

Introduction

Dragon Energy Limited (ASX: DLE) has the rights to phosphate exploration projects located west and northwest of Mt Isa, Queensland. The granted tenements, EPM14712, EPM14935 and EPM15212 are located in a geological environment that is host to Australia's largest operating phosphate mine, Phosphate Hill and a number of significant phosphate resources that are at an advanced stage of development

Exploration Activities

Georgina Basin Phosphate Project

Big Toby, EPM15212 is located along the eastern margin of the Georgina Basin, Australia's premier phosphate province. The tenement covers a 70km long zone prospective for phosphate mineralisation some 45km west of Mt Isa. Exploration in EPM15212, undertaken by Queensland Phosphate Limited in 1976, reported phosphate intersections of 1.5m at 11% P₂O₅ from 75m below surface in the Beetle Creek Formation in drill hole PDHMU31.

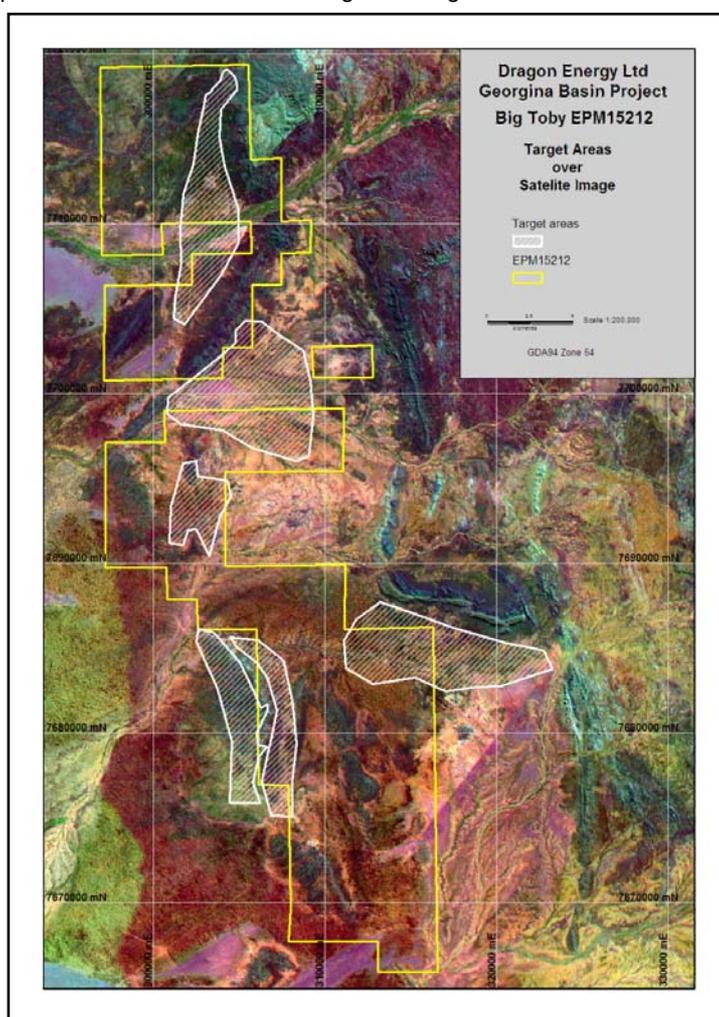
During the wet season when field activities were not possible due to difficult ground conditions Dragon Energy has continued to develop exploration models and drill targets using data from an airborne electromagnetic survey (TEMPEST) carried out over the Big Toby Project in 2008.

The aim of this work has been to map the general location of the basin margin and to identify shelf zones and embayment areas that have the potential to host phosphate mineralisation at shallower depths than previously reported.

The Cambrian age, Beetle Creek Formation is present over a large area of the tenement and this unit is the host to shallow phosphate mineralisation elsewhere in this part of the Georgina Basin.

As a result of the TEMPEST survey processing and interpretation several inferred embayment features have been identified. Generally in these areas the Beetle Creek Formation is obscured by Mesozoic and younger cover sediments. The five separate target zones have a total area of 158 km² and are located in the centre and northern areas of the tenement, Figure 1, generally to the north of the historic, deeper phosphate intersections.

The Company will undertake a 22 hole reverse circulation drilling programme during the next quarter to test each of the target areas with the aim of identifying near surface phosphate mineralisation.



Acquisition and Joint Venture Opportunities

During the quarter, the Company continued to actively pursue acquisition and joint venture opportunities in the commodities sector focusing on projects in the coal and iron ore sectors both in Australian and overseas.

The Company sent a delegation during the quarter to the coal mining states located in the southern region of the United States to review a number of project opportunities. These opportunities included the Heavener Coal Project located in Oklahoma/Arkansas announced to ASX on 6 May 2009. The period of exclusivity on this project has been lapsed. The review of this project is consistent with Dragon Energy's stated strategy to examine opportunities in near-production projects in politically stable countries like Australia and the United States. The Company is continuing to monitor opportunities in the United States as it is regarded to be of significant strategic potential.

The Directors are also currently reviewing coal projects in the Bowen and the Clarence-Moreton Basins in Queensland. The coal assets range from exploration stage through to projects containing a JORC compliant resource and contain both coking and thermal coals.

Several iron ore projects in Western Australia are also in the process of being evaluated. Dragon Energy has chosen to focus on projects that contain JORC compliant resources, are well located in regard to infrastructure requirements and have iron contents that make the ore an attractive proposition for direct shipping. Over the longer term, with strengthening commodity prices and its strategic relations with Chinese investors and mining industry contacts, Dragon Energy believes such acquisitions will form the basis to build a foundation for future growth.

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

Xu Gang
Managing Director
Dragon Energy Limited
Telephone: (08) 9322 6009

Anthony Ho
Executive Director
Dragon Energy Limited
Telephone: (08) 6389 2688

Competent Person's Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Gang Xu (Managing Director) and Mr. Lindsay Cahill (Exploration Manager), who are members of The Australasian Institute of Mining and Metallurgy. They have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Messrs Xu and Cahill consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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.dragonenergy.com.au

ASX Code: DLE

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

DRAGON ENERGY LTD

ABN

38 119 992 175

Quarter ended ("current quarter")

30 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(229)	(267)
(b) development	-	-
(c) production	-	-
(d) administration	(95)	(362)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	89	117
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(235)	(512)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	(300)
(b)equity investments	-	-
(c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2)	(302)
1.13 Total operating and investing cash flows (carried forward)	(237)	(814)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(237)	(814)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.(net)	-	6,087
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	42
1.17	Repayment of borrowings	(2)	(174)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	(2)	5,955
	Net increase (decrease) in cash held	(239)	5,141
1.20	Cash at beginning of quarter/year to date	5,498	109
1.21	Exchange rate adjustments to item 1.20	(1)	8
1.22	Cash at end of quarter	5,258	5,258

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	100
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Executive director's remuneration	65
Non-executive director's remuneration	25
Services provided by director-related entities	10

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(265)
4.2 Development	-
Total	(265)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,134	1,454
5.2 Deposits at call	4,124	4,044
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,258	5,498

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	142,379,707	45,498,100		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	- -	- -
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	11,150,000	-	<i>Exercise price</i> \$0.30	<i>Expiry date</i> 31 May 2012
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: **29 July 2009**
(Director)

Print name: **Gang Xu**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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