



**DRAGON
ENERGY**

ACN 119 992 175

**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM**

Date of Meeting

Wednesday, 16 November 2011

Time of Meeting

10.00 (WST)

Place of Meeting

Suite 8, 1297 Hay Street
West Perth, Western Australia

ANNUAL REPORT

The 2011 Annual Report is available from the Company's website via the following link: www.dragonenergy.com.

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Dragon Energy Ltd (**Dragon Energy** or **Company**) is to be held on Wednesday, 16 November 2011 at Suite 8, 1297 Hay Street, West Perth, Western Australia, commencing at 10.00 am (WST).

The Explanatory Statement that accompanies and forms part of this Notice describes the matters to be considered at this meeting.

BUSINESS

Financial Report

To receive and consider the financial report for the year ended 30 June 2011 together with the directors' report and auditor's report.

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

“To adopt the Remuneration Report for the year ended 30 June 2011.”

Resolution 2 – Re-election of Director – Mr Jie Chen

To consider and, if thought fit to pass, the following resolution as an **ordinary resolution**:

“That, Mr Jie Chen, who retires by rotation in accordance with clause 13.2 of the Company's Constitution, be re-elected as a Director of the Company.”

Resolution 3 – Approval of Dragon Energy Ltd Incentive Option Scheme

To consider and, if thought fit to pass, the following resolution as an **ordinary resolution**:

“That approval is given for all purposes under the Corporations Act and ASX Listing Rules for:

- (a) the establishment of a plan, to be called the Dragon Energy Ltd Incentive Option Scheme (**Scheme**) for the provision of incentives to employees whom the Board of Dragon Energy Ltd determines to be eligible to participate in the Scheme (**Eligible Employees**);*
- (b) the grant of options to Eligible Employees, and the subsequent issue of Dragon Energy Ltd Shares to, or in relation to, Eligible Employees under the Scheme; and*
- (c) the provision of benefits to Eligible Employees under the Scheme,*

in accordance with the rules of the Scheme, initialled by the Chairman for the purposes of identification and described in the Explanatory Statement, as amended from time to time.”

**DATED THIS 18TH DAY OF OCTOBER 2011
BY ORDER OF THE BOARD**

**Karen Logan
Company Secretary**

IMPORTANT NOTES

1. A shareholder of the Company who is entitled to attend and vote at a general meeting of shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. A proxy form is enclosed. A separate form must be used for each proxy. An additional form can be obtained by writing to the Company at Suite 8, 1297 Hay Street, West Perth, Western Australia or by fax to (61 8) 9322 6128. Alternatively, you may photocopy the enclosed form.
3. A duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office or the address or fax number set out below, not less than 48 hours before the time for commencement of the meeting. Please send by post to PO Box 1968, West Perth, Western Australia, 6872 or by fax to (61-8) 9322 6128.
4. Any corporate member who has appointed a person to act as its corporate representative at the meeting should provide that person appropriate written documentation executed in accordance with the *Corporations Act 2001* evidencing that the person is authorised to act as that company's representative. Please contact the Company Secretary if you require an appointment of corporate representative form. The authority may be sent to the Company in advance of the meeting or handed in at the meeting when registering as a corporate representative.
5. For the purposes of section 1074E(2) of the *Corporations Act 2001* and regulation 7.11.37 of the *Corporations Regulations 2001*, the Company determines that members holding ordinary shares at 10.00 am WST on Monday, 14 November 2011 will be entitled to attend and vote at the Annual General Meeting.
6. The Explanatory Memorandum attached to this Notice forms part of this Notice.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of Dragon Energy Ltd (**Company** or **Dragon Energy**).

The Directors recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Financial Statements and Report

Under the *Corporations Act 2001*, the directors of the Company must table the financial report, the directors' report and the auditor's report for Dragon Energy for the year ended 30 June 2011 at the meeting.

These reports are set out in the 2011 Annual Report. Shareholders who elected to receive a printed copy of annual reports should have received the 2011 Annual Report with this Notice of Annual General Meeting. In accordance with section 314 (1AA)(c) of the *Corporations Act 2001*, the Company advises the 2011 Annual Report is available from the Company's website (www.dragonenergyltd.com).

Shareholders will be given reasonable opportunity at the meeting to ask questions and make comments on the financial report, the directors' report and the auditor's report.

Resolution 1 – Adoption of Remuneration Report

Under the *Corporations Act 2001*, the Company is required to include, in the Directors' Report, a detailed remuneration report setting out the prescribed information in relation to the remuneration of directors and executives of Dragon Energy and the Company's remuneration practices.

Shareholders will be given reasonable opportunity at the meeting to comment on, and ask questions about, the Remuneration Report.

The Remuneration Report is required to be submitted for adoption by a resolution of shareholders at the meeting. The vote on this resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Board recommendation

The Board recommends shareholders vote in favour of the Resolution.

Voting intention

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 1.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 1 by, or on behalf of:

- a member of the key management personnel as disclosed in the Remuneration Report;
- a closely related party (such as close family members and any controlled companies) of those persons,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the Proxy Form.

Resolution 2 – Re-election of Director – Mr Jie Chen

Clause 13.2 of the Constitution requires that at every annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then such number as is appropriate to ensure that no director other than Managing Director holds office for more than 3 years, shall retire from office. A retiring director is eligible for re-election.

Mr Chen retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Resolution 2 – Re-election of Director – Mr Jie Chen (continued)

Mr Chen has over 30 years of operational and management experience in the mining industry in the People's Republic of China (**PRC**). He started his mining and management career in 1979 with a large China state-owned coal mining enterprise in the PRC. Mr Chen has been chairman of the Shandong Taishan Sunlight Group Company Limited (**Shandong Group**) since 2002. Under his leadership, the Shandong Group formed three vertically integrated businesses in coal, iron ore mining, processing and manufacturing with operations in Shandong, Guizhou, Ningxia and Xinjiang. The coal mine under his management holds a safety record of over 5,000 days with no fatality.

Mr Chen has a masters degree in economics and is currently working on a doctorate degree in mine engineering with the China University of Mining and Technology. He has received numerous distinguished awards at provincial and national levels for his achievements in entrepreneurship and leadership including being one of the 10 excellent entrepreneurs in Shandong Province, top 20 best mine managers in the PRC and PRC's excellent entrepreneur.

Board Recommendation

The Board (other than Mr Chen) recommends shareholders vote in favour of the Resolution.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Approval of Dragon Energy Ltd Incentive Option Scheme

The purpose of establishing the Scheme is to provide Eligible Employees with an opportunity to share in the growth in the value of the Company's Shares and to encourage them to improve the performance of the Company and its return to shareholders.

It is intended that the Scheme will enable the Company to retain and attract skilled and experienced employees and provide them with the motivation to make the Company more successful for all stakeholders.

The Company has reviewed its remuneration policies and practices in order to ensure that they are consistent with its strategic goals and designed to enhance corporate and individual performance.

Having regard to the Company's present stage of development, the Board has strived to balance the expectations of stakeholders and the need to motivate and reward employees.

Subject to shareholder approval, the Board therefore proposes to establish a new incentive scheme to be known as the Dragon Energy Ltd Incentive Option Scheme (**Scheme**).

The Scheme is designed to:

- assist with the attraction and retention of employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and shareholder interests.

A summary of the terms of the Scheme (**Terms of the Scheme**) is set out in Schedule 1. The Terms of the Scheme set out the general terms of the Scheme. A grant of incentives under the Scheme is subject to both the Terms of the Scheme and the terms of the specific grant.

Reasons for seeking approval

Shareholder approval of the Scheme is sought for all purposes under the Corporations Act and the ASX Listing Rules, including for the purposes of Listing Rule 7.2, Exception 9, so that any incentives issued under the Scheme will be excluded from the calculation of the maximum number of new securities that can be issued by the Company in any 12 month period (currently 15% of shares previously on issue) for a period of 3 years from the date of approval.

Board Recommendation

The Board recommends shareholders vote in favour of the Resolution.

Voting Intention

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 3.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 3 by, or on behalf of, any director who is eligible to participate in the Scheme, unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the Proxy Form.

DEFINITIONS

ASX means ASX Limited (ACN 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules and Listing Rules mean the official listing rules of ASX.

Board means the board of directors of the Company.

Company and **Dragon Energy** means Dragon Energy Ltd (ACN 119 992 175).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Director means a Director of the Company and **Directors** means the directors of the Company.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Remuneration Report means the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2011.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a member of the Company, as defined in the Constitution of the Company.

WST means Western Standard Time, as observed in Perth, Western Australia.

SCHEDULE 1

Terms of the Dragon Energy Ltd Incentive Option Scheme

The Company has established an incentive option scheme (**Scheme**).

The full terms of the Scheme may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Scheme is set out below.

(a) **Eligibility**

The Board may invite full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Scheme (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

(b) **Offer of Scheme Options**

The Scheme will be administered by the Board which may, in its absolute discretion, offer Scheme Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Employee's length of service with the Company;
- (ii) the contribution made by the Eligible Employee to the Company;
- (iii) the potential contribution of the Eligible Employee to the Company; or
- (iv) any other matter the Board considers relevant.

(c) **Number of Scheme Options**

The number of Scheme Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Scheme and applicable law.

(d) **Conversion**

Each Scheme Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) **Consideration**

Scheme Options issued under the Scheme will be issued for no consideration.

(f) **Exercise price**

The exercise price for Scheme Options offered under the Scheme will be determined by the Board.

(g) **Exercise conditions**

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Scheme Option granted under the Scheme.

(h) **Exercise of Scheme Options**

A participant in the Scheme will be entitled to exercise their Scheme Options in respect of which the exercise conditions have been met provided the Scheme Options have not lapsed and the exercise of the Scheme Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Scheme Options by delivering an exercise notice to the Company Secretary along with the Scheme Options certificate, and paying the applicable exercise price of the Scheme Options multiplied by the number of Scheme Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) **Cessation of employment**

If the participant in the Scheme ceases to be an employee or director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Scheme Options, and the exercise conditions attaching to the Scheme Options have been met, the participant will be entitled to exercise their Scheme Options in accordance with the Scheme for a period of up to 28 days after the date of the cessation event.

(j) Death, permanent disability or retirement

If the participant in the Scheme dies, becomes permanently disabled or permanently retires from the workforce as an employee or director of the Company prior to the lapse of the Scheme Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Scheme Options in accordance with the Scheme rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Scheme Options and the date which is six months after the date of the cessation event.

(k) Lapse of Scheme Options

Scheme Options held by a participant in the Scheme will lapse immediately if:

- (i) the Scheme Options have not been exercised by the date which is two years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Scheme Options; or
- (ii) the exercise conditions attaching to the Scheme Conditions are unable to be met; or
- (iii) the holder ceases to be an employee or director of the Company or an Associated Body Corporate and the deadline set out in paragraph (i) or (j) has passed.

(l) Participation in Rights Issues and Bonus Issues

The Scheme Options granted under the Scheme do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Scheme Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Scheme Options will be adjusted for bonus issues made prior to the exercise of the Scheme Options.

(m) Reorganisation

The terms upon which the Scheme Options will be granted will not prevent the Scheme Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) Limitation on offers

If the Company makes an offer under the Scheme where:

- (i) the total number of Shares to be received on exercise of Scheme Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184, the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) Takeover bid, Scheme or Change in Control

Unless the holder agrees otherwise, all of a holder's unvested Scheme Options vest automatically:

- (i) if a takeover bid is made, the takeover bid is declared unconditional and the bidder has acquired a relevant interest in more than 50% of the Company's shares; or
- (ii) on the date of despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act seeking approval for a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (iii) on the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Scheme Option(s), to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

P R O X Y F O R M

MR SAM SAMPLE
 UNIT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE WA 6060

1. Appointment of Proxy

I/We being a member/s of Dragon Energy Ltd hereby appoint

	the Chairman of the Meeting	OR	
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PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or, failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Dragon Energy Ltd to be held at Suite 8, 1297 Hay Street, West Perth, Western Australia at 10.00 am (WST) on Wednesday, 16 November 2011 and at any adjournment of that meeting.

The Chairman of the Meeting intends to vote undirected proxies **in favour** of each item of business.

Important for Items 1 and 3 – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 1 and 3 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Items 1 and 3, the Chairman of the Meeting will not cast your votes on Items 1 and 3 and your votes will not be counted in computing the required majority if a poll is called on this item. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Section 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Items 1 and 3).

The Chairman of the Meeting intends to vote available proxies **in favour** of Items 1 and 3.

	I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 1 and 3 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Items 1 and 3 are connected directly or indirectly with the remuneration of a member of key management personnel and even if the Chairman of the Meeting has an interest in the outcome of these items and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.
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2. Items of Business

Please mark to indicate your voting directions.

	FOR	AGAINST	ABSTAIN
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Director – Mr Jie Chen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of Dragon Energy Ltd Incentive Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority.

3. Signature of Securityholder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1 Individual/ Sole Director and Sole Company Secretary	Securityholder 2 Director	Securityholder 3 Director/ Company Secretary

Contact Name

Contact Daytime Telephone

Date

HOW TO COMPLETE THE PROXY FORM

1. Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Section 1.

A proxy need not be a securityholder of the Company.

2. Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with your directions. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: If you have not previously lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 10.00 am (WST) on Wednesday, 16 November 2011. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by posting, delivery or facsimile to Dragon Energy Ltd:-

PO Box 1968
West Perth, WA 6872

Fax: (61-8) 9322 6128

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from the Company Secretary.
