

DRAGON ANNOUNCES UNDERWRITTEN \$21.4M RIGHTS ISSUE AND OPTION ENTITLEMENT ISSUE

ASX ANNOUNCEMENT

12 JANUARY 2011

- **1 for 2 Rights Issue at A\$0.30 per share and 1 for 3 Option Entitlement Issue at A\$0.001 per option to raise up to A\$21.4m**
- **Minimum A\$18.0m underwritten by major shareholder Shandong Group**
- **Part of the funds raised to finance the acquisition of the Rocklea Project with a JORC Inferred Resource of 63.1Mt @ 53.4% Fe (60.4% caFe)**
- **The balance of the funds will be applied to new acquisitions and general working capital.**

Dragon Energy Ltd (ASX: **DLE**) is pleased to announce an underwritten 1 for 2 non-renounceable rights issue to raise approximately \$21.35 million (**Rights Issue**). The Company will also undertake a 1 for 3 pro-rata non-renounceable entitlement issue of options (exercisable at \$0.35 each and expiring 18 November 2014) (**New Options**) to shareholders, to raise approximately \$47,460 (**Option Entitlement Issue**). Together, the Rights Issue and Option Entitlement Issue will raise up to \$21.4 million (the **Offers**).

The Rights Issue will be offered to existing shareholders on the basis of one (1) new share for every two (2) shares held at the record date at an issue price of \$0.30 per share (**New Share**) to raise approximately \$21.35 million (before costs).

The Option Entitlement Issue will be offered to existing shareholders on the basis of one (1) New Option for every three (3) shares held at the record date at an issue price of \$0.001 per New Option to raise approximately \$47,460 (before costs). The Company will apply for quotation of the New Options on the Australian Securities Exchange.

Based on the Company's current issued capital the Offers will result in 71,189,854 New Shares and 47,459,902 New Options being issued.

The Company's major shareholder, Shandong Taishan Sunlight Group Company Limited (**Shandong Group**), has committed to underwrite a minimum of A\$18.0 million for the Rights Issue. The Shandong Group has also confirmed their intention to subscribe for their full entitlement under both the Rights Issue and Option Entitlement Issue.

Part of the funds raised from the Offers will be applied to finance the acquisition of the Rocklea Project. The balance of the funds will be applied to new acquisitions and general working capital. The Rocklea Project (as announced to the market on 22 October 2010) has a JORC inferred Resource of 63.1Mt grading 53.4% Fe (60.4% caFe), including a higher grade component of 28.2Mt grading 55.6% Fe (62% caFe). This project together with the recently acquired Nameless Project will be Dragon Energy's flagship projects.

Commenting on the Offers, Dragon Energy's Managing Director Mr Gang Xu said: "We are very pleased to offer our shareholders the opportunity to participate in these capital raisings. We will fast track our flagship projects and continue to build a quality portfolio of mineral projects."

"We are very privileged to secure underwriting support from our major shareholder the Shandong Group. The funds from these capital raisings will underpin an exciting future for Dragon Energy."

Further details of the Offers including the timetable and the full terms and conditions of the New Options will be detailed in a prospectus proposed to be lodged with ASIC on or about 18 January 2011.

Authorised by:

**Gang Xu
Managing Director**

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About Dragon

Dragon Energy Limited (**Dragon**) listed on the Australian Securities Exchange (ASX) in February 2009 (**ASX: DLE**). The Company's listing on the ASX was facilitated by cornerstone investor the China-based Shandong Taishan Sunlight Group Company Limited ("Shandong Group"), which controls 1.5Bt of coal and 100Mt of iron ore resources in China as well as engaging in steel making and power generation. It has also facilitated many large commercial mining transactions in the Chinese resources sector. Shandong Group is a private enterprise and provides Dragon with direct and indirect financial capacity, wide industry connections, and mining know how, to underpin Dragon's growth and pursuit of mineral projects.

Dragon's flagship projects are the Rocklea and Nameless Iron projects in the Pilbara region with a sizeable JORC resource defined at Rocklea and significant CID exploration targets at Nameless. Dragon Energy's portfolio of tenements has numerous multi-commodity targets, including Fe, Mn, Au and U in Western Australia and coal interests in Queensland.

Competent Person's Statement

"The information in the report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Mark Hafer, who is a Member of The Australian Institute of Geoscientists. Mr Hafer is a full-time employee of the company. Mr Hafer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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'. Mr Hafer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears".