



ABN 38 119 992 175

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2011

DRAGON ENERGY LTD
ABN 38 119 992 175

Half-Year Financial Statements 31 December 2011

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DIRECTORS' REPORT

The directors present their financial statements of Dragon Energy Ltd ("Dragon Energy") for the six months ended 31 December 2011 and the auditor's review report thereon:

Directors

The directors of the Company at any time during or since the end of the half-year and until the date of this report are:

Name	Period of directorship
Mr Jie Chen <i>Chairman</i>	Director since 18 December 2008
Mr Gang Xu <i>Managing Director</i>	Director since 1 June 2006
Mr Anthony Ho <i>Executive Director</i>	Director since 18 December 2008
Mr Timothy Williams <i>Executive Director & Chief Operating Officer</i>	Director since 3 February 2012
Mr Qingyong Guo <i>Non-Executive Director</i>	Director since 18 December 2008

Review of Operations

Dragon Energy Limited ("Dragon") is a Perth based exploration company which listed on the Australian Securities Exchange in February 2009 (**ASX: DLE**). Dragon's flagship project is the Pilbara Iron Project (Rocklea and Nameless Projects), which has a JORC Inferred Resource of 62.7Mt @ 53.41%Fe (60.39% caFe) and an Exploration Target¹ of 40-51Mt @ 50-55% Fe (56-62% caFe) defined at the Rocklea Project and an Exploration Target² of 140-190Mt @ 48-52%Fe (54-56% caFe) at the Nameless Project (refer Table 1). Dragon's portfolio of tenements has numerous multi-commodity targets, including Fe, Mn, Au and U in Western Australia.

During the half-year to 31 December 2011, the Company progressed its goal of developing its Pilbara Iron Project and advancing its exploration projects. Key activities undertaken included:

- Completing a Scoping Study on the mining and transport concepts of its Pilbara Iron Project;
- Studies and commercial negotiations of short term infrastructure transport options and port access commenced;
- A study launched into the long term product export opportunity with regard to Anketell Port;
- An infill and step-out RC drilling programme was completed at the Rocklea Project, all assays are expected to be received in the March quarter 2012. Drilling of the Nameless project is expected to be completed in Q3 2012. A recalculation of the Rocklea resource and the establishment of a virgin resource at Nameless are expected in Q4 2012;
- Completion of a Flora survey and 2 of 4 Fauna surveys;
- MMI geochemical surface sampling at the Carters Well Project was completed. A total of four MMI anomalies (Response Ratios) identified, including a 3.5km gold anomaly;
- Surface geochemistry sampling (soil and stream sediment) was carried out in the Mt Gibson Project;
- Applied for two additional projects; Yamarna and Meekatharra, located within the Goldfields-Esperance and Midwest regions respectively.

For more details on Company activities over the half-year period, please refer to the Quarterly Reports and the ASX announcements made during the half-year.

¹ Exploration Targets are reported according to Clause 18 of the JORC Code. This means that the potential quantity and grade is conceptual in nature and that further exploration is required in order to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

² Refer Note 1 above.

DIRECTORS' REPORT (cont'd)

Table 1: Rocklea and Nameless: JORC Resources and Exploration Target

	Million tonnes	Fe (%)	caFe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	Cut-off grade
Rocklea								
Inferred Resource (JORC) ³	62.7	53.41	60.39	7.73	2.80	0.034	11.56	50%
Including high grade: Inferred Resource (JORC) ⁴	28.0	55.62	62.71	6.03	2.06	0.034	11.31	54%
Exploration Target ⁵	40 - 51	50 - 55	56 - 62					
Nameless								
Exploration Target ⁶	140 - 190	48 - 52	54 - 56					

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. The information that relates to the Mineral Resource 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.

Mr Hafer is a full-time employee of the company. Mr Godfrey is an employee of Golder Associates Pty Ltd. Mr Godfrey and Mr Hafer have 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 and Mr Godfrey consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Results

The Company made a profit of \$130,781 after income tax for the half-year (2010: loss of \$640,282).

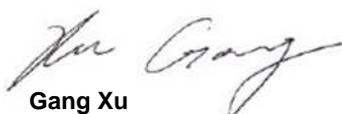
Events Subsequent to Reporting Date

Other than the matters described in Note 10 to these financial statements, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's independence declaration under Section 307C of the Corporations Act 2001

Section 307C of the Corporations Act 2011 requires our auditor, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this director's report for the six months ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2011.



Gang Xu
Managing Director

Dated at Perth, Western Australia, this 15th day of March 2012

³ The Inferred Mineral Resource was estimated in accordance with the guidelines of the Australasian Code for reporting Exploration Results, Mineral Resources and Ore reserves (JORC Code 2004) using a 50% and a 54% Fe lower cut-off grade, and a specific gravity of 2.7. No mining parameters were applied to the model.

⁴ Refer Note 3 above.

⁵ Refer Note 1 above.

⁶ Refer Note 1 above.

15 March 2012

The Board of Directors
Dragon Energy Limited
Suite 8, 1297 Hay St
West Perth, WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF
DRAGON ENERGY LIMITED**

As lead auditor for the review of Dragon Energy Limited for the half-year ended 31 December 2011,
I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December 2011

	Note	Half-Year 31 December 2011 \$	31 December 2010 \$
Revenue from continuing operations		281,410	64,155
Exploration and evaluation expenses	7	(292,179)	(252,443)
Corporate and administrative expenses		(596,197)	(451,994)
Net realised gain on foreign currency exchange	9	737,746	-
Profit/(Loss) before income tax		130,780	(640,282)
Income tax		-	-
Net profit/(loss) for the half year		130,780	(640,282)
Other Comprehensive Income			
Foreign currency translation differences for foreign operations		-	-
Other Comprehensive Income for the half year, net of tax		-	-
Total Comprehensive Income/(Loss) for the half year attributable to owners of Dragon Energy Ltd		130,780	(640,282)
Basic earnings per share			
Ordinary shares (cents)		0.06 cents	(0.45 cents)
Dilutive earnings per share			
Ordinary shares (cents)		0.04 cents	(0.45 cents)

Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	31 Dec 2011 \$	30 Jun 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		13,392,534	14,657,260
Held to maturity investments		22,433	51,163
Trade and other receivables		258,779	40,466
Other financial assets		14,313	17,779
Total Current Assets		13,688,059	14,766,668
NON-CURRENT ASSETS			
Property, plant and equipment		48,184	59,577
Exploration and evaluation assets	7	11,245,795	9,407,204
Total Non-Current Assets		11,293,979	9,466,781
TOTAL ASSETS		24,982,038	24,233,339
CURRENT LIABILITIES			
Trade and other payables		2,209,572	1,575,990
Provisions		85,198	61,050
Loans and borrowings		-	39,921
Total Current Liabilities		2,294,770	1,676,961
NON-CURRENT LIABILITIES			
Other payables		1,000,000	1,000,000
Total Non-Current Liabilities		1,000,000	1,000,000
TOTAL LIABILITIES		3,294,770	2,676,961
NET ASSETS		21,687,268	21,556,488
EQUITY			
Contributed equity	8	25,728,920	25,728,920
Reserves		93,500	93,500
Accumulated losses		(4,135,152)	(4,265,932)
TOTAL EQUITY		21,687,268	21,556,488

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2011

	Contributed Equity \$	Share based payment reserve \$	Options premium reserve \$	Accumulated Losses \$	Total Equity \$
2011					
At 1 July 2011	25,728,920	46,040	47,460	(4,265,932)	21,556,488
<i>Total recognised gains and losses for the period:</i>					
Profit for the period	-	-	-	130,780	130,780
Total Comprehensive Income for the half year	-	-	-	130,780	130,780
At 31 December 2011	25,728,920	46,040	47,460	(4,135,152)	21,687,268
2010					
At 1 July 2010	6,580,885	46,040	-	(2,736,224)	3,890,701
<i>Total recognised gains and losses for the period:</i>					
Loss for the period	-	-	-	(640,282)	(640,282)
Total Comprehensive Income for the half year	-	-	-	(640,282)	(640,282)
At 31 December 2010	6,580,885	46,040	-	(3,376,506)	3,250,419

The statement of changes in equity is to be read in conjunction with the accompanying notes.

S T A T E M E N T O F C A S H F L O W S
for the half-year ended 31 December 2011

	31 Dec 2011	Half-Year 31 Dec 2010
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(627,354)	(776,544)
Interest received	243,312	63,724
	(384,042)	(712,820)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,359)	(11,854)
Payments for exploration expenditure – acquisition costs	-	(555,142)
Payments for exploration expenditure – capitalised costs	(1,601,879)	(170,576)
Net sold of held to maturity investment	28,729	-
	(1,578,509)	(737,572)
Cash flows from financing activities		
Repayment of borrowings	(39,921)	(5,333)
	(39,921)	(5,333)
Net (decrease) in cash held	(2,002,472)	(1,455,725)
Cash and cash equivalents at the beginning of the period	14,657,260	3,487,373
Effects of exchange rate changes on cash and cash equivalents	737,746	-
	13,392,534	2,031,648
Cash and cash equivalents at the end of the period	13,392,534	2,031,648

The statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

1. REPORTING ENTITY

Dragon Energy Ltd (the "Company") is a company domiciled in Australia. Dragon Energy Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The annual financial statements of the consolidated entity as at and for the year ended 30 June 2011 are available upon request from the Company's registered office or may be viewed on the Company's website, www.dragonenergy.com.

2. STATEMENT OF COMPLIANCE

The half-year financial statements are a general purpose financial report which have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include full disclosures of the type normally included within the annual financial statements. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as the full financial statements.

It is recommended that the half-year financial report be read in conjunction with the annual financial statements for the year ended 30 June 2011 and considered together with any public announcements made by Dragon Energy Ltd during the half-year ended 31 December 2011 in accordance with the continuous disclosure requirements arising under Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

These half-year financial statements were approved by the Board of Directors on 15 March 2012.

3. BASIS OF PREPARATION

The half-year financial statements have been prepared on the accruals basis and on an historical cost basis. All amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY ESTIMATES

The preparation of the half-year financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2011.

5. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the half-year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT (cont'd)

6. SEGMENT REPORTING

The Board has determined that the Company has one reportable segment, being mineral exploration in Australia.

	Mineral Exploration \$	Corporate and administrative \$	Company \$
31 December 2011			
Segment revenue			
Other unallocated revenue	-	-	281,410
Total revenue			<u>281,410</u>
Segment result			
Unallocated revenues and expenses	(292,179)	141,549	(150,630)
Profit before related income tax expense	-	-	<u>281,410</u>
			<u>130,780</u>
Segment assets	11,245,795	13,736,243	<u>24,982,038</u>
Segment liabilities	2,900,629	394,141	<u>3,294,770</u>

	Mineral Exploration \$	Corporate and administrative \$	Company \$
31 December 2010			
Segment revenue			
Other unallocated revenue	-	64,155	64,155
Total revenue			<u>64,155</u>
Segment result			
Unallocated revenues and expenses	(252,443)	(451,994)	(704,437)
Loss before related income tax expense			<u>(640,282)</u>
Segment assets	1,163,593	2,203,674	<u>3,367,267</u>
Segment liabilities	567	116,281	<u>116,848</u>

	31 December 2011 \$	30 June 2011 \$
7. EXPLORATION AND EVALUATION ASSETS		

Exploration, evaluation and development costs carried forward in respect of areas of interest (net of amounts written off) (a)

Reconciliation

Carrying amount at beginning of period	9,407,204	517,799
Exploration and evaluation expenditure	1,838,591	1,449,411
Acquisition of Nameless and Rocklea Projects	-	7,505,141
Expenditure written off	-	<u>(65,147)</u>
Carrying amount at end of period	<u>11,245,795</u>	<u>9,407,204</u>

(a) The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

Exploration and evaluation expenditure amount immediately expensed in the statement of comprehensive income during the six months ended 31 December 2011 is \$292,179 (six months ended 31 December 2010: \$252,443)

NOTES TO THE CONSOLIDATED FINANCIAL REPORT (cont'd)

8. CONTRIBUTED EQUITY	31 December 2011 \$	30 June 2011 \$
206,426,374 (30 June 2011: 206,426,374) fully paid ordinary shares	<u>25,728,920</u>	<u>25,728,920</u>

There were no movements in issued capital during the six months ended 31 December 2011.

Options

There were no options to subscribe for ordinary fully paid shares granted or exercised during the six months ended 31 December 2011.

No options lapsed during the six months ended 31 December 2011.

The following options to subscribe for ordinary fully paid shares were outstanding at the end of the period:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	31 May 2012	\$0.30	11,150,000
Listed Options	18 November 2014	\$0.35	47,460,245

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

9. NET FOREIGN EXCHANGE GAINS AND LOSSES	Half-Year	
	31 December 2011 \$	31 December 2010 \$
Net foreign exchange gains	737,746	-
Net foreign exchange gains recognised in profit before income tax for the half-year (as either other income or expense)	<u>737,746</u>	<u>-</u>

10. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below. Other than the changes mentioned, all other commitments and contingencies remain consistent with those disclosed in the 2011 annual financial report.

Operating lease commitment

The Company leases its offices in West Perth, Western Australia. The lease is for a 5-year period from December 2009. Future minimum rentals payable under the non-cancellable operating lease as at 31 December 2011 are as follows:

Not longer than 1 year	65,761
Longer than 1 year and not longer than 5 years	126,042
Longer than 5 years	-
	<u>191,804</u>

Exploration Project commitments

Dragon currently holds 9 projects comprising 30 tenements totalling 829km², including; the Rocklea, Nameless and Ashburton projects in the Pilbara region; the Mt Gibson, Milly Milly, Carters Well, Lee Steere and Meekatharra projects in the Midwest region; and the Yamarna project in the Goldfields-Esperance region.

Lee Steere Project

The terms of a sale and joint venture agreement between the Company and Polaris Metals NL ("Polaris") require that Dragon Energy sole fund the first \$1 million of iron ore exploration expenditure ("Joint Venture Expenditure") on the Lee Steere Range project ("Sole Fund Period"). If the Company does not spend \$250,000 in Joint Venture Expenditure within 3 years, the Dragon Energy may elect to:

NOTES TO THE CONSOLIDATED FINANCIAL REPORT (cont'd)

10. COMMITMENTS AND CONTINGENCIES (cont'd)*Lee Steere Project (cont'd)*

- (a) pay Polaris the difference between \$250,000 and the amount of Joint Venture Expenditure spent by Dragon Energy; or
- (b) extend the Sole Fund Period for a further 1 year with Dragon Energy committing to sole fund \$400,000 in Year 4. In the event Dragon Energy does not meet the sole fund obligation in Year 4, Polaris has the right to terminate the joint venture and retake the iron ore rights to the Lee Steere Range project.

The joint venture commences on completion of the Sole Fund Period. The agreement also provides that Polaris will retain a royalty right of 1.0% of gross receipts from sales of iron ore from all three projects ("Royalty"). The Royalty obligation ends once Dragon Energy has paid to Polaris \$10 million in Royalty payments.

Rocklea Project

In October 2010, the Company entered into a tenement sale agreements with Fortescue Resources Pty Ltd (a wholly owned subsidiary of AusQuest Limited), and their joint venture partners ("Vendors") to acquire the Rocklea Project (E47/1024-I), located in the Pilbara iron ore province ("Rocklea Sale Agreement").

The cash consideration for the Rocklea Project is \$7m (plus GST), of which \$4.5m has been paid to 31 December 2011. Pursuant to the Rocklea Sale Agreement, the Company is obliged to make:

- a second cash payment of \$1.5m on or before 19 January 2012 (this consideration was paid on 19 January 2012); and
- a final cash payment of \$1.0m on or before 19 January 2013.

("Deferred Consideration").

The Vendors of the Rocklea Sale Agreement are entitled to require the Company to grant a registrable first ranking fixed charge over the Tenement in order to secure payment of the Deferred Consideration. Until such time as the Deferred Consideration has been paid to the Vendors in full, the Company provides the following non-exhaustive covenants in favour of the Vendors:

- (a) to preserve the Tenement and maintain it in good standing;
- (b) not to sell, assign, sublease, transfer, Farmout or grant any rights to all or part of the Tenement or grant any mineral rights or split commodity rights in relation to the Tenement, without the Vendors' prior written consent; and
- (c) not to permit any new encumbrances in relation to the Tenement without the Vendors' prior written consent.

If any party defaults in the performance of the Rocklea Sale Agreement and such default continue unremedied for 14 days after receipt of a default notice, then the non-defaulting party or parties may rescind the Rocklea Sale Agreement and/or sue the defaulting party for specific performance.

Exploration commitments

In addition to the above mentioned project costs, the Company has certain obligations to perform minimum exploration work on exploration licences held. These obligations may vary over time, depending on the Company's exploration program and priorities. The obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at balance date, total exploration expenditure commitments which have not been provided for in the financial statements amount to \$561,000 per annum.

Contingent Liabilities

The Company does not have any contingent liabilities at balance and reporting date.

There have been no other further changes to the commitments and contingencies disclosed in the most recent annual financial statements.

11. EVENTS SUBSEQUENT TO REPORTING DATE

Mr Timothy Williams was appointed as Executive Director and Chief Operating Officer of the Company on 3 February 2012.

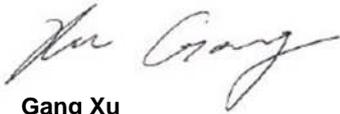
There has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

D I R E C T O R S ' D E C L A R A T I O N

In the opinion of the directors of Dragon Energy Ltd:

1. the financial statements and notes, set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the six months ended on that date; and
 - (b) complying with Accounting Standard, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.



Gang Xu
Managing Director

Dated at Perth, Western Australia this 15th day of March 2012.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DRAGON ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dragon Energy Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dragon Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Dragon Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dragon Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 15th day of March 2012