



**DRAGON
ENERGY**

DRAGON ENERGY SECURES EXCLUSIVITY OVER HEAVENER COKING COAL PROJECT

ASX ANNOUNCEMENT

6 MAY 2009

Dragon Energy Limited (ASX: DLE, "Dragon Energy") is pleased to announce that it has signed an agreement with Farrell-Cooper Mining Company ("Farrell-Cooper") providing Dragon Energy with exclusive rights to conduct due diligence and negotiate the acquisition of a majority interest in the Heavener coking coal project. Under the agreement, Dragon Energy is required to pay a monthly exclusivity fee and the first of such monthly payments has been made.

The Heavener coal project is located in Scott County, Arkansas and LeFlore County, Oklahoma in the Arkansas Coal Valley, an established coal mining region. The project covers an area of approximately 6,284 acres (see attached location map). The Kansas City Southern Railway line runs past the western and southern boundary of the project and a rail load-out facility exists near the western end of the lease area.

Farrell-Cooper recently completed surface mining of the Heavener coal project producing approximately 400,000 tons per annum of unwashed Lower Hartshorne seam coal for sale to domestic and international steel and industrial customers. Further mining of the Heavener coal project is now planned to include development of an underground mine and/or coal washing facility to produce a high quality, low to mid-volatile metallurgical coal.

The Lower Hartshorne coal seam on the Heavener project ranges from 1.5 metres to 4.5 metres in thickness and dips from surface to the north at 5 to 16 degrees. There has been extensive exploration on the Heavener coal project by previous lease holders showing the continuity of the coal seams. Whilst no JORC-compliant coal resource has been estimated to date, Dragon Energy intends to complete the calculation of a JORC-compliant coal resource as part of its due diligence utilising existing data available for the project.

Managing Director Xu Gang said: "This is a tremendous opportunity for Dragon Energy to build a near-term cash flow business through the development of a hard coking coal mine at Heavener."

"The directors of Farrell-Cooper recently met with us in China to outline the plans for the project and it is clear that significant preparatory work has already been completed on the feasibility of developing an underground mine and operation at Heavener."

"Based on the information we have to date, we believe that there is an exciting opportunity to develop the Heavener mine to service both the domestic and international coking coal markets. A key advantage of this project is the rail infrastructure located near to the project providing direct access to the US domestic steel market as well as the major ports in the Gulf of Mexico and the significant steel making industry in Mexico."

"We also look forward to building a long-term relationship with a successful and established US coal mining company such as Farrell-Cooper."

Mr Jie Chen, the Chairman of Dragon Energy, added that: "The Shandong Taishan Sunlight Group ("the Shandong Group"), as the major cornerstone shareholder in Dragon Energy, will provide Dragon Energy with extensive underground coal mining expertise to develop the Heavener project".

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The Shandong Group holds one of the best safety records in the underground coal mining industry in the People's Republic of China.

Mr Chen further added that: "The review of this project is consistent with Dragon Energy's stated strategy to look for opportunities in near-production projects in politically stable countries like Australia and the United States".

Preliminary due diligence on the Heavener coal project is now underway and, if successful, Dragon Energy intends to complete a full feasibility study at the earliest opportunity.

A map showing the location of the Heavener coal project is attached.

For further information please refer to our website www.dragonenergytld.com or contact:

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About Dragon Energy

Dragon Energy Limited is an exploration and resources company with a focus on its phosphate projects located in the Georgina Basin in the Mt Isa mining province in Queensland, Australia. Dragon Energy listed on the Australian Securities Exchange (ASX) in February 2009 with the Shandong Taishan Sunlight Group Company Limited (the Shandong Group) as its major shareholder. The Shandong Group controls 1.5 billion tonnes of coal and 100 million tonnes of iron ore resources in China. It holds one of China's best safety records in underground mining with over 17 years of no fatality. The Shandong Group, a private enterprise in China, is a strategic investor in Dragon Energy and will apply its considerable financial and industry resource to support Dragon Energy's plans for growth.

Dragon Energy is managed by a highly experienced staff comprising mining individuals with experience in mineral exploration, development, financing and operations.

www.dragonenergytld.com.au

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