



EXPLORATION UPDATE

ASX ANNOUNCEMENT

6 OCTOBER 2009

Review of Exploration

In September Dragon Energy Ltd ("Dragon" or the "Company") carried out a 14 hole reverse circulation drill programme at the Big Toby prospect located 40km west of Mt Isa. The objective was to test for shallow phosphate mineralisation along the margin of the Georgina Basin in target areas defined by geology and airborne electromagnetic surveys. The results from the drilling are disappointing and have not provided any basis for ongoing phosphate exploration within EPM15212.

In addition to EPM15212 Dragon held the rights to two phosphate deposits located some 300km northwest of Mt Isa, at Babbling Brooke Hill, EPM14712 and Riversleigh, EPM14935. Both deposits were discovered and evaluated in the late 1960s and have not had any more recent exploration. The mineralisation is of moderate grade and located close to the surface but the deposits are considered small given the location and the lack of nearby infrastructure. Dragon has evaluated all available historical data and formed a view that there is limited potential for high grade phosphate mineralisation that could form the basis of a direct shipping operation. The tenements are located in close proximity to environmentally protected areas which imposes further constraints on any eventual exploitation.

Termination of Phosphate Rights Option Agreement

In recent months, the Company conducted a review of exploration project opportunities and as a result of this review, has restructured its exploration priorities. Following the exploration work on its phosphate project in the Georgina Basin, subject of the Phosphate Rights Option Agreement with Summit Resources Ltd (ASX:SSM) and MM Mining Pty Ltd (the "Agreement"), the Company has decided to withdraw from the Agreement. The terms of the Agreement provided that Dragon Energy has a commitment to spend a minimum of \$1.2m during a 1-year period. Upon satisfaction of this commitment, Dragon Energy has the option to spend a further \$1.0m and gain the right to acquire the phosphate rights under the tenements for \$7.5m payable in cash or shares. As part of the termination of all obligations under the Agreement, Dragon Energy will pay \$125,000 to the joint owners of the tenements. Dragon Energy has satisfied all environmental and rehabilitation obligations under the Agreement.

Authorised by:

Gang Xu
Managing Director

A C N 1 1 9 9 9 2 1 7 5

Suite 2, Ground Floor, 46 Ord Street, West Perth, Western Australia, 6005

T: (61-8) 9322 6009 F: (61-8) 9322 6128

Registered Office: 79 Broadway, Nedlands, Western Australia, 6009

T: (61-8) 6389 2688 F: (61-8) 6389 2588

For further information or corporate opportunities please refer to our website www.dragonenergyltd.com.au or contact:

Gang Xu
Managing Director
Dragon Energy Limited
Telephone: +61 8 9322 6009
Mobile: +61 411 039 645

Anthony Ho
Executive Director/Company Secretary
Dragon Energy Limited
Telephone: +61 8 6389 2688
Mobile: +61 422 862 829

About Dragon Energy

Dragon Energy Limited (ASX: DLE) is an exploration and resources company. The listing of Dragon Energy on the Australian Securities Exchange (ASX) in February 2009 was facilitated by a cornerstone investor, the China-based Shandong Taishan Sunlight Group Company Limited ("Shandong Group"). Shandong Group controls 1.5 billion tonnes of coal and 100 million tonnes of iron ore resources in China as well as engaging in steel making and power generation. Shandong Group, essentially a private enterprise, will avail direct and indirect financial capacity and funding capability, wide industry connections, and mining know how, to underpin plans for Dragon Energy's growth and pursuit of suitable mine projects world-wide.

Dragon Energy has a twofold strategy:

- To participate in exploration projects with a view to advancing the status of the projects through to development or alternatively to introduce appropriate and suitable overseas partners, particularly from China, who may take long term positions in those project development opportunities; and
- To secure a leading position in advanced minerals projects and to bring development to fruition at the earliest opportunity.

Since listing, Dragon Energy has already evaluated a number of bulk commodity projects in Australia and USA and some metalliferous projects in Australia with a view to participating or securing development opportunities. Although preferred targets are in iron ore and coal, other commodities and minerals will be considered for review.

Dragon Energy's project evaluation efforts are facilitated by a small, but highly experienced, team of professionals with, collectively, vast experience in mineral exploration, development, financing and operations in Australia and overseas, in particular in start up projects.

www.dragonenergyltd.com

ASX Code: DLE