

ASX Announcement
ASX Code: DLE
Release Date: 31 October 2016

For Further Information

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Directors

Mr Jonathan King
Managing Director

Mr Gang Xu
Non-Executive Director

Mr Keong Chan
Non-Executive Director/
Company Secretary

Mr Jie Chen
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Quarterly Activities Report

For the period ended 30 September 2016

Dragon Energy Ltd ("Dragon" or "the Company", ASX: DLE) is an exploration company with an extensive portfolio of tenements in Western Australia.

The Company recently entered into an agreement to acquire the Tabac Project which represents a significant cobalt-gold exploration target with its scale and grade potential demonstrated in prior drilling.

Highlights

- Agreement executed to acquire a 100% interest in the Tabac Cobalt-Gold Project covering >110km²
- Significant historic drill intersections* include:
 - o **80m at 0.77% Co** from 170m, including **10m at 1.47% Co & 40m at 0.73 g/t Au**; and
 - o **30m at 0.3% Co & 10m at 0.86g/t Au** from 358m
- Significant drill intercepts located **7.3km apart and along interpreted strike** in similar stratigraphy
- Both holes ended in mineralisation
- No subsequent exploration following initial discovery in 1983
- Well established infrastructure and favourably located adjacent to Paroo Station Mine and camp (former Magellan Lead Mine), and 30km from Wiluna
- Successful rights issue and subsequent share placement (post quarter end) raises over \$2m in working capital (before costs)
- Subject to various statutory obligations being met, drilling at Tabac will commence upon grant of tenure in late Q2 of 2016-2017FY.
- Appointment of highly regarded geologist, Mr Jonathan King, as Managing Director

* refer to 'Assay Commentary' section in this report

Tabac Cobalt-Gold Project (100% DLE post completion)

The Tabac Cobalt-Gold Project ("Tabac" or "the Project") is located on the Goldfields Highway 30km west of Wiluna and 135km east of Meekatharra in the Northern Goldfields Region of Western Australia. The Project sits adjacent to the Paroo Station Mine and camp (previously known as the Magellan Lead Mine), which is currently on care and maintenance (Figure 1).

TENURE

The Project consists of two exploration licence applications, 53/1891 & 53/1895 (ELA's), covering a combined area of 111.5km².

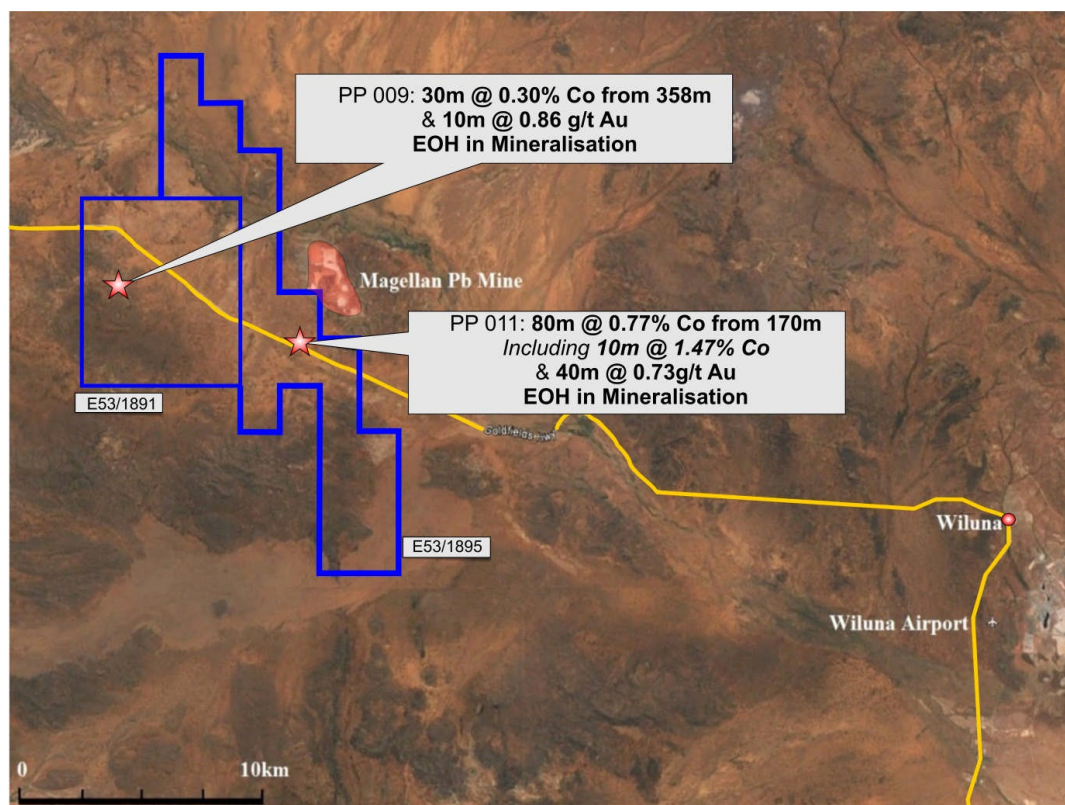


Figure 1: Location of Tabac Project

PROJECT GEOLOGY

The Project is located within the Yerrida Basin (referred to previously as the Glengarry Sub-basin), which lies on the northern margin of the Archean Yilgarn Block, and forms as part of the Capricorn Orogen. The Yerrida Basin represents an intracratonic sag basin containing siliciclastic rocks and evaporites of the Windplain Group overlain unconformably by siliciclastics and mafic extrusive and intrusive rocks of the Mooloogool Group. Within the Project area, outliers of the Yelma Formation of the Earraheedy Group unconformably overlie rocks of the Yerrida Basin.

The Windplain Group includes the Juderina Formation, which outcrops in the southern third of the Project. The Juderina Formation comprises of siliciclastics (deposited as continental "red beds" or haematite-rich sandstones and siltstone), evaporates, argillites, and locally turbidites. It includes the chertified stromatolitic carbonate and evaporitic sedimentary units of the Bubble Well Member, which is the likely host to the cobalt mineralisation at Tabac.

The depositional environment for the Windplain Group is thought to be a shallow epicontinental (or inland) sea, locally with sabkha (salt flat) environments.

Archean rocks of the adjacent Joyner's Find Greenstone Belt formed a number of basement highs (or coastal headlands) during the shelf sedimentation phase. Sediments deposited west of the headlands predominantly comprise shales, whereas those deposited between or east of the headlands are mainly composed of carbonates.

Within the southern parts of the Yerrida Basin, sediments are commonly flat-lying. Any folding is very gentle, and where described comprises north-northwest and northeast open folds. The overlying Earahedy Group sediments appear to have undergone relatively minor structural deformation.

The palaeoenvironment at Tabac, including the types of rocks deposited (evaporites and carbonates), their age (Proterozoic), site of deposition (platform sediments), and the broader geological context of a developing fold and thrust belt, is analogous to Zambian Copper Belt and/or Kuferschiefer-style mineralisation (Figures 2 & 3, Table 1).

Figure 2: Zambian Copper Belt type model

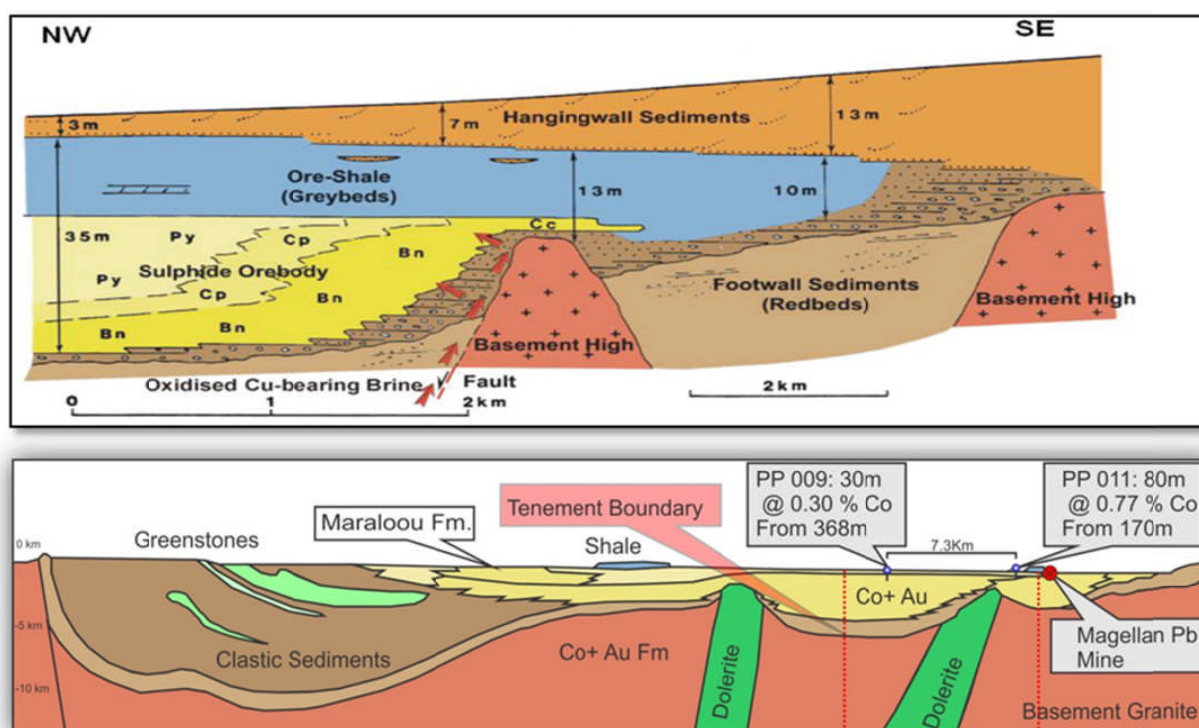


Figure 3: Tabac Project stylised section

PREVIOUS EXPLORATION

Australian Consolidated Minerals Ltd ("ACM") drilled 10 stratigraphic holes across the Yerrida Basin between 1982 and 1984. Of the 10 holes, two (PP009 and PP011, Figures 1 & 4) reportedly intersected cobalt-bearing stromatolitic carbonates, returning significant intercepts of:

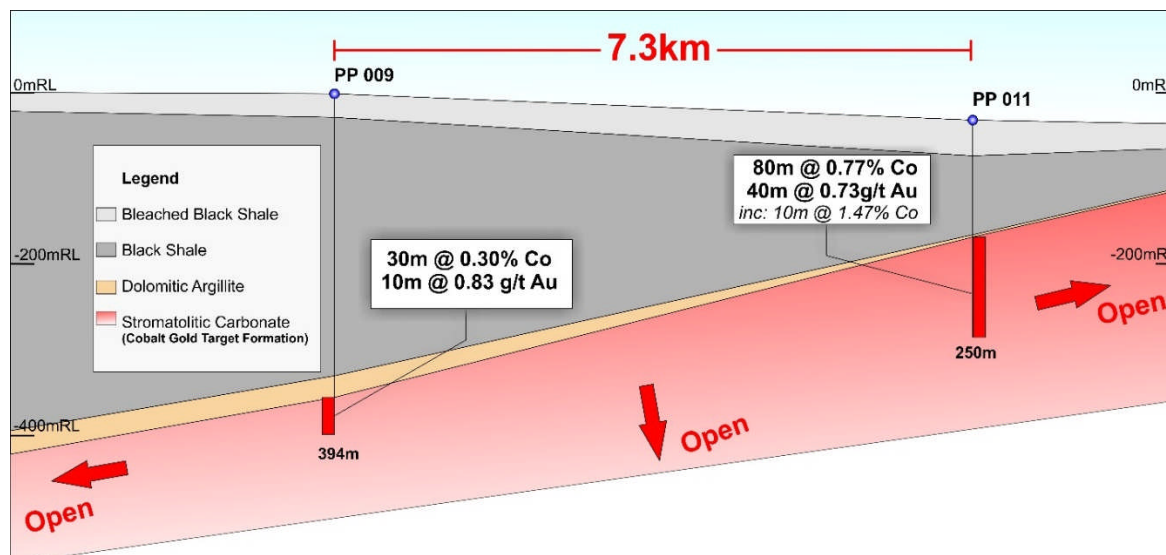
- PP011: **80m at 0.77% Co** from 170m, including **10m at 1.47% Co** & **40m at 0.73g/t Au** from 210m (refer to 'Assay Commentary' section below)
- PP009: **30m at 0.3% Co** from 358m including **10m at 0.86g/t Au** from 358m (refer to 'Assay Commentary' section below)

Table 1: Copper Belt and Tabac Deposit model comparison

Feature	Zambia/DRC Copper Belt	Tabac Project
Stratabound Mineralisation	✓	✓ Confirmed by drilling
Basin Wide Occurrences	✓	✓ Magellan Lead Mine & mineralised rock chips in projected outcrop of mineralised formation
Evaporitic Sequence	✓	✓ Confirmed by drilling
Organic Carbon	✓	✓ Confirmed by drilling (stromatolites)
Dolomitization	✓	✓ Confirmed by drilling
Bacterial Reduction and/or thermochemical sulphate reduction	✓	✓ Confirmed by drilling (stromatolites)
Increased secondary porosity and permeability	✓	✓ Confirmed by drilling, fault breccia unit hosts highest grade mineralisation
Laterally extensive base metals mineralisation	✓	✓ Confirmed by drilling

These were the only holes to test the cobalt position. Both holes ended in mineralisation and intersected similar down hole stratigraphy (siltstones and pyritic shales before entering carbonate-rich stromatolitic horizons) attesting to the stratabound nature of the carbonaceous target and the contained mineralisation.

The two holes are separated by a distance of 7.3 km.

**Figure 4: Cross section of previous drilling at Tabac Project**

Assay Commentary

DLE has undertaken a comprehensive due diligence process including a review of all available exploration data on the Tabac Project from 1982 to 1984 when the initial diamond drilling program was undertaken. To preserve and strengthen the integrity of the due diligence process, the Company has noted a potential inconsistency relating to 1m assay re-splits of the initial 10m composites from the BQ diamond drill core

reported for both drill holes (PP009 and PP011). The reported grades within the re-splits do not correlate with the grades reported in earlier sampling.

The drill hole information reported for the Tabac Project has been compiled from open file WAMEX exploration reports (Report No.'s A-14601 and A-12928) available from the WA Department of Mines and Petroleum (DMP) website via the following link (using Internet Explorer or Firefox):

<http://warims.dmp.wa.gov.au/GeoView/Viewer.html?Viewer=GeoVIEW&layerTheme=WAMEX&Module=WAMEX>

DLE has reviewed the available geological evidence and has formed a preliminary view that reliance may be placed upon the integrity of the initial 10m composites assay results that have given rise to the anomalous cobalt readings. ACM directed the diamond drill program and authorised the subsequent re-assays.

The Company has taken into account the follow factors to form its preliminary view:

- The anomalous cobalt results were constrained to the same geological unit (i.e. stromatolitic carbonate) in both holes with background levels of cobalt reported in the overlying rock types.
- No resampling method was disclosed nor was any explanation provided on the discrepancies between the separate assay batches.
- No commentary was provided on the representativeness of the resulting small sample size available from re-splits of the BQ drill core.
- Mechanical based contamination was considered but disregarded due to the association of anomalous cobalt results within the carbonate units with background assays returned elsewhere (in generally harder rock types) and the likelihood of degradation within friable, or at least softer, material being remote.
- Inconsistencies in the assay column headers between the re-splits and 10m composites differ in the sequence of elements reported.
- Additional inconsistencies between the 10m composites and re-splits in other elements such as phosphorous (P), copper (Cu), lead (Pb), zinc (Zn) and gold (Au), confirming the likelihood of unreliable re-assay data (i.e. distinctly different populations that may have resulted from assaying a completely different group of samples).

In addition, past operators have cast similar doubt over the veracity of the ACM data with Mitchell Exploration Company in 1988 reporting (WAMEX report No. A-25345):

"Mineralisation discovered by ACM include metals such as gold, titanium and barium. They are present in highly anomalous amounts within the same proven palaeobasin as that containing the postulated felsic dome. These values occur in gently dipping Maraloou Fm of Early Proterozoic age and may represent distal syngenetic mineralisation related to the late phase Archean volcanism postulated previously."

"Doubt exists as to the veracity of the diamond core Au, Ag, Co assays but at the very least, the metals have been found to occur in anomalous amounts- even in shallow RAB drilling"

Mitchell Exploration Company's observation is noteworthy particularly when considered in a regional context.

Widespread cobalt anomalism has been returned in RAB drilling, and in rock and soil geochemistry, along the mapped margins of the lower contact of the Maraloou Formation with the Juderina Formation (Figure 5).

The Company is therefore of the opinion that after considering the weight of geological evidence, the Tabac Project is potentially a significant cobalt-gold exploration target, which may have been overlooked by previous owners.

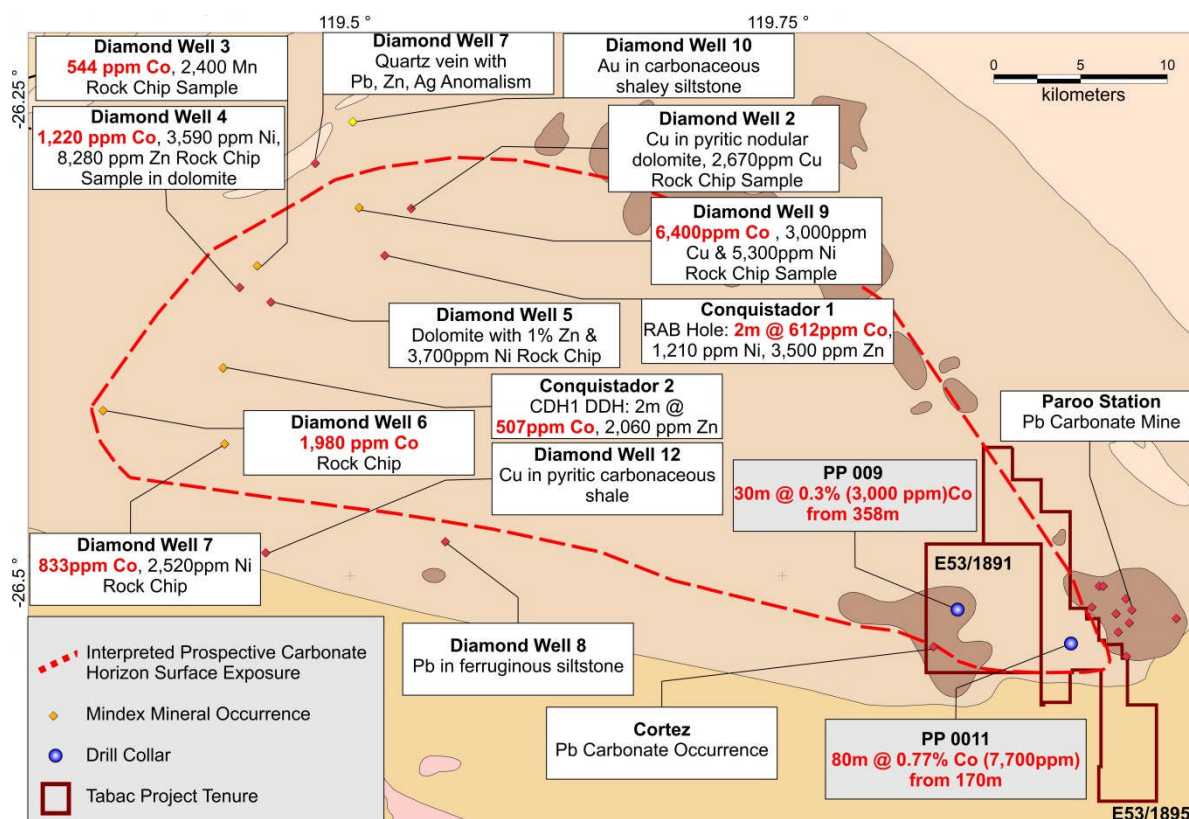


Figure 5: Mapped margins of the lower contact of the Maraloou Formation with the Juderina Formation (sample results from DMP Mindex Database)

EXPLORATION PLAN

Dragon will utilise geophysical mapping methods to outline the subsurface geology and potential geometry of the cobalt-gold bearing unit at Tabac. This boost in understanding of the geometry and deposit structure will improve targeting and accuracy in future drilling and therefore control exploration costs. Subject to various statutory obligations being met, drilling at Tabac will commence upon grant of tenure in late Q2 of 2016-2017FY.

COMMERCIAL TERMS OF TABAC PROJECT ACQUISITION

Commercial terms for the acquisition of ELA's 53/1891 and 53/1895 (Tenements) are summarised below:

- DLE has paid Westview Resources Pty Ltd or its nominee a non-refundable option fee totalling \$50,000 (Option Fee) for 7 days due diligence (Option Period);
- Upon successful completion of due diligence, exercise of the Option and subject to shareholder approval, the total consideration for the acquisition of the Project will be 212,500,000 shares in DLE through the issue of:
 - 150,000,000 fully paid ordinary shares in the capital of DLE (Consideration Shares);
 - 62,500,000 Performance Shares (subject to ASX approval per Listing Rule 6.1) issued to Class B shareholders in Westview Resources on the following terms and conditions, being:
 - 31,250,000 Class A Performance Shares for the achievement of an Inferred Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% cobalt within the Tenements (Performance Shares Milestone 1); and
 - 31,250,000 Class B Performance Shares for the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not

- less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% cobalt within the Tenements (Performance Shares Milestone 2);
- c. pay a cash payment of \$50,000 (excluding GST) to Class B shareholders in Westview Resources; and
- d. a 2% net smelter return royalty (NSR) on the gross sales of all future metals obtained from the Tenements and sold on an arm's length basis to Class B shareholders in Westview Resources.

Settlement of the acquisition is conditional upon the satisfaction or waiver of the following conditions precedent:

- a. Westview Resources entering into and settling an agreement with Peter Gianni pursuant to which it acquires a beneficial interest in the Tenements;
- b. DLE obtaining all necessary shareholder approvals to give effect to the acquisition;
- c. DLE obtaining all necessary regulatory approvals or waivers to allow DLE to lawfully complete the acquisition; and
- d. the parties obtaining all third party approvals and consents necessary to complete the acquisition.

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

The Pilbara Iron Project comprises the Rocklea Channel Iron Deposit (CID) in the central Pilbara Iron Ore Province of Western Australia.

The Rocklea Deposit is located 33km southwest of the mining town of Tom Price on the eastern margin of the Rocklea Dome where the Archaean age Fortescue Group Formation is overlain by Tertiary age CIDs comprising goethitic and hematitic detrital deposits and other Cainozoic deposits of sand and gravel.

Dragon acquired the Rocklea Project in 2010, and its southern extension in 2012. Several studies have been completed and negotiations progressed with regards to the development of the Pilbara Iron Project. A Mining Proposal for the 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 requests for further information.

Following a further review, mining lease 47/1471 was reduced in size and an application for a retention licence was submitted to the DMP. The conversion to retention licence R47/8 was granted on 6 November 2015.

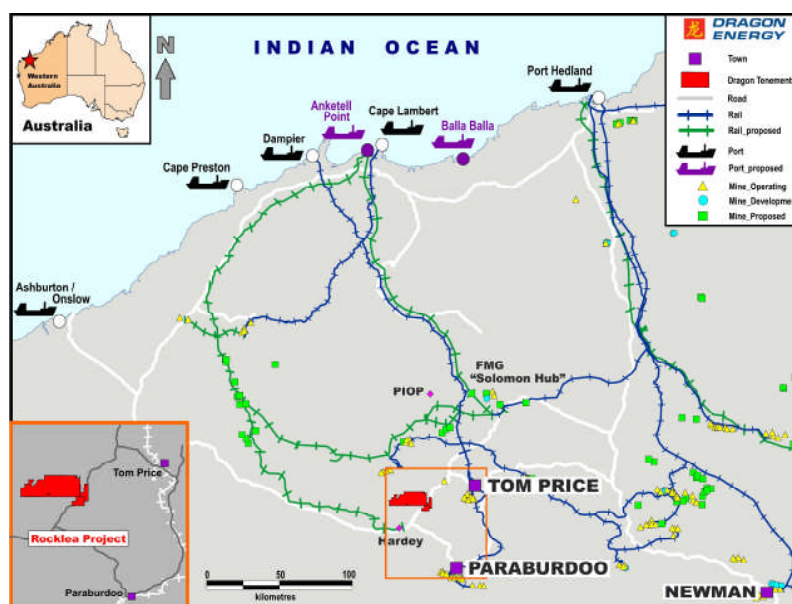


Figure 6: Location of Rocklea Iron Project

Ashburton Project (DLE: 47.20%)

The Ashburton Project is located in the Ashburton Basin between 10 and 40km from rail and other infrastructure associated with Rio Tinto's Paraburdoo iron ore operations.

Field reconnaissance demonstrated a paucity of outcrop over exploration licences E08/2211 and 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 the Ashburton River. The braided drainages of Turee Creek and Seven Mile Creek drain the ranges of the Brockman Iron Formation near Paraburdoo, and as such these palaeochannels may host detrital and/or CID mineralisation.

Following a heritage survey in 2013, a planned reconnaissance drilling programme on exploration licences 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.

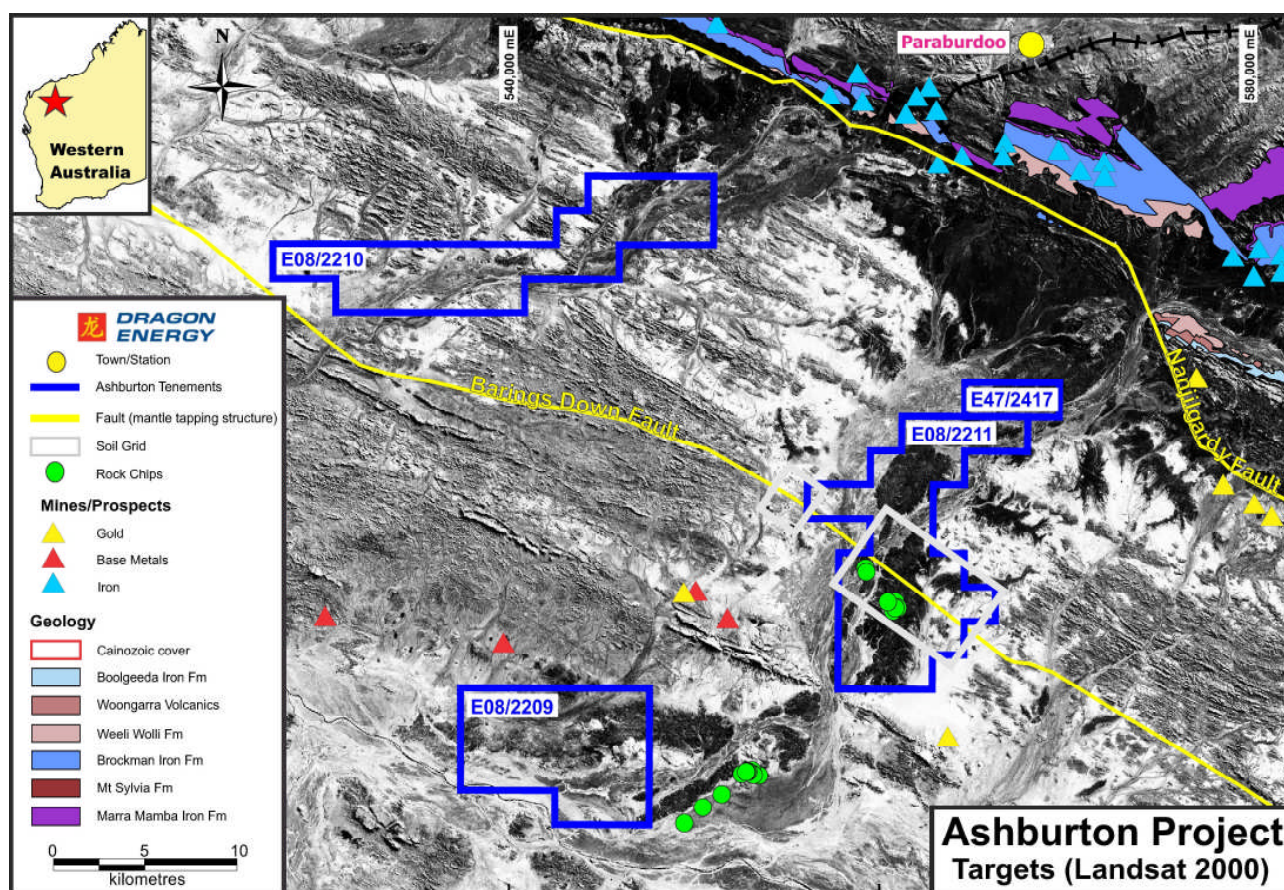


Figure 7: Tenure and location of Ashburton Project

In April 2013 Dragon entered into a Farm-in/Farm-out Agreement with Shandong Energy Australia Pty Ltd (Shandong Energy) and Shandong Lunan Geo-Engineering Exploration Institute (Lunan) (JV Partners).

The JV Partners are required to spend \$300,000 on exploration on the Ashburton Project to acquire 30% participating interest in the tenements (Stage One Expenditure) and have the option to acquire an additional 20% participating interest in the JV by spending an additional amount of \$700,000 on exploration on the Ashburton Project (Stage Two Expenditure). The JV Partners have fulfilled the Stage One and Stage Two Expenditure commitments to earn a 50% participating interest in the JV.

Further, the JV Partners have the option to spend an additional \$1,000,000 on exploration on the Ashburton Project to acquire an additional 15% participating interest in the JV (Stage Three Expenditure).

A supplementary agreement was signed with the JV Partners (Supplementary Agreement) on 28 October 2015. Under the Supplementary Agreement:

1. Shandong Energy and Lunan will fund an additional \$187,598 expenditure on the Ashburton Project to earn an additional 2.8% participating interest.
2. Stage Three Expenditure is removed.

Corporate

The Directors of DLE have resolved to enter into a process of reviewing and divesting if necessary, its existing portfolio of exploration projects to focus solely on the vast potential of the Tabac Project.

Subject to shareholder approval, the Company also intends to change its name and branding.

APPOINTMENT OF MANAGING DIRECTOR

The Company is pleased to announce the appointment of respected geologist Mr Jonathan King as Managing Director effective as of 14 September 2016 and will be responsible for all aspects of the development of the Tabac Project.

Mr King is a mining executive with more than 25 years' experience in the mining industry in various exploration and technical roles with responsibility from project generation to project acquisition through to exploration, evaluation drilling and production, predominantly in iron ore, base metals and gold. Jonathan received an honours degree in Geology from Curtin University (WA) and has worked in research (CSIRO and UWA), and in exploration, operational and consulting roles for numerous companies, including Placer Dome, Barrick Gold, Rio Tinto, Robe River Mining, Homestake Mining, Gold Fields Australasia, St Ives Gold Mining Company, BC Iron, Dacian Gold Limited, Gondwana Resources, Harmony Gold, Emergent Resources, Troy Resources, Dampier Gold, and Great Central Mines. Jonathan was a founding director of Paringa Resources Limited and also served as Technical Director of Conto Resources Limited. Jonathan has worked in Korea, Fiji, China, Africa, Indonesia, USA, Mexico, Brazil, Colombia, Peru and Australia.

Employment terms for Mr King are outlined in Appendix 4.

Mr Gang Xu has stepped down as Managing Director and remains on the Board as a Non-executive Director of the Company.

CAPITAL RAISING

On 24 June 2016, a Prospectus was lodged with ASIC and ASX for the Company to raise up to \$1,032,132 before issue costs under a non-renounceable pro rata offer to eligible shareholders at a price of \$0.005 per new share on the basis of 1 new share for every 1 existing share held as at the Record Date.

On 11 August 2016, following a placement of the shortfall shares arising from the rights issue, the Company announced that it had raised the full amount.

The Company had a cash balance of \$0.723m as at 30 September 2016.

In October, the Company raised a further \$1.0m (before costs) in a heavily oversubscribed share placement to fund pre-drilling activities and the scheduled maiden drilling program at the Tabac Project.

For further enquiries, please contact:

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Managing Director

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ABOUT DRAGON ENERGY

Dragon Energy Limited ("Dragon", ASX: DLE) listed on the Australian Securities Exchange (ASX) in February 2009. Dragon's exploration portfolio in Western Australia includes numerous multi-commodity targets, including Co, Fe, Mn, Au and base metals.

DISCLAIMER

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

COMPETENT PERSONS STATEMENT:

The information in this announcement that relates to Tabac Project Exploration Results is based on information compiled and fairly represented by Mr Jonathan King, who is a Member of the Australian Institute of Geoscientists and is an employee of Dragon Energy. Mr King has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Tenement Reference	Status	Tenement Schedule		
		Interest at beginning of quarter	Acquired/(Disposed) during the quarter	Interest at end of quarter
E08/2211-I	Granted	47.2%		47.2%
E08/2210-I	Granted	47.2%		47.2%
E08/2209-I	Granted	47.2%		47.2%
E47/2417-I	Granted	47.2%		47.2%
R47/8-I	Granted	100%		100%
E47/952-I	Granted	100%		100%
P47/1429-I	Granted	100%		100%
ELA53/1891	Application	0		100%
ELA53/1895	Application	0		100%

APPENDIX 1: PRIMARY ASSAY RESULTS

Hole	From	To	Au g/t	Ag g/t	Co ppm	Co%
PP009	0	10	0.00	0	30	0.00
PP009	10	20	0.00	0	35	0.00
PP009	20	29	0.00	0	20	0.00
PP009	29	39	0.00	0	15	0.00
PP009	39	49	0.00	0	35	0.00
PP009	49	59	0.00	0	45	0.00
PP009	59	69	0.00	0	65	0.01
PP009	69	79	0.00	0	45	0.00
PP009	79	89	0.00	0	30	0.00
PP009	89	99	0.00	0	35	0.00
PP009	99	109	0.00	0	45	0.00
PP009	109	119	0.00	0	55	0.01
PP009	119	129	0.00	0	45	0.00
PP009	129	139	0.00	0	50	0.01
PP009	139	147	0.00	0	50	0.01
PP009	278	288	0.00	7	505	0.05
PP009	288	298	0.00	8	195	0.02
PP009	298	308	0.00	3	175	0.02
PP009	308	318	0.10	2	340	0.03
PP009	318	328	0.29	0	455	0.05
PP009	328	338	0.00	3	975	0.10
PP009	338	348	0.24	3	485	0.05
PP009	348	358	0.00	7	220	0.02
PP009	358	368	0.86	2	3350	0.34
PP009	368	378	0.19	4	3250	0.33
PP009	378	388	0.14	15	2400	0.24
PP011	0	10	0.00	0	10	0.00
PP011	10	20	0.00	0	10	0.00

Hole	From	To	Au g/t	Ag g/t	Co ppm	Co%
PP011	20	30	0.00	0	25	0.00
PP011	30	40	0.00	0	40	0.00
PP011	40	50	0.00	0	45	0.00
PP011	50	60	0.00	0	35	0.00
PP011	60	70	0.00	0	55	0.01
PP011	70	80	0.00	0	40	0.00
PP011	80	90	0.00	0	45	0.00
PP011	90	100	0.00	0	35	0.00
PP011	100	110	0.00	0	45	0.00
PP011	110	120	0.00	0	45	0.00
PP011	120	130	0.00	0	40	0.00
PP011	130	140	0.00	0	30	0.00
PP011	140	150	0.00	0	40	0.00
PP011	150	160	0.67	17	445	0.04
PP011	160	170	0.00	2	340	0.03
PP011	170	180	0.19	10	1	1.47
PP011	180	190	0.00	6	7000	0.70
PP011	190	200	0.10	0	6050	0.61
PP011	200	210	0.14	0	6700	0.67
PP011	210	220	0.48	3	7350	0.74
PP011	220	230	0.29	1	7250	0.73
PP011	230	240	0.67	7	7550	0.76
PP011	240	248	1.48	6	5150	0.52

APPENDIX 2: DRILL COLLARS

HOLE_ID	EAST	NORTH	RL	AZI	DIP	DEPTH
PP009	784265.62	7063889.34	560.00	0	-90	394
PP011	791265.34	7061579.61	529.00	0	-90	247.5

APPENDIX 3: RE-SPLIT ASSAYS

Hole	From	To	Au g/t	Ag g/t	Co ppm
PP009	358	359	<0.05	<5	<5
PP009	359	360	<0.05	<5	<5
PP009	360	361	<0.05	<5	<5
PP009	361	362	0.06	<5	<5
PP009	362	363	<0.05	<5	<5
PP009	363	364	<0.05	<5	<5
PP009	364	365	<0.05	<5	<5
PP009	365	366	<0.05	<5	<5
PP009	366	367	<0.05	<5	<5
PP009	367	368	<0.05	<5	<5
PP011	170	171	<0.05	<5	<5
PP011	171	172	<0.05	<5	<5
PP011	172	173	<0.05	<5	<5
PP011	173	174	<0.05	<5	<5
PP011	174	175	<0.05	<5	<5
PP011	175	176	<0.05	<5	<5
PP011	176	177	<0.05	<5	<5
PP011	177	178	<0.05	<5	<5
PP011	178	179	<0.05	<5	<5
PP011	179	180	<0.05	<5	<5

APPENDIX 4: MANAGING DIRECTOR KEY TERMS AND CONDITIONS

Mr Jonathan King will commence as Managing Director, effective as of today. Mr King will be paid a salary of \$210,000 per year. The Company may at any time during employment pay to Mr King a performance-based bonus over and above the Salary (Performance Based Bonus). In determining the extent of any Performance Based Bonus, the Company shall take into consideration the key performance indicators of the Executive and the Company, as the Company may set from time to time, and any other matter that it deems appropriate. The Executive is entitled to take 20 working days annual leave per year and in addition to the Salary, will receive director's fees from the Company during such period as the Executive serves as a director of the Company as determined by the Board. Mr King is entitled to a notice period of 3 months.

Subject to shareholder approval, Mr King will also be entitled to 10 million employee options with an exercise price of \$0.03 and expiry date of 31 December 2019.

JORC CODE, 2012 EDITION – TABLE 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Comments
<i>Sampling techniques</i>	Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.	Samples were taken from two vertical (-90°) Diamond drill holes with RC pre-collars. PP009 was initially percussion drilled to 147m then diamond drilled to 278m in 1983. This hole was extended to 394m the following year in 1984. PP011 was percussion drilled to 150.25m then diamond drilled to 247.5m in 1984. Both holes were BQ core size and drilled by ACM.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	As both holes were drilled in the early 1980's no down hole surveys were recorded and given both holes are vertical, it is assumed no downhole surveys were undertaken.
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	As this data was based entirely on data provided by previous project operators, the following information has been sourced from Annual Exploration reports provided to the Department of Mines and Petroleum: - No record was reported of percussion drilling diameter and both diamond holes were noted as BQ core size. Core was assayed for Au, Ag, Cu, Pb, Zn, Mn, As, P, Ba, Ti Hg and Pt. Core samples were assayed over 10m composite intervals
	In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	BQ Core was sampled on initial 10m composite intervals. With a 1m re-split of 10m intervals re-sampled from each of PP009 and PP011. Reported re-assaying of initial 10m core samples appears erroneous in annual exploration reports. 1m re-assays have been reported with grades that do not match the anomalous intervals 10m composite intervals in PP009 and PP011. No details were recorded of how resamples were taken from the 10m intervals or how multiple samples were achieved from the small (BQ, 36.5mm) core diameter, nor was any commentary provided on the discrepancy between the two assay batches. The company intends to undertake its own confirmatory

Criteria	JORC Code explanation	Comments
		drilling to validate historical results.
		The company has also highlighted this in the text of the announcement and included both the Primary and re-split assays
<i>Drilling techniques</i>	Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	Both holes reported in this announcement are BQ size diamond core with percussion (RC) pre-collars. Both holes were drilled vertically to intersect the flat lying stratabound sequences. No downhole survey results were reported.
<i>Drill sample recovery</i>	- Method of recording and assessing core and chip sample recoveries and results assessed. - Measures taken to maximise sample recovery and ensure representative nature of the samples. - Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Core recoveries were noted in the drill logs in exploration reports with no significant core loss noted. As drilling was undertaken by previous project operators- No records of Measures taken to maximise sample recovery and ensure representative nature of the samples were recorded. No sample bias has been reported in annual exploration reports of previous project operators.
<i>Logging</i>	- Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. - Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. - The total length and percentage of the relevant intersections logged.	All RC and diamond drill holes have been logged and detail lithology and core recovery. Subsequent drilling is planned by the company which will be geologically and geotechnically logged to a modern level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Logging has been conducted qualitatively but not quantitatively with logging codes assigned to all intervals and descriptions of lithologies, alteration and mineralisation of interest. No percentages estimates on veining, weathering, quartz and numeric scale of hardness were reported. The entire length of all RC and Diamond drill holes has been assigned lithological designations, descriptions of structures,

Criteria	JORC Code explanation	Comments
		alteration and mineralogy.
<i>Sub-sampling techniques and sample preparation</i>	· If core, whether cut or sawn and whether quarter, half or all core taken. · If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. · For all sample types, the nature, quality and appropriateness of the sample preparation technique. · Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. · Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. · Whether sample sizes are appropriate to the grain size of the material being sampled.	No record was located of the core sampling procedure, it is unknown what proportion of the core was sent for analysis. 10m core samples were submitted. No record of the drill cuttings being riffled, tube sampled or rotary split were recorded nor whether samples were wet or dry. Diamond core was sampled at consistent 10m intervals with no sample weight reference retained Given the age of the data used that all drilling was undertaken by previous operators, accurate records of QA/QC do not exist. No record of field duplicates was located. Reported re-assaying of initial 10m core samples appears erroneous in annual exploration reports. 1m re-assays have been noted on intervals that do not match the anomalous intervals in PP009 and grades that do not match the 10m composite intervals in PP011. Given the age of the drilling, no details of how resamples were taken from the 10m intervals or how multiple samples were achieved from the small (BQ, 36.5mm) core diameter. No consistent sample grain sizes were recorded.
<i>Quality of assay data and laboratory tests</i>	· The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. · For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	Assays were analysed by an external company at MinLab in East Perth. The core was assayed for Au, Ag, Cu, Pb, Zn, Mn, As, P, Ba, Ti Hg and Pt. No record of sample preparation or assay method was reported. Not used for grade reporting or interpretation.

Criteria	JORC Code explanation	Comments
	Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	Given the age of the data, no Quality Controls were reported.
<i>Verification of sampling and assaying</i>	- The verification of significant intersections by either independent or alternative company personnel. - The use of twinned holes. - Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. - Discuss any adjustment to assay data.	No record of independent verification exists. No twinned holes were recorded in the database. Drilling predates the widespread use of field base data loggers. Grades reported in this announcement were data entered from logs and assay reports in annual exploration reports. No adjustments were made to assay data presented in this report
<i>Location of data points</i>	- Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. - Specification of the grid system used. - Quality and adequacy of topographic control.	No reference to survey accuracy has been made in exploration reports. Collar locations were referenced on exploration plans in latitude and longitude. No modern DTM control is known to exist over the project area
<i>Data spacing and distribution</i>	- Data spacing for reporting of Exploration Results. - Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. - Whether sample compositing has been applied.	Only the two holes referenced in this report are deep enough to intersect the target Maraloou formation. The spacing between these two holes is 7.3 km. Infill and confirmation drilling is required before a mineral resource in accordance with the JORC 2012 Edition can be reported. 10m downhole composite samples were assayed on BQ core.
<i>Orientation of data in relation to</i>	Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is	The stratigraphy of the basin is flat lying and gently dipping (<10 degrees to the west). Vertical drill holes are thus deemed

Criteria	JORC Code explanation	Comments
<i>geological structure</i>	known, considering the deposit type.	representative and relatively unbiased.
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	No, the relationship between the drilling orientation and the orientation of key mineralised structures is not considered to have introduced a sampling bias
<i>Sample security</i>	The measures taken to ensure sample security.	No record has been kept relating to the security of the samples taken by previous operators
<i>Audits or reviews</i>	The results of any audits or reviews of sampling techniques and data.	No record of audits or reviews by previous operators has been located

SECTION 2 REPORTING OF EXPLORATION RESULTS

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.	The Tabac project consists of two exploration license applications E53/1891 and E53/1895 in Western Australia. The Applications are held by PETER ROMEO GIANNI and overly a miscellaneous held by ROSSLYN HILL MINING PTY LTD. DLE has the exclusive option to acquire a 100% interest in the Tabac Cobalt project through the purchase of Westview Pty Ltd (an entity associated with PETER ROMEO GIANNI). Payment consideration includes: - Non-refundable Option fee payment of \$50,000 (excluding GST) payable in cash - Upon shareholder approval: - Payment of \$50,000 (excluding GST) in cash 150,000,000 fully paid ordinary shares in the capital of DLE (Consideration Shares); 62,500,000 Performance Shares (subject to ASX approval per Listing Rule 6.1) issued to Class B shareholders in Westview Resources on the following terms and conditions, being: 31,250,000 Class A Performance Shares for the achievement of an Inferred

Criteria	JORC Code explanation	Commentary
		Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements (Performance Shares Milestone 1); and • 31,250,000 Class B Performance Shares for the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements (Performance Shares Milestone 2); • Payment of a 2% Net Smelter Royalty ("NSR") on the production of any metals from the project.
		At present Dragon has paid the \$50,000 cash based option fee consideration and is conducting due diligence.
	· <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	E53/1891 and E53/1895 are still under application.
<i>Exploration done by other parties</i>	· <i>Acknowledgment and appraisal of exploration by other parties.</i>	All work referenced in this announcement has been undertaken by previous project operators and is deemed appropriate to industry standards at the time of operation. The majority of the material work undertaken was by ACM in 1983 and 1984

Criteria	JORC Code explanation	Commentary
<i>Geology</i>	<i>Deposit type, geological setting and style of mineralisation.</i>	The general palaeoenvironment of the Tabac project lends encouragement for exploration for Zambian Copperbelt and/or Kuferschiefer-style mineralisation. This Glengarry Basin deposition model proposed by Drummond in the 1983/1984 exploration reports bears a close stratigraphic and age resemblance to the African Copperbelt and Zechstein deposit models. Copperbelt/Kuferschiefer-style mineralisation deposits are defined by sabkha (salt flat) type evaporative conditions prevailing across a wide carbonate inner ramp preserving organic carbon and the formation of syngenetic to early diagenetic pyrite. The later introduction of an oxidising Cobalt bearing brine reduces against this preserved carbonaceous front resulting in the deposition of strata bound sulphide mineralisation.
<i>Drill hole Information</i>	<i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i>	The drill holes reported in this announcement have the following parameters applied: Eastings and Northings are MGA94z50; PP009: 784265.620 mE and 7063889.340 mN, PP011; 791265.340mE and 7061579.610 mN RL is AHD; PP009- 560.000mRL, PP011- 529.000mRL Dip is the inclination of the hole from horizontal (i.e. a hole drilled vertically down from the surface is -90°) . Azimuth is reported in degrees as the direction towards which the hole is drilled. Both holes are vertical; -90° towards 360° Down hole length of the hole is the distance from the surface to the end of the hole, as measured along the drill trace. Interception depth is the distance down the hole as measured along the drill trace. Intersection width is the downhole distance of an intersection as measured along the drill trace.

Criteria	JORC Code explanation	Commentary
	o <i>hole length.</i>	Hole length is the distance from the surface to the end of the hole, as measured along the drill trace. PP011; 247.5m and PP009; 394m
	· <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i>	All results relating to the drill sections provided have been stated
<i>Data aggregation methods</i>	· <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i>	No upper or lower grade truncations have been applied
	· <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i>	10m composite assays were taken from drill core by previous operators
	· <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	No Metal equivalence are reported.
<i>Relationship between mineralisation widths and intercept lengths</i>	· <i>These relationships are particularly important in the reporting of Exploration Results.</i>	The intersection width is measured down the hole trace and is not the true width. Cross sections provided in the announcement allow the relationship between true and down hole width to be viewed.
	· <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i>	Drill holes are drilled perpendicular to the low angle strataform mineralisation. The geometry of the mineralisation is inferred by the matching stratigraphy of the two vertical holes
	· <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not</i>	All drill results within this announcement are downhole intervals only. True width is not known and will be calculated from further diamond drilling but is not expected to materially differ

Criteria	JORC Code explanation	Commentary
	<i>known').</i>	from the widths reported
<i>Diagrams</i>	<i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	Given the cross section only contains two drill holes, no plan view of the section was deemed appropriate
<i>Balanced reporting</i>	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	All results including those with no significant interceptions have been reported.
<i>Other substantive exploration data</i>	<i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	No other exploration data is considered meaningful and material to this announcement. Bulk density, groundwater, geotechnical and rock characteristics were not recorded in the historical drilling
<i>Further work</i>	<i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided</i>	Infill holes will be drilled to define the continuity of mineralisation and Specific Gravity, metallurgical and geotechnical samples. Future drilling areas have not currently been defined. Drill targeting and planning will commence once preliminary geophysical and geological studies are received.

Criteria	JORC Code explanation	Commentary
	<i>this information is not commercially sensitive.</i>	