Dear Shareholder

Non-Renounceable Rights Issue

On 24 June 2016 Dragon Energy Limited (ACN 119 992 175) (**Company**) announced a non-renounceable pro rata entitlement offer to raise up to $1,032,132.

The offer will be made on the basis of 1 new share for every 1 existing share held to shareholders with a registered address in Australia and New Zealand as at 7:00pm (AEST) on 30 June 2016 (**Eligible Shareholders**), at an offer price of $0.005 per share (**Offer**). Shareholders will be given the opportunity to apply for additional shares in excess of their entitlement.

Proceeds from this rights issue will be used for exploration expenditure commitments and general working capital.

New shares to be issued under the Offer will rank equally with existing shares. The Company has applied to ASX for the new shares to be listed. Fractional entitlements will be rounded up to the nearest whole number.

A prospectus for the Offer has been lodged with ASIC on 24 June 2016 which will be available on both the ASX website and the Company's website (**Prospectus**). Full details of the Offer will be contained in the Prospectus and accompanying personalised entitlement and acceptance form (**Entitlement and Acceptance Form**) to Eligible Shareholders following the Record Date.

Shareholders should consider the Prospectus in deciding whether to acquire new shares under the Offer and will need to complete the Entitlement and Acceptance Form to take up their entitlement.

As an Eligible Shareholder, you may:

a) subscribe for all or part of your entitlement;
b) subscribe for all or part of your entitlement and apply for shortfall securities;
c) allow all or part of your entitlement to lapse.

Assuming that no shares are issued prior to the Record Date, at the close of the Offer, the capital structure of the Company following the Offer will be:

Shares	**Full Subscription**	
	Number	**%**
Existing Shares	206,426,374	50.00
New Shares offered under this Prospectus	206,426,374	50.00
Total Shares	412,852,748	100.0

The indicative timetable for the Offer is set out below:

Prospectus lodged with ASIC and ASX	24 June 2016
Ex Date – Shares trade ex Entitlement	29 June 2016
Record date to determine Entitlement (**Record Date**)	30 June 2016
Prospectus with Entitlement and Acceptance Form dispatched	1 July 2016
Offer opens for receipt of Applications	1 July 2016
Closing date for acceptances (**Closing Date**)	15 July 2016
Deferred settlement trading commences	18 July 2016
Notify ASX of Shortfall	20 July 2016
Issue of New Shares	22 July 2016
Deferred settlement trading ends	22 July 2016
Dispatch of shareholding statements	25 July 2016
Normal trading of New Shares expected to commence	25 July 2016
Last date to issue Shortfall Securities	15 October 2016

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

Yours sincerely

Keong Chan

Company Secretary