ASX Announcement
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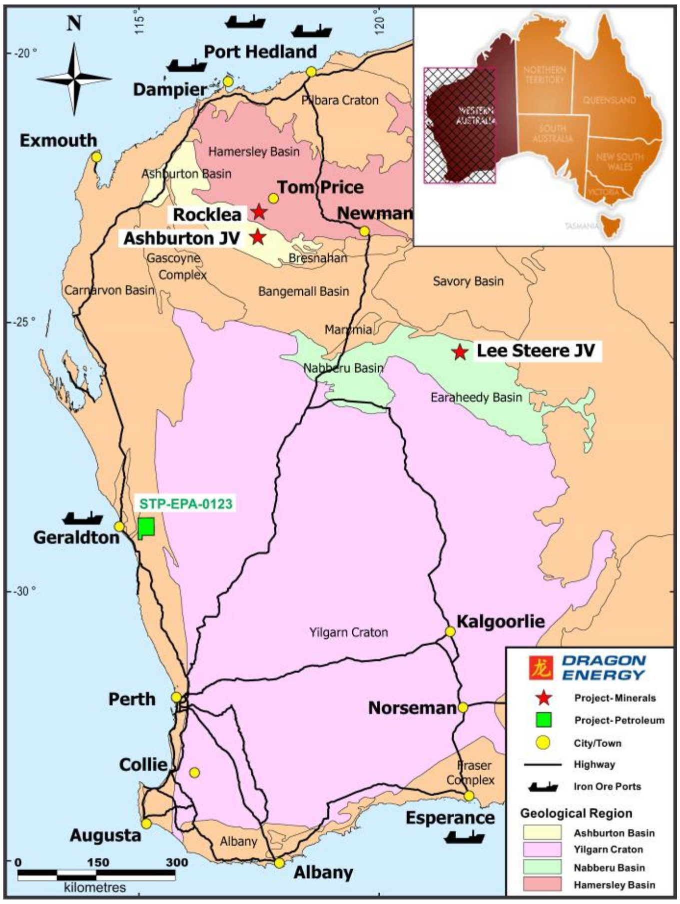
Quarterly Report

For the period ended 31 March 2015

Introduction

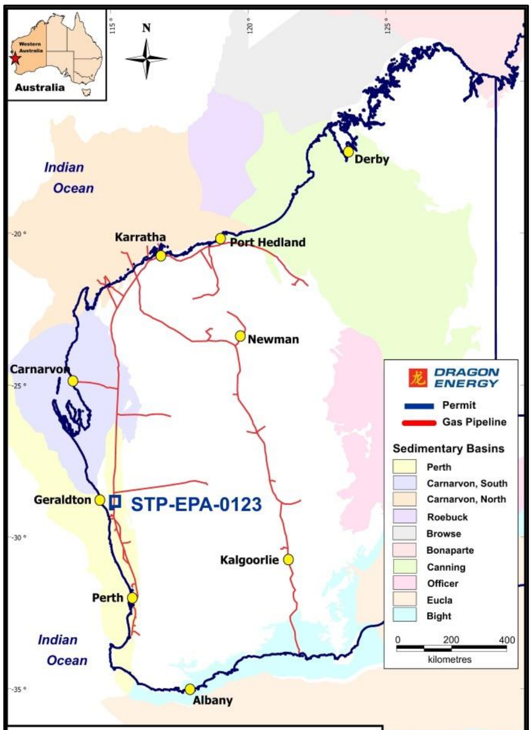
Dragon Energy Ltd ("Dragon") is an exploration company controlling a portfolio of tenements in Western Australia.

Dragon presently holds 3 mineral projects in the Pilbara and Midwest regions, and 1 petroleum project near Geraldton, Western Australia. The mineral projects comprise 10 tenements, totalling 631km^2 in area, and have exploration targets encompassing iron ore, manganese, gold and base metals. The petroleum project comprises 1 exploration permit application of 1,277km^2 in area with potential oil and gas prospectivity.

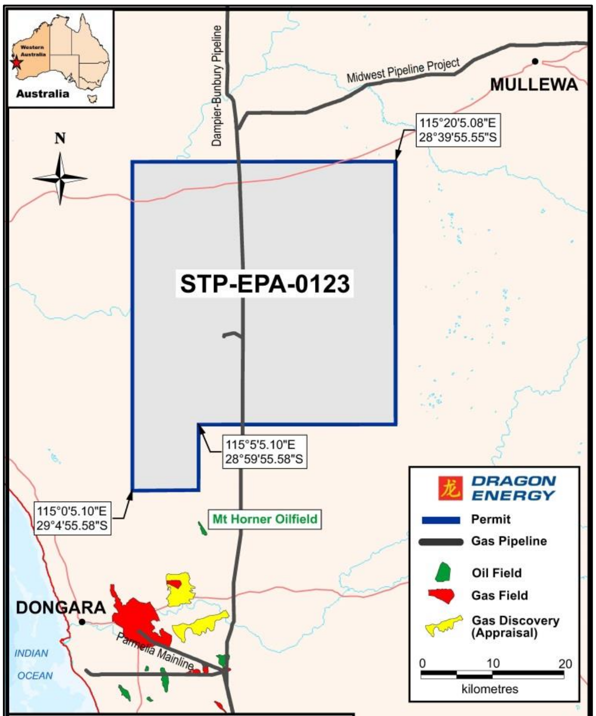


Petroleum Project (DLE: 100%)

In September 2014 Dragon was selected by the DMP as preferred applicant for Petroleum Exploration Permit STP-EPA-0123. The permit is 1,277km^2 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.



Western Australia- Sedimentary Basins



Petroleum Permit- Location

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. Subject to financing, these activities will be initiated once native title negotiations have been completed and the permit is formally granted.

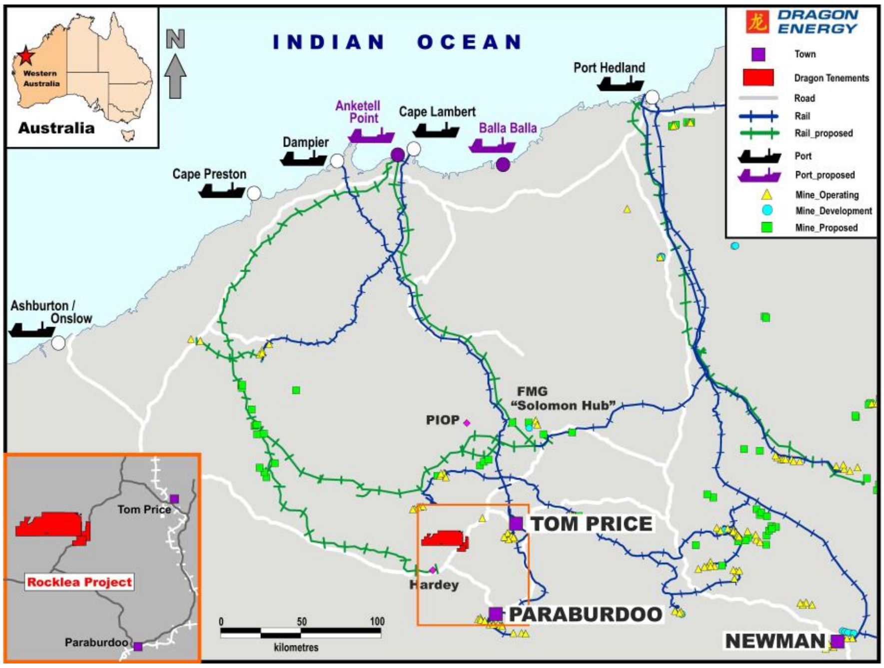
Pilbara Iron Project- Rocklea Deposits (DLE: 100%)

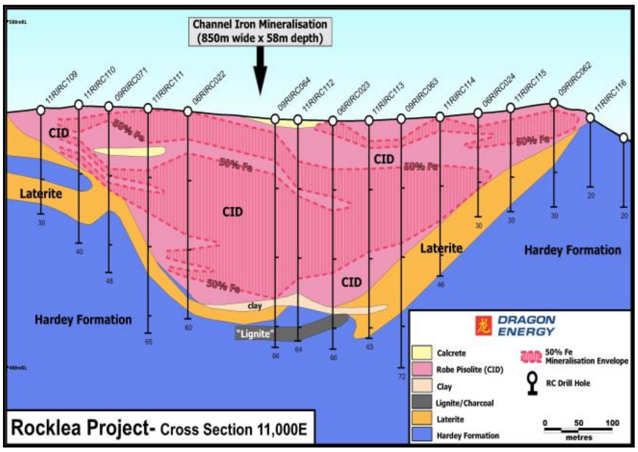
The Pilbara Iron Project is Dragon's most advanced project, comprising the Rocklea Channel Iron Deposit (CID) in the central Pilbara Iron Ore Province of Western Australia.

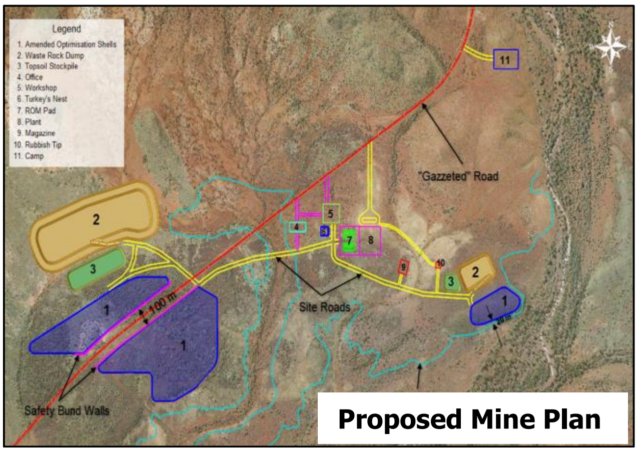
The Rocklea Deposit is located 33km SW of the mining town of Tom Price. It is situated on the eastern margin of the Rocklea Dome where Archaean age Fortescue Group Formations dip to the east and are overlain by Tertiary age CID and other Cainozoic deposits of sand and gravels. The CID comprises goethitic and hematitic detrital deposits of the Tertiary Robe Pisolites. Dragon acquired the Rocklea Project in 2010, and its southern extension in 2012.

A number of studies have been completed and negotiations in process with regards to development of the Pilbara Iron Project. 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 in 2014. This proposal has been reviewed and Dragon followed up a number of DMP queries for further information.

Following a review, the mining lease 47/1471 was reduced in size, and an application for a retention licence was submitted to the DMP.







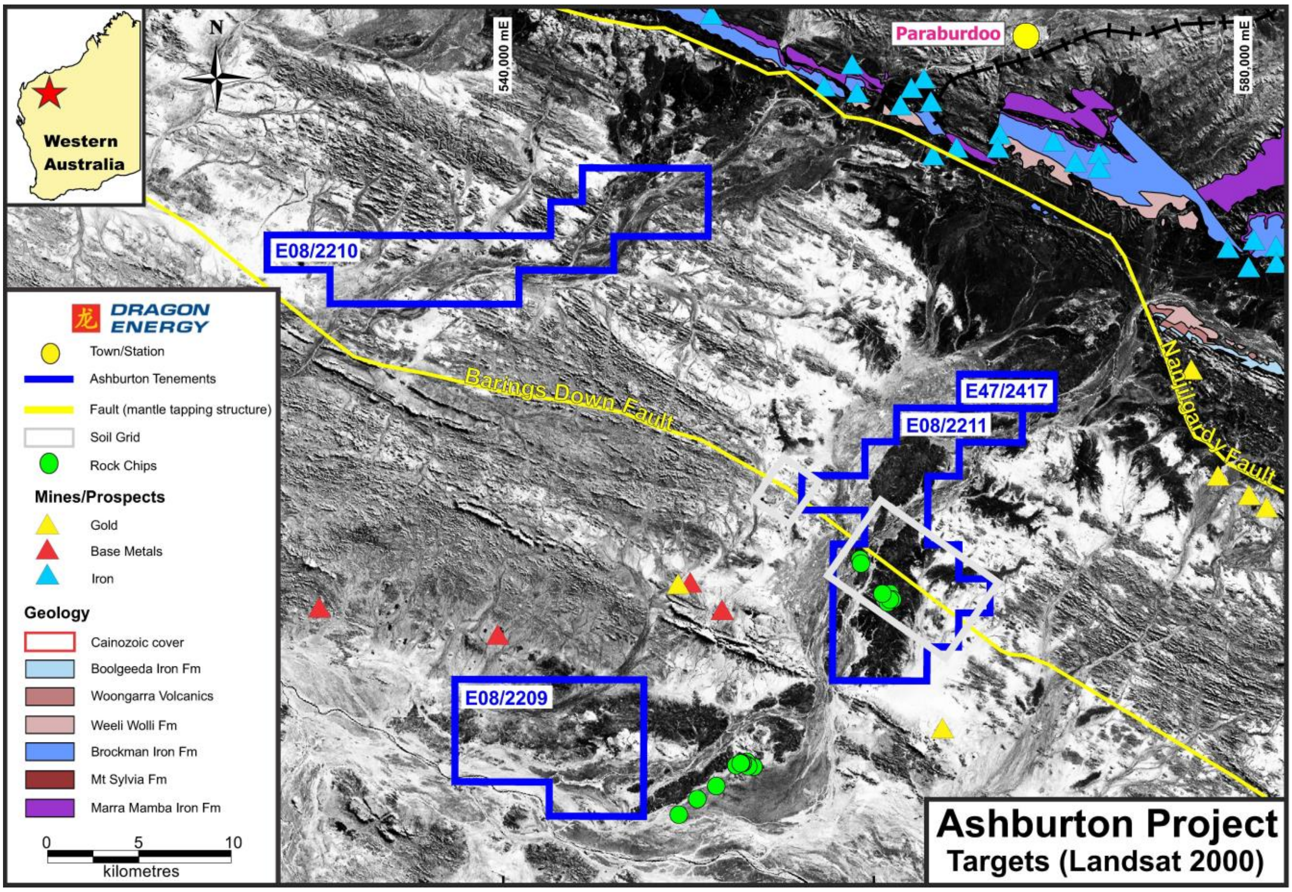
Ashburton Project (DLE: 50%) is located in the Ashburton Basin, and is 10 to 40km from rail and other infrastructure associated with the Paraburdoo iron ore operations of Rio Tinto Limited.

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.

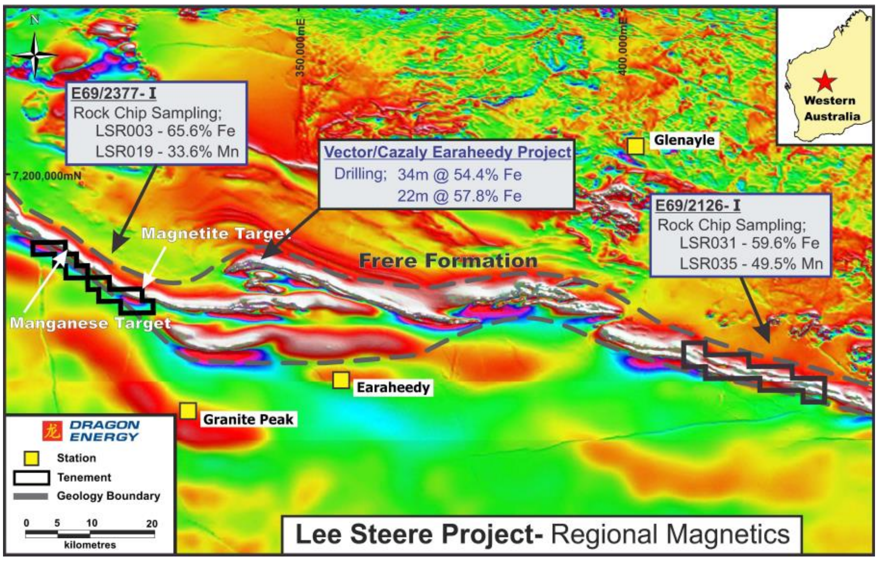
Elevated alluvial gravel beds are evident with the ground surface dominated in parts by iron (hematite) gravels. Small outcrops were rarely observed, the most interesting a foliated, ferruginised sediment and ironstones-possibly shear or gossan in the basement sediment. This outcrop returned up to 51% 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 Dragon Energy entered into a JV agreement with Shandong Energy Australia Pty Ltd and Shandong Lunan Geo-Engineering Exploration Institute. The JV partners are required to fund $2m of exploration to earn up to 65% of the project. The JV partners have fulfilled their stage one and two expenditure commitments of $1m to earn in 50% interest of the project.

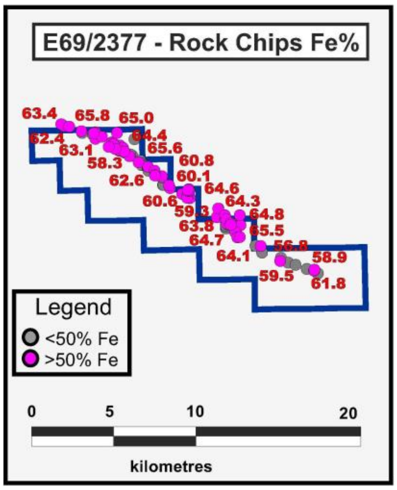


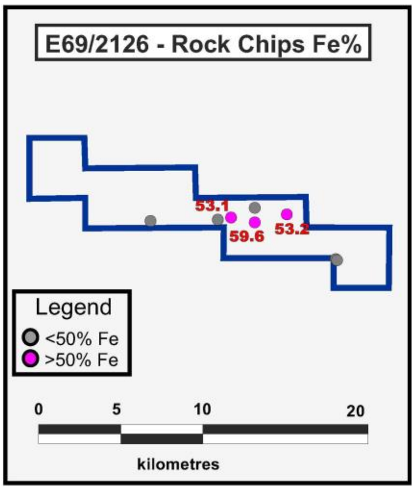
Lee Steere Project (DLE: 100%) is located some 200km NE of Wiluna, in the Earaheedy Basin of the Midwest.

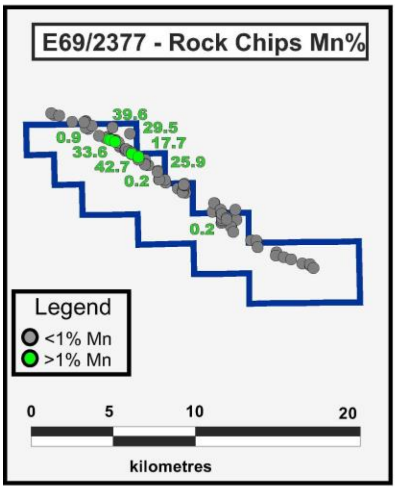


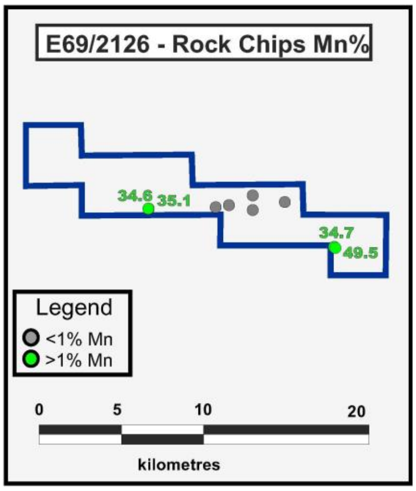
Previous exploration activities in the 1970s identified enriched hematite mineralisation of Banded Iron Formations and Superior-type iron within the Frere Formation; rock chips of up to 66.1% Fe were reported. The project contains 48km strike of the prospective Frere Formation, as identified from magnetics 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 Birriliburu 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.

Nameless Project - Following a review the project was relinquished in March 2015.

Corporate

Dragon Energy continues to identify suitable new mineral project opportunities. The selection criteria include 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 is also evaluating a range of projects outside the resource industry, including traditional power generation and renewable energy. Based on initial discussions with potential investors and project leads, the Company is encouraged with the results and will continue to explore these opportunities.

During the period, Mr Weifeng Li resigned as a director of the Company. Mr Michael van Uffelen was appointed as a non-executive director.

The Company had a cash balance of $0.91m as at 31 March 2015.

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 Rocklea Iron Project. 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.

Tenement Schedule

Tenement Reference	Status	Interest at beginning of quarter	Acquired/Disposed during the quarter	Interest at end of quarter
E08/2211-I	Granted	70%	20%	50%
E08/2210-I	Granted	70%	20%	50%
E08/2209-I	Granted	70%	20%	50%
E47/2417-I	Granted	70%	20%	50%
E47/1485-I	Relinquished	100%	100%	0%
M47/1471-I	Granted	100%		100%
E47/952-I	Granted	100%		100%
P47/1429-I	Granted	100%		100%
E47/1153-I	Granted	0%		0%
E69/2126-I	Granted	100%		100%
E69/2377-I	Granted	100%		100%
STP-EPA-0123(Release L13-3)	Application (1st Preference)	100%		100%