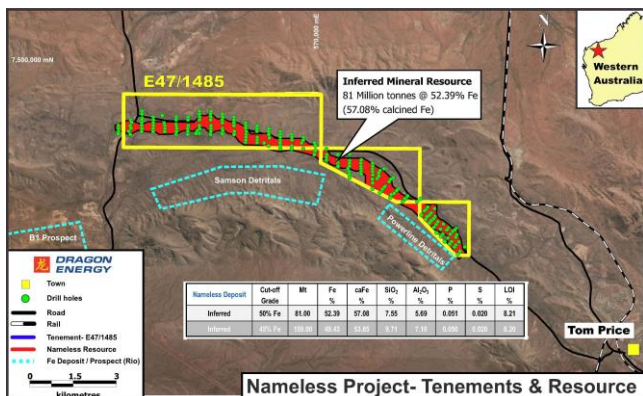
Dragon acquired Ausquest's Rocklea iron project in 2010 and the adjoining Murchison's Rocklea iron project in 2012. The project's land position currently stands at 311km² in area, which provides substantial exploration potential for further CID discoveries.



A shallow drilling programme has been designed to test for pods of higher grade iron mineralisation which may potentially be extracted using a surface miner. Test drilling may occur in the following quarter, subject to approvals.

Nameless Project⁷ (DLE: 100%) 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 (CID).

Mapping by AusQuest Limited in 2005 & 2008 delineated 15km strike of a prospective 200-600m wide palaeochannel hosting CID. Dragon completed infill drilling of 12.5km strike of the palaeochannel in 2012 which was used to calculate a maiden Inferred Mineral Resource reported in accordance with JORC Code 2004 of **159Mt grading 49.43% Fe** (53.85% caFe) with a 45% Fe cut-off, including **81Mt grading 52.39% Fe** (57.08% caFe) with a 50% Fe cut-off (Table 1).



Activities during this quarter were limited to infrastructure studies undertaken for the Pilbara Iron Project.

⁷ This information was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The Inferred Mineral Resources have not been subsequently updated to satisfy compliance with the JORC Code - 2012 Edition as the information has not materially changed since it was last reported.

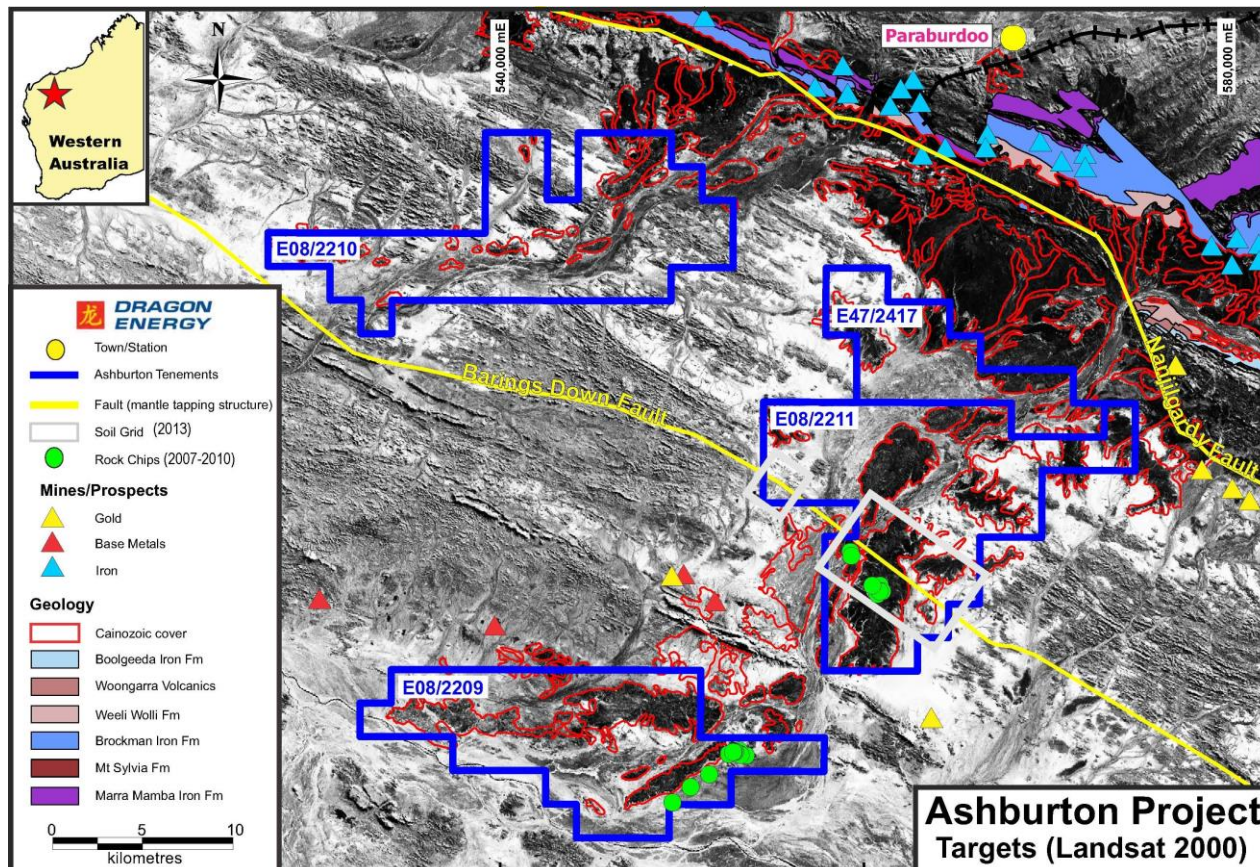
Ashburton Project⁸ (DLE: 70%) is located in the Ashburton Basin, and is 10 to 40km from rail and other infrastructure associated with the Paraburdoo iron ore operations of Rio Tinto Limited.

In April 2013 a JV agreement with Shandong Energy and Shandong Lunan was executed. The JV partners are required to fund \$2m of exploration to earn up to 65% of the project. The JV partners have fulfilled their first year commitment of A\$300,000 expenditure. All parties have committed and are planning for 2nd year operations. Dragon has received \$700,000 from Ashburton JV partners for 2nd year JV operations.

Field reconnaissance demonstrated a paucity of outcrop over E08/2211 & E08/2209. These tenements host the greatest thicknesses and areal extent of Cainozoic sediments, which potentially fill palaeochannels presently incised by Turee Creek as it flows south into Ashburton River. The braided drainages of Turee Creek and Seven Mile Creek drain the ranges of the Brockman Iron Formation near Paraburdoo, as such these palaeochannels may host detrital and/or CID mineralisation.

Elevated alluvial gravel beds are evident with the ground surface dominated in parts by iron (hematite) gravels. Small outcrops were rarely observed, the most interesting a foliated, ferruginised sediment and ironstones- possibly shear or gossan in the basement sediment. This outcrop returned up to 51% Fe, 555ppm Zn and 292ppm Ni (2007-2010 sampling) and may be associated with mantle tapping structures, namely the Barings Down Fault which transects E08/2211 (identified by a 2011 regional seismic survey).

Following a heritage survey in 2013 a planned reconnaissance drilling programme on E08/2211 & E47/2417 was delayed awaiting access via Rio Tinto's service road. As the DMP released a regional EM survey over the project area in 2014, Dragon is investigating the redesign of the drilling programme to target base metal and gold targets. This is dependent upon re-processing the EM and magnetic data and carrying out a ground IP survey, which will provide drilling targets.

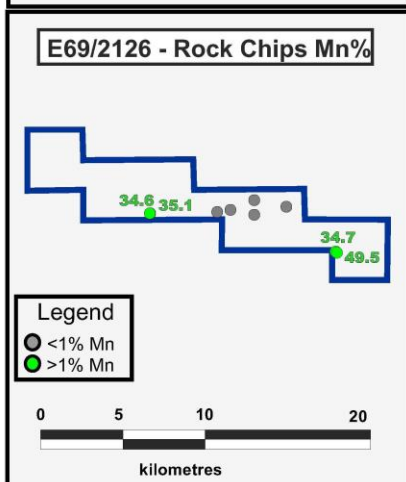
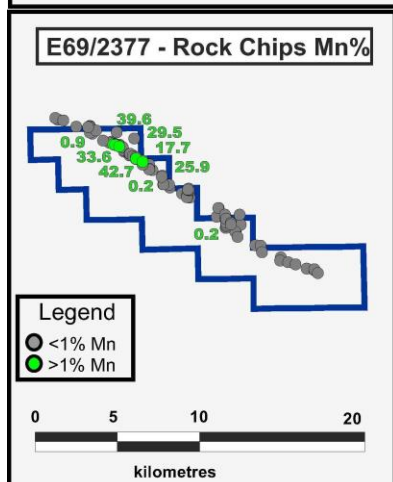
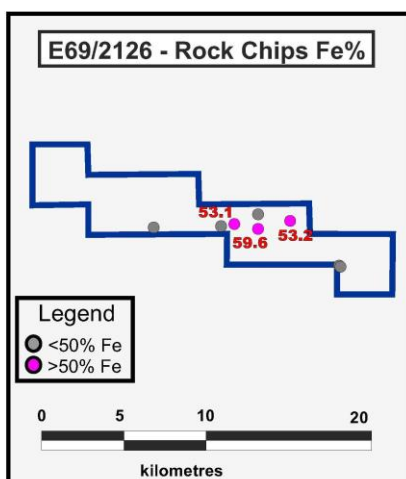
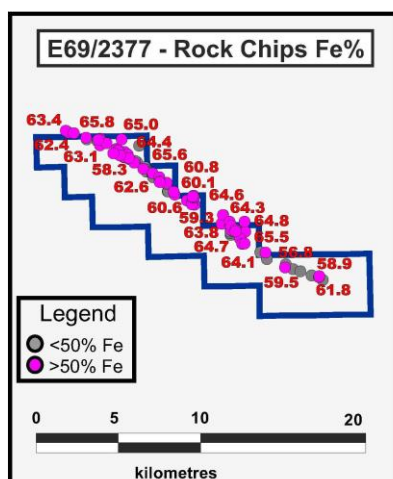
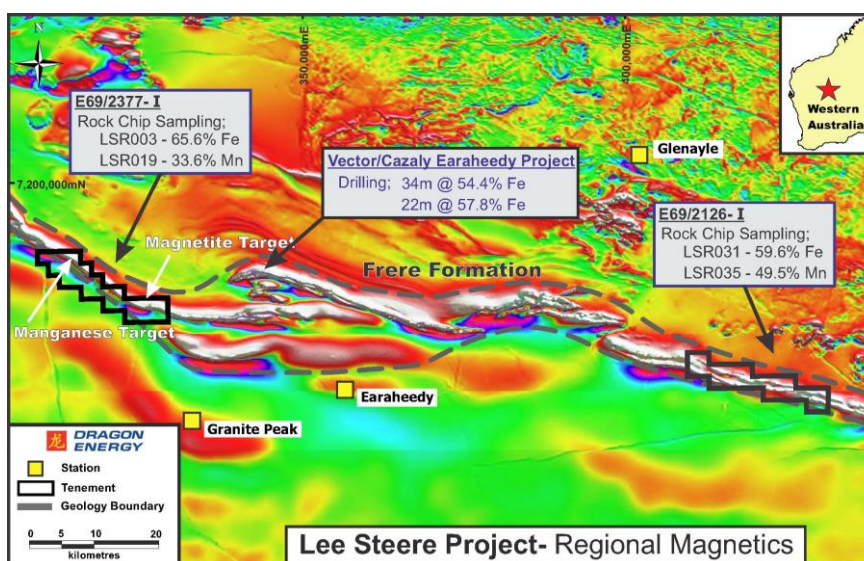


⁸ This information was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The information has not materially changed since it was last reported.

Lee Steere Project⁹ (DLE: 100%) is located some 200km NE of Wiluna, in the Earraheedy Basin of the Midwest.

Previous exploration activities in the 1970s identified enriched hematite mineralisation of Banded Iron Formations 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.

Reconnaissance RC drilling 15km to the east of E69/2377 in 2010 by the Vector Resources / Cazaly Resources JV, returned anomalous iron intersections grading up to 58.1% Fe. In 2010 Dragon carried out representative rock chip sampling over E69/2377 & E69/2126 targeting the Frere Formation. A promising manganese target in the NW area of E69/2377 was identified, comprising a stratabound manganese/iron unit of apparent width up to 15m, was traced over a 330m strike (15/10/2010 DLE ASX Announcement).



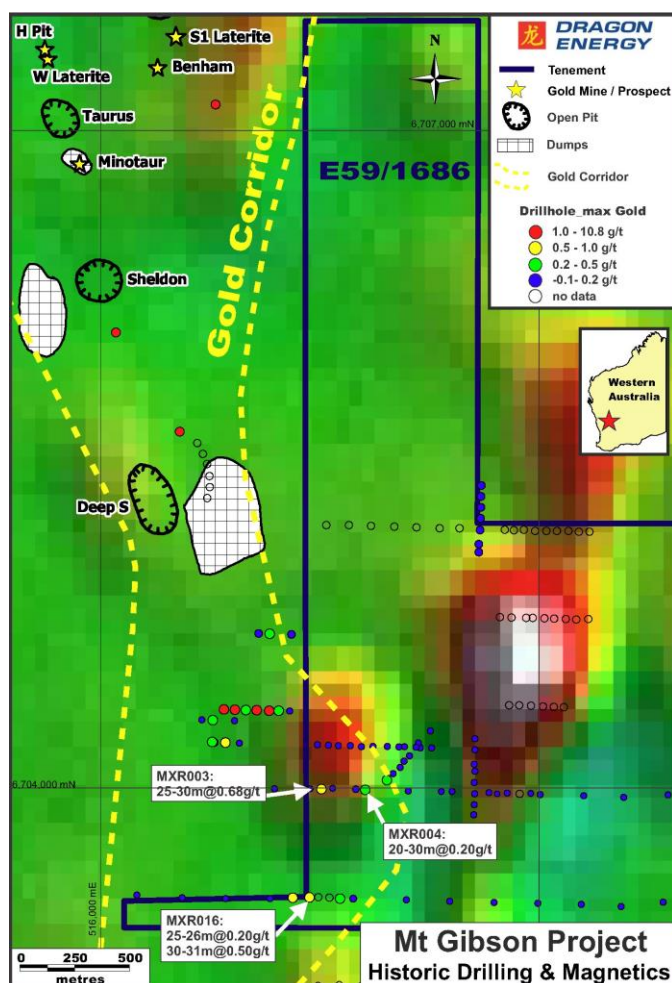
A farm-out agreement with Iron West Resources Pty Ltd (subsidiary of Golden West Resources Limited) was established December 2012. Recent exploration activities have included an aeromagnetic survey, photo-geological mapping and rock chip sampling. New access agreements need to be finalised with two native title groups, prior to carrying out further site visits.

⁹ This information was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The information has not materially changed since it was last reported.

Mt Gibson Project¹⁰ (DLE: 100%) lies 80km NE of the town of Wubin, 20km south of the Extension Hill Hematite/Magnetite Project, and adjacent to the Mt Gibson Gold Operation. The project is situated in the Midwest Region of the Yilgarn Craton.

The Mount Gibson Gold Operation (870,000oz mined) lies within the southern Retaliation Belt. Gold mineralisation at the Mt Gibson Mine was found to be hosted by sulphidic schists and associated with quartz veining in shears within mafic rocks. At depth the mineralisation has an overall dip of 70-85 degrees to the east. Severe gold depletion is evident in the totally weathered portion of the profile. Low-level copper-lead-zinc mineralisation (VMS) is also present at depth in the area.

Previous exploration work from 1984 to 2004 proximal to the Mt Gibson gold mine included extensive soil sampling and exploration drilling. Shallow drilling in 1987 of the Mexico Prospect by Reynolds Metals identified supergene enriched gold mineralisation immediately adjacent to E59/1686. The Mt Gibson 'Gold Corridor' appears to encroach onto E59/1686. Some of these anomalous drill holes are listed below:



Hole ID	Depth (m)	Interval (m)	Gold (Au) Mineralisation
MXR003	44	25-30	5m @ 0.68g/t
MXR004	53	20-30	10m @ 0.20 g/t
MXR016	70	25-26	1m @ 0.20 g/t
		30-31	1m @ 0.50 g/t
MXR171	81	34-36	2m @ 0.51 g/t
		38-39	1m @ 0.19 g/t
		41-42	1m @ 0.30 g/t

Dragon is reviewing drilling options to test the Gold Corridor where it transgresses E59/1686.

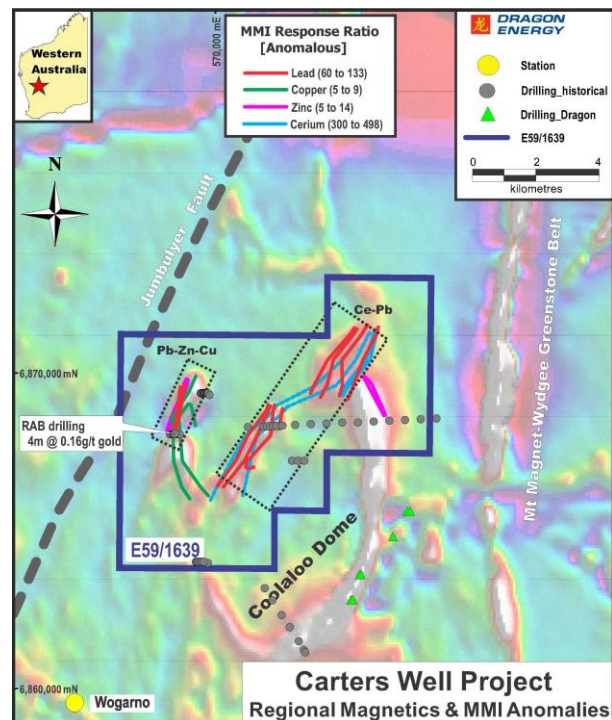
No exploration activities undertaken during the quarter.

¹⁰ This information was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The information has not materially changed since it was last reported.

Carters Well Project¹¹ (DLE: 100%) 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. The aeromagnetic data clearly defines this structure and may reflect the presence of a hematite-magnetite-quartz shear (BIF) adjacent to the contact. Major NE striking faults on the Boogardie Synform to the north exhibit important control over many of the gold ore deposits in the Mt Magnet district. Such NE structures are exhibited in the project area.

A total of 4 geochemical anomalous zones, including Au-Ag, Ce-Pb, Pb-Zn-Cu, Pb-Zn, were identified from MMI surface sampling in 2011. Lead anomalies to the north-east of the tenement are coincident with cerium (Ce) which is indicative of felsic volcanics. In the Mt Magnet district potential gold pathfinder elements also includes Cu and Zn (Parkinson Pit) and Pb (Stellar & Quasar Deposits).



An RC programme to the SE testing Au-Ag anomalies failed to return anomalous results, consequently this portion was relinquished. Future activities will focus upon the MMI base metal anomalies in interpreted felsic volcanics, and a 0.16g/t gold anomaly in the western area of the project. This anomaly was identified by Equinox in 1995 on a 25-50m drill spacing on x2 traverses spaced 1.5km apart.

No exploration activities undertaken during the quarter.

Meekatharra Project (DLE: 100%) As a result of the rationalisation of tenements and reduction of costs this greenfields project was subsequently relinquished.

¹¹ This information was previously prepared and disclosed on the basis of compliance with the JORC Code – 2004 Edition. The information has not materially changed since it was last reported.

Tenement Schedule

Project	Tenement	Area (km ²)	Status	Registered Holder	Ownership	Grant Date
Pilbara Region						
Ashburton	E08/2211-I	167.0	Granted	Dragon Energy Ltd^	70%	28/07/2011
	E08/2210-I	145.1	Granted	Dragon Energy Ltd^	70%	02/03/2012
	E08/2209-I	132.2	Granted	Dragon Energy Ltd^	70%	02/03/2012
	E47/2417-I	63.1	Granted	Dragon Energy Ltd^	70%	02/12/2011
Nameless	E47/1485-I	19.7	Granted	Dragon Energy Ltd	100%	20/03/2006
Rocklea	M47/1471-I	28.4	Granted	Dragon Energy Ltd	100%	28/05/2013
	E47/952-I	78.7	Granted	Dragon Energy Ltd	100%	21/01/2008
	P47/1429-I	0.7	Granted	Dragon Energy Ltd	100%	10/09/2009
	E47/1153-I	202.8	Granted	Joytell Pty Ltd	100% iron ore rights	03/08/2006
MidwestRegion						
Carters Well	E59/1639	63.5	Granted	Dragon Energy Ltd	100%	18/01/2011
Lee Steere	E69/2126-I	74.3	Granted	Dragon Energy Ltd	100%	27/04/2008
	E69/2377-I	80.6	Granted	Dragon Energy Ltd	100%	17/09/2008
Mt Gibson	E59/1686	30.2	Granted	Dragon Energy Ltd	100%	21/01/2011

* Polaris JV- 1% iron ore royalty

^ Shandong Energy/Lunan JV- earning 65% interest

Corporate

Dragon continued to explore Rocklea Project development and funding options with potential strategic investors from China. The company also made great efforts to identify and acquire suitable new projects with solid financial support from overseas. Opportunities have been restricted to projects that are in financial difficulties but with great upside especially for gold and base metal projects.

Ashburton JV partners Shandong Energy and Shandong Lunan have fulfilled their first year commitment of A\$300,000 expenditure and separately transferred all \$700,000 to Dragon for 2nd year JV operations.

Dragon had a cash balance of \$1.74m as at 30 June 2014.

Authorised by:

Gang Xu
Managing Director

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About Dragon Energy

Dragon Energy Limited ("Dragon") listed on the Australian Securities Exchange (ASX) in February 2009 (**ASX: DLE**). Dragon's flagship projects are Rocklea and Nameless iron projects in the Pilbara with sizeable Resources (JORC 2004 Code) defined at both the Rocklea and Nameless Projects. Dragon Energy's portfolio of tenements have numerous multi-commodity targets, including Fe, Mn, Au, base metals and U in Western Australia.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Mark Hafer, a full-time employee of Dragon Energy Ltd and a Member of The Australian Institute of Geoscientists. Mr Hafer has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. This information was prepared and first disclosed under the JORC Code 2004, it has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Mr Hafer consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information that relates to the Nameless Mineral Resource Estimate (JORC 2004) was compiled by Dr. Bielin Shi who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, and an employee of CSA Global Pty Ltd. The information that relates to the Rocklea (Main & North) Mineral Resource Estimate (JORC 2004) is based on information compiled by Mr James Farrell who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a Member of The Australian Institute of Geoscientists and an employee of Golder Associates Pty Ltd. The information that relates to the Rocklea (South) Mineral Resource Estimate (JORC 2004) was compiled by Mr. Daniel Guibal who is a Fellow of the Australasian Institute of Mining and Metallurgy, and an employee of SRK Consulting. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Dr Shi and Messrs Farrell and Guibal have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Shi and Messrs Farrell and Guibal consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.