

ASX Announcement
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Quarterly Report

For the period ended 30 September 2014

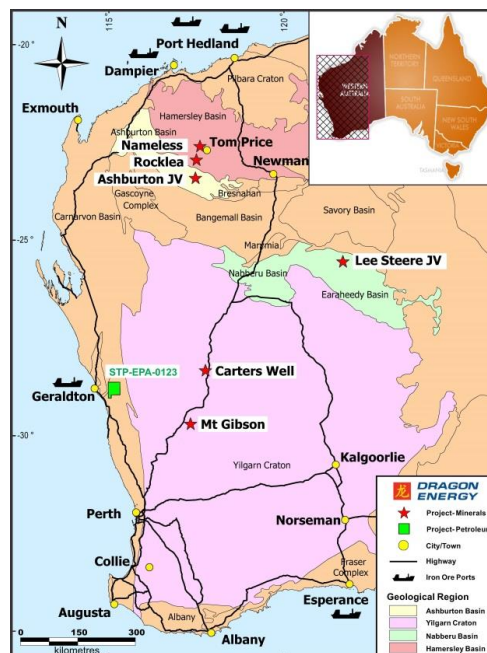
Highlights

- Dragon has been selected as the preferred applicant for Petroleum Exploration Permit STP-EPA-0123, following a successful work programme bid.
- The onshore Petroleum Permit is 1,277km² in area and located in the northern Perth Basin.
- The company is aggressively looking for new project acquisition opportunities.

Introduction

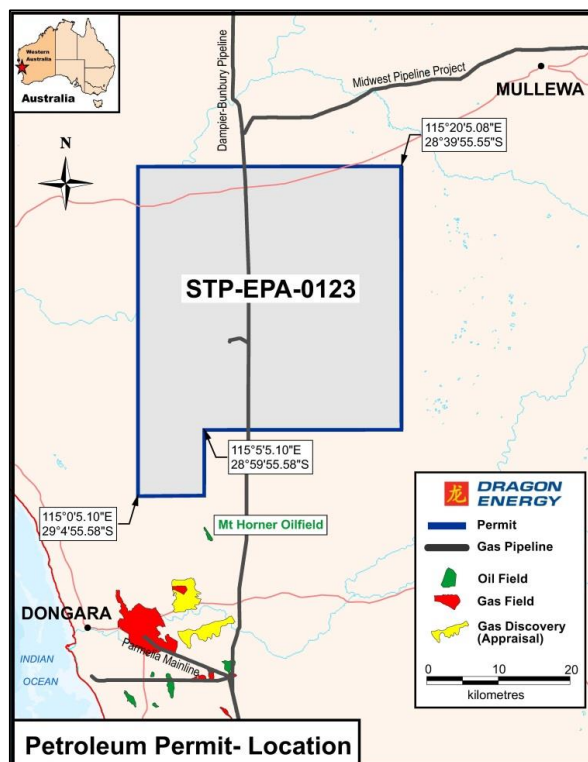
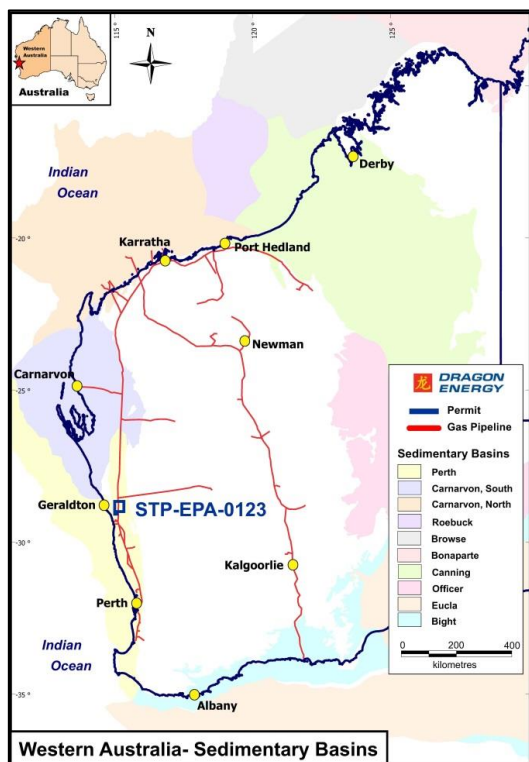
Dragon Energy Ltd ("Dragon") is an exploration company controlling a portfolio of tenements in Western Australia.

Dragon presently holds 6 mineral projects and 1 petroleum project located in the Pilbara and Midwest regions of Western Australia. The mineral projects comprise 13 tenements, totalling 1,086km² in area, and have exploration targets encompassing iron ore, manganese, gold and base metals. The petroleum project comprises 1 exploration permit application of 1,277km² in area with potential oil and gas prospectivity.



Petroleum Project (DLE: 100%)

In September 2014 Dragon was selected by the DMP as preferred applicant for Petroleum Exploration Permit STP-EPA-0123. The permit is 1,277km² in area and lies onshore in the northern Perth Basin 50km east of Geraldton, and is 350km north of Perth, Australia. The Dampier-Bunbury Natural Gas Pipeline bisects the permit, the Parmelia Gas Pipeline lies 20km to the south, the Northam-Geraldton Railway transects the northern region of the permit, and the NW Coastal Highway is 11 to 69km to the west.



Perth Basin exploration for hydrocarbons began in the late 1940s resulting in 309 onshore and 52 offshore wells, of which 26 petroleum accumulations were discovered and 13 of those proved to be commercial. Dongara oil and gas field has been the most significant discovery with 14.3Gm³ (508Bcf) of original in-place gas and 16.6GL (104MMbbl) of original in-place oil. Origin Energy, AWE Limited and Empire Oil & Gas NL currently dominate the ground holding in the Perth Basin.

A number of exploration wells have been drilled in the vicinity of the permit with the Mt Horner oilfield located 5km to the south, which was in production from 1984 to 2011. The permit straddles the Bookara Shelf, a relatively shallow basement containing up to 3,600m of Permian to Jurassic strata, and to a lesser extent the Wicherina, Irwin and Allanooka Terraces. Only ten stratigraphic and exploration wells have been drilled in the permit area, two of which have recorded oil shows (Jay-1 and Rosslyn-1) and a gas show (Mungarra-1).

The permit is in a region with a thick Lower Triassic source and seal interval, as well as likely source intervals in the Lower Jurassic. It is broadly within the oil window. Possible plays include fault-controlled, small folds and drape over basement highs.

DLE’s proposed exploration programme will initially focus on performing geotechnical studies, reprocessing existing 2D seismic data and the acquisition and analysis of 3D seismic data. Previous exploration work will be assessed and reviewed to develop a geological model for the area. Following the generation of a suite of isopachs going south to the Mt. Horner Oilfield, a structural/depositional history will be unravelled which will provide the framework for 2D seismic interpretations. These activities will be initiated once native title negotiations have been completed and the permit is formally granted.

Pilbara Iron Project- Rocklea & Nameless Deposits (DLE: 100%)

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

The Rocklea Deposit is located 33km SW of the mining town of Tom Price. It 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 CID comprises goethitic and hematitic detrital deposits of the Tertiary Robe Pisolites. Dragon acquired the Rocklea Project in 2010, and its southern extension in 2012.

The Nameless Deposit is located 10km NW of the mining town of Tom Price. It is situated along the south-dipping northern limb of the Mt Turner Syncline within the South Pilbara Basin of the Hamersley Basin. Cainozoic cover sequences include the CID within 12+km palaeochannels. Dragon acquired this project in 2010.

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								
Central⁴	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
South⁵	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
North⁶	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)

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.

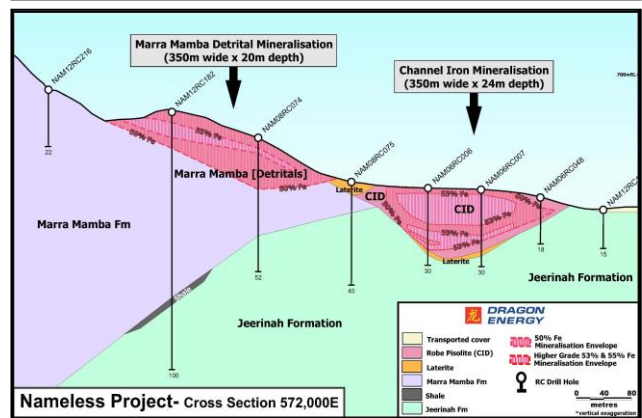
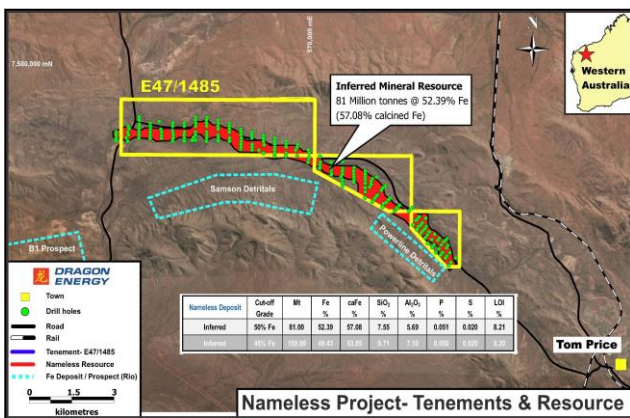
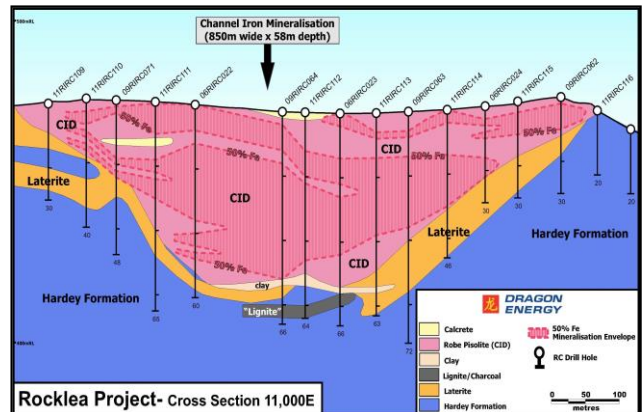
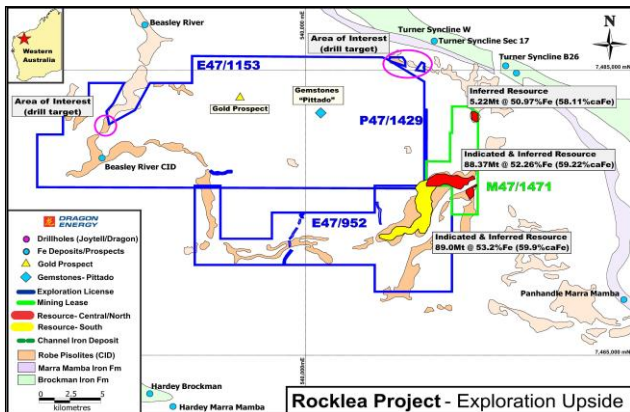
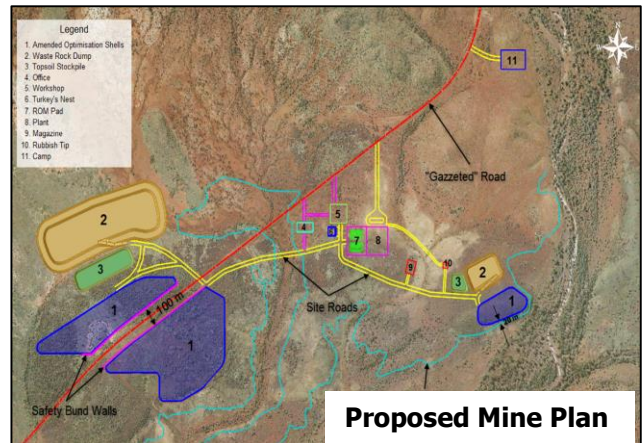
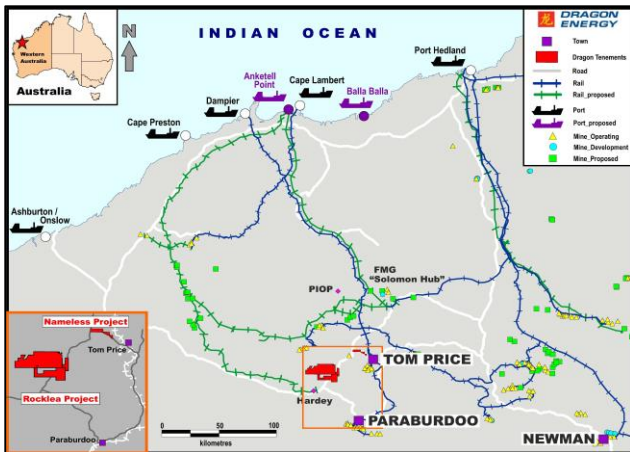
5 "Rocklea South" was previously named "Rocklea Iron Ore Project" in the Mineral Resource ASX Release reported 30 September 2009.

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

Quarterly Report to 30 September 2014

A number of studies have been completed and negotiations in process with regards to development of the Pilbara Iron Project. These studies include investigating transportation options for the Pilbara Iron Project- all viable road, rail and port options have been considered in pursuit of a transport strategy for the Early Tonnes mining operation. A Mining Proposal for a Rocklea Early Tonnes mining operation, incorporating a mine planning study, an environmental management plan and a mine closure plan was submitted to the DMP. This proposal has been reviewed and Dragon is following up a number of DMP queries for further information.

The Early Tonnes mining operation will be initiated upon financing and DMP approvals. The aim is 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.



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 near future, subject to approvals.

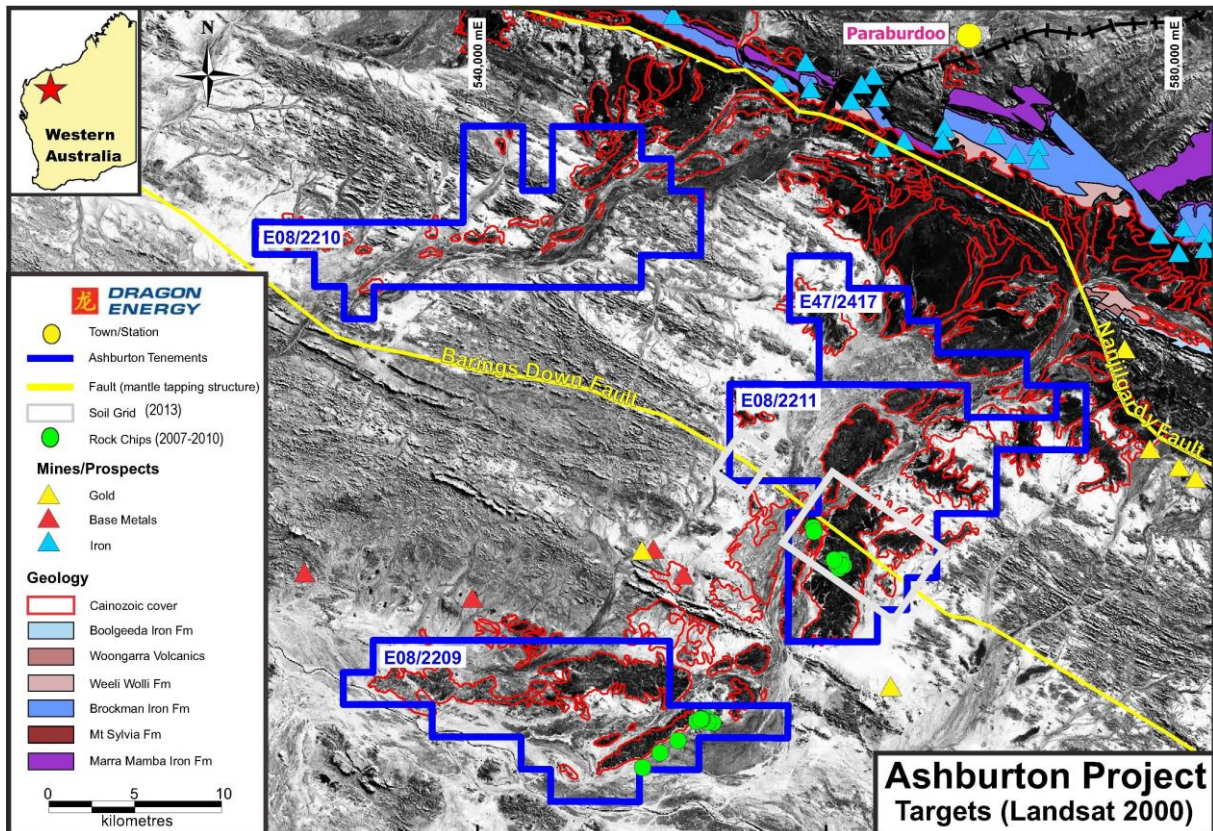
Ashburton Project⁷ (DLE: 70%) is located in the Ashburton Basin, and is 10 to 40km from rail and other infrastructure associated with the Paraburdoo iron ore operations of Rio Tinto Limited.

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. Further exploration strategies have subsequently been developed to investigate potential base metal and gold targets, greatly enhanced by recent DMP releases of seismic data in 2012 and a regional EM survey over the project area in 2014.

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.



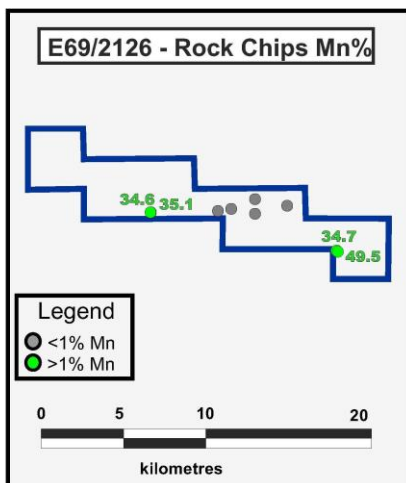
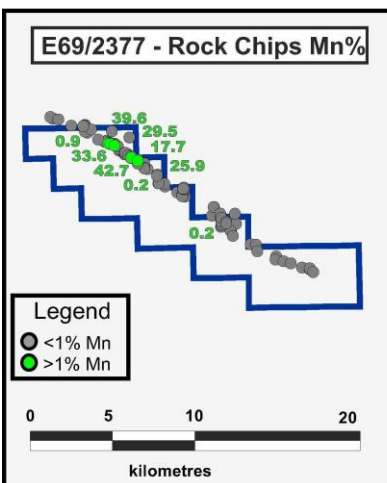
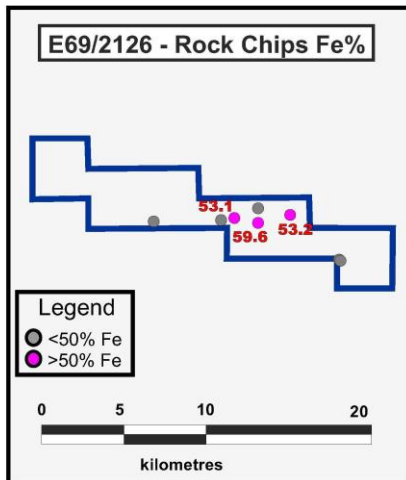
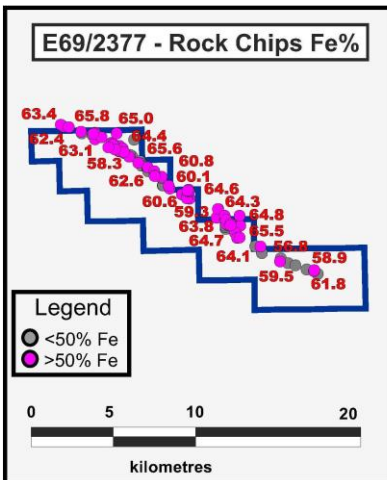
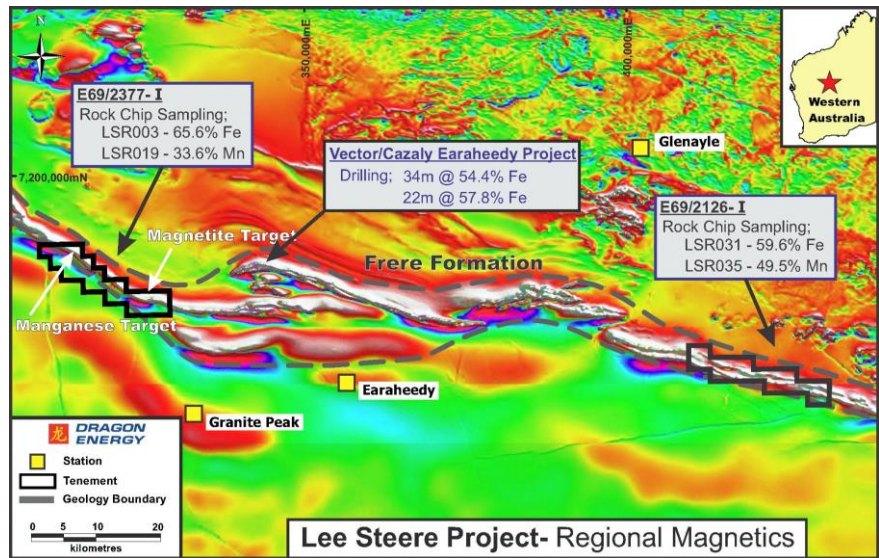
Planned activities include; re-processing the EM and magnetic data and carrying out a ground IP survey on E47/2417 & E08/2211, and soil and rock chip sampling on E08/2210 & E08/2210.

⁷ 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 Project⁸ (DLE: 100%) is located some 200km NE of Wiluna, in the Earaaheedy 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 up to 15m apparent width, 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.

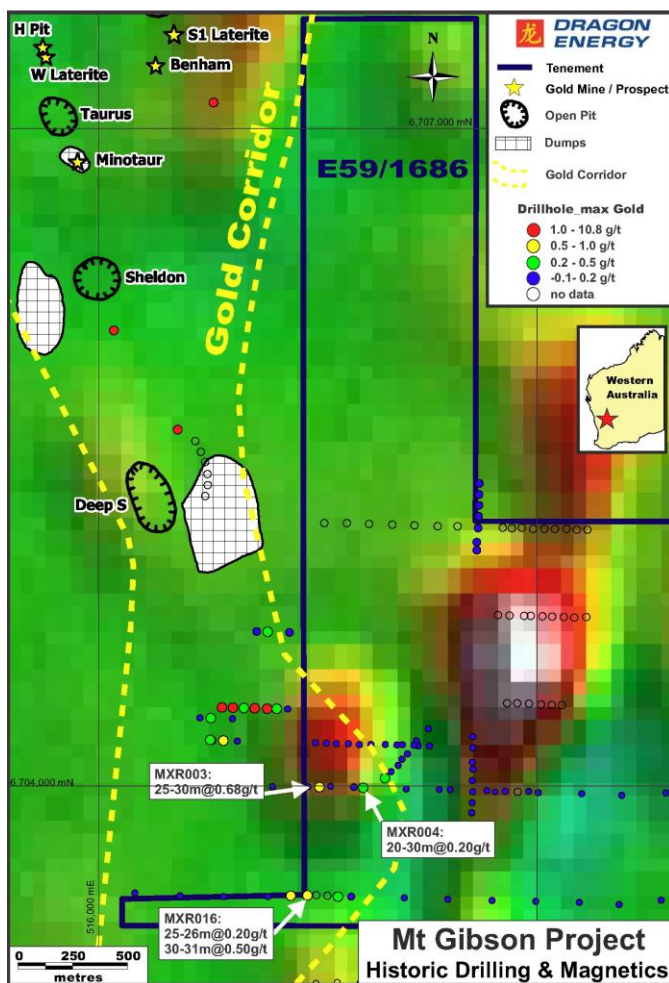
New access agreements negotiations with the Birriburu Native Title holders were completed, while the negotiations with the Wiluna Native Title holders are ongoing. More advanced exploration activities have been delayed due to these negotiations.

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.

Mt Gibson Project⁹ (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 30-31	1m @ 0.20 g/t 1m @ 0.50 g/t
MXR171	81	34-36 38-39 41-42	2m @ 0.51 g/t 1m @ 0.19 g/t 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.

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.

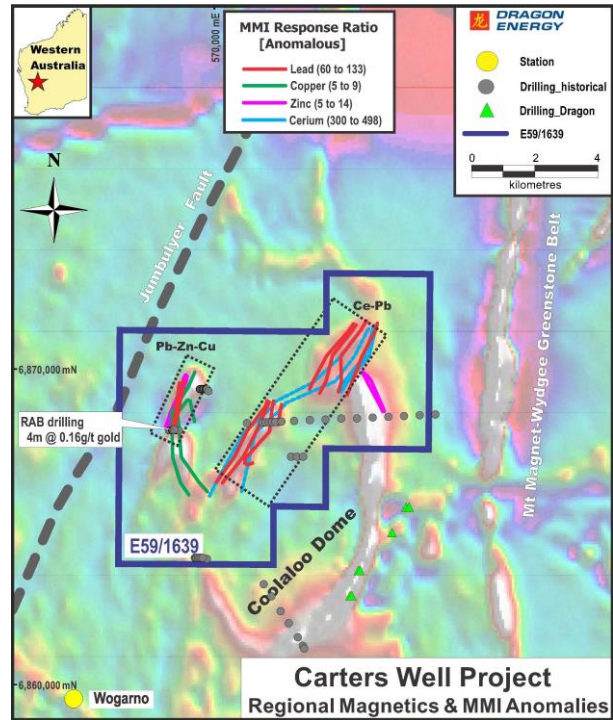
Carters Well Project¹⁰ (DLE: 100%) is located 30km south of Mt Magnet, adjacent to the Great Northern Highway, in the Yilgarn Craton of the Midwest.

The tenement overlies the Coolaloo Dome, a granite batholith having a prominently magnetic margin, which may reflect the presence of a hematite-magnetite-quartz shear (BIF). In the Mt Magnet district major NE striking faults on the Boogardie Synform exhibit important control over many of the gold ore deposits. 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).

Au-Ag anomalies to the SE were drill tested; as no anomalies were intersected 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. A RAB/Aircore programme has been designed to test these anomalies.

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.

Corporate

Dragon continues to identify suitable new projects for acquisition. The selection criteria includes projects with reasonable entry fees but have significant gold and base metal upside. Dialogues for further funding options with potential strategic investors and financiers are ongoing.

The Company had a cash balance of \$1.37m as at 30 September 2014.

Authorised by:

Gang Xu
Managing Director

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

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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 most advanced project is the Pilbara Iron Project including the Rocklea and Nameless deposits with sizeable resources (JORC 2004 Code). Dragon Energy's portfolio of tenements includes numerous multi-commodity targets, including Fe, Mn, Au and base metals in Western Australia. It was recently selected preferred applicant for an onshore Petroleum Permit in the northern Perth Basin.

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.

Tenement Schedule

Dragon Energy Tenement Schedule (Updated on 24/09/2014)

Project	Tenement	Area (km2)	Status	Registered Holder	Ownership	Grant Date
Petroleum Project						
	STP-EPA-0123 (Release L13-3)	1,276.80	Application (1st Preference)	Dragon Energy Ltd	100%	pending NT negotiation
Mineral Projects						
Pilbara Region						
Ashburton	E08/2211-I	167.0	Granted	Dragon Energy Ltd [^]	70%	28/07/2011
	E08/2210-I	145.0	Granted	Dragon Energy Ltd [^]	70%	02/03/2012
	E08/2209-I	132.0	Granted	Dragon Energy Ltd [^]	70%	02/03/2012
	E47/2417-I	63.0	Granted	Dragon Energy Ltd [^]	70%	02/12/2011
Nameless	E47/1485-I	20.0	Granted	Dragon Energy Ltd	100%	20/03/2006
Rocklea	M47/1471-I	28.0	Granted	Dragon Energy Ltd	100%	28/05/2013
	E47/952-I	110.3	Granted	Dragon Energy Ltd	100%	21/01/2008
	P47/1429-I	0.7	Granted	Dragon Energy Ltd	100%	10/09/2009
	E47/1153-I	204.6	Granted	Joytell Pty Ltd	iron ore JV	03/08/2006
Midwest Region						
Carters Well	E59/1639	63.0	Granted	Dragon Energy Ltd	100%	18/01/2011
Lee Steere	E69/2126-I	74.0	Granted	Dragon Energy Ltd [*]	100%	27/04/2008
	E69/2377-I	81.0	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