

COMMENCEMENT OF SCOPING STUDY FOR DRAGON ENERGY'S PILBARA IRON PROJECT

- GHD appointed as lead consultant for the Pilbara Iron Project Scoping Study
- Scoping Study expected to be completed in late September

As reported in the June Quarterly Report, Dragon Energy Limited ("Dragon", **ASX: DLE**) made an in principle decision to pursue rapid development of its Pilbara Iron Project (the "Project"). To progress this initiative, Dragon is pleased to announce the appointment of GHD Pty Ltd ("GHD") as lead consultant for the scoping study of the Project. This study is expected to be completed in late September and will examine Dragon's options for developing the Project. The scoping study will take into consideration Dragon's objectives, specifically:

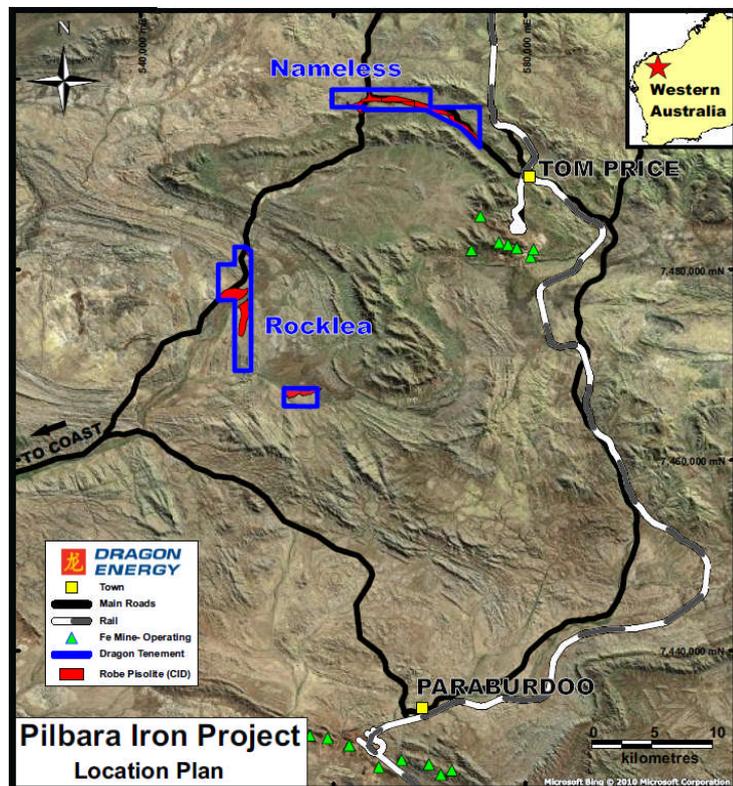
- Early development with emphasis on speed to market; and
- Maximise self-determination for transportation infrastructure.

Dragon selected GHD after reviewing proposals from five competing consulting groups. Commenting on this appointment, Dragon's Managing Director, Mr Gang Xu said: "Dragon is very pleased to engage the services of GHD, a highly reputable engineering group, to conduct the scoping study on our flagship Pilbara Iron Project."

About the Pilbara Iron Project

Dragon's Pilbara Iron Project consists of two advanced iron ore exploration projects (Rocklea and Nameless) located in Central Pilbara. The projects are in close vicinity to Rio Tinto's Tom Price and Paraburdoo mines (see Location Plan).

Both Rocklea and Nameless host channel iron style mineralisation, which is typically found and mined in Western Pilbara. Drilling by the previous owner defined the iron ore mineralisation on both projects.

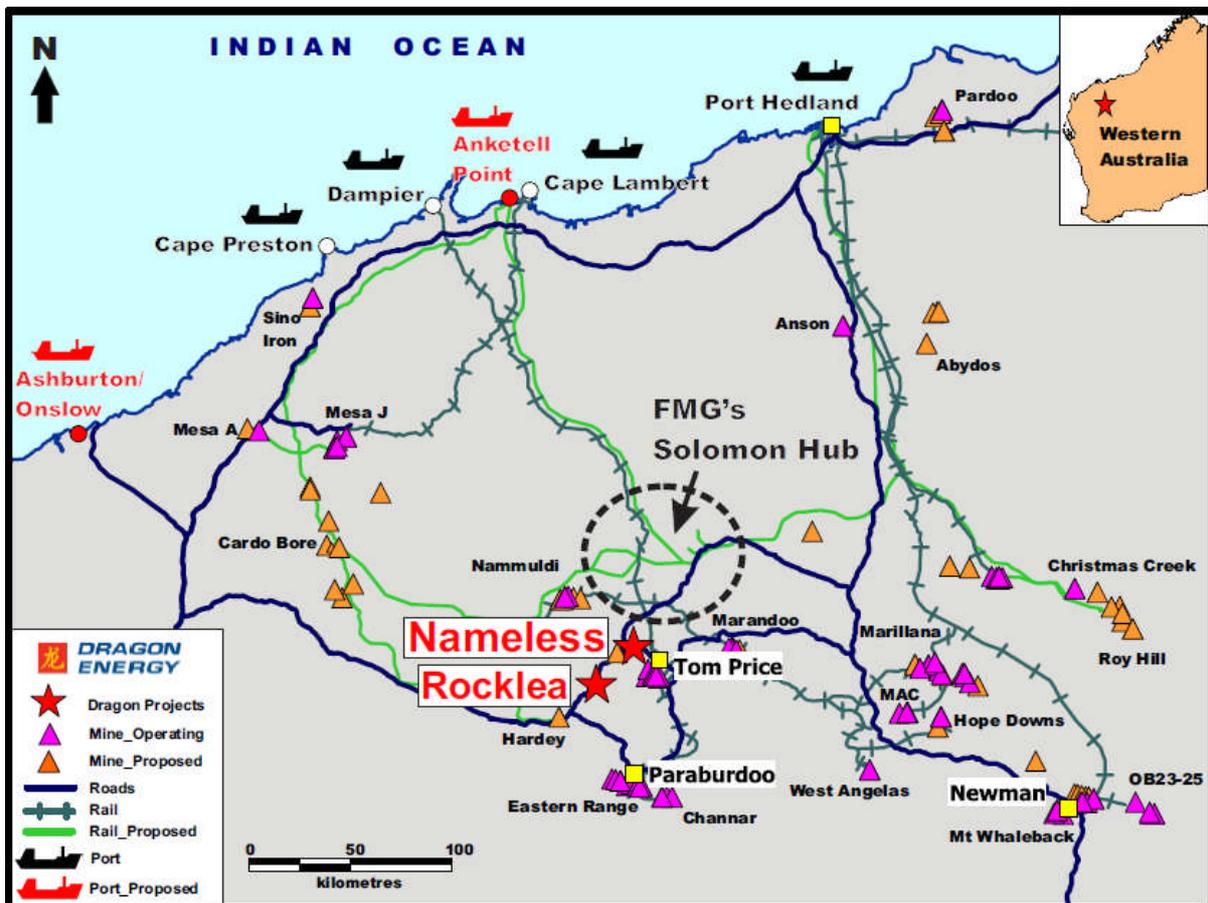


At Rocklea, the current JORC inferred Resource is 63.1Mt @ 53.4% Fe (60.4% caFe), as shown in the following table. At Nameless, Dragon defined an exploration target of 140-190Mt @ 48-52% Fe (54-56% caFe). Dragon is about to launch its own drilling programmes aiming to increase the confidence level of the Resource at Rocklea, and to delineate a maiden resource at Nameless.

	Million tonnes	Fe (%)	caFe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (1000°C)(%)	Cut-off grade
Inferred	63.1	53.38	60.37	7.69	2.54	0.03	11.59	50%

Source: Golder Associates 2009 Resource Statement prepared for AusQuest Limited

The Project is located within major public and private transportation infrastructure corridors (see diagram below). As part of the scoping study, Dragon will determine the most suitable transportation solution consistent with its stated objectives.





About GHD

GHD is one of the world's leading engineering, architecture and environmental consulting companies. Established in 1928, GHD employs more than 6,000 people across five continents and serves clients in the global markets of energy and resources, water, environment, property and buildings, and transportation.

Wholly-owned by its people, GHD is focused on client success. GHD's global network of engineers, architects, planners, scientists, project managers and economists collaborate to deliver sustainable outcomes for its clients and the community.

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About Dragon Energy

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 technical expertise, to underpin Dragon's growth and pursuit of mineral projects.

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'. The information that relates to the Mineral Resources Estimate has been compiled by Mr Stephen Godfrey who is a Member of the Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists and an employee of Golder Associates Pty Ltd. Mr Hafer and Mr Stephen Godfrey consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

EXPLORATION TARGETS

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this report relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Therefore the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource.