PILBARA ASHBURTON FE PROJECT

ASX ANNOUNCEMENT **8 DECEMBER 2009**

Further to the announcement of 4 December 2009, Dragon Energy Ltd ("**Dragon**") provides further information regarding the Pilbara Ashburton iron ore project ("**Project**").

Project Key Points – E08/1511, E08/1512, E08/1513, E08/1528

- Paleo-drainage systems identified which have the potential to host high grade CID mineralisation;
- The Project is well located close to existing mining infrastructure;
- Metallurgical studies indicate that an acceptable grade of product can be achieved by beneficiation of lower grade material;
- Large tonnage, lower grade detrital iron targets have the potential to provide for a 20 year mine life.

The Project consists of four granted exploration licences covering an area of 365km^2 located between 10 km and 40 km south of the Rio Tinto Paraburdoo iron ore mine in the southern Pilbara region of Western Australia.

The area is considered prospective for transported iron deposits such as buried Robe pisolitic channel iron deposits ("CID") and surficial iron rich gravels in paleo-drainage systems that extend in a southwest direction away from the ranges hosting the Paraburdoo iron deposits. Paleo-drainage systems have been identified from remote sensing imagery. These have the potential to contain higher grade iron deposits and will form the focus of Dragon's exploration activities. However, evaluation to date by previous operators has concentrated on the lower grade, detrital gravel deposits with details of that work provided below.

The Project contains a detrital iron exploration target in the range 600 to 1200 million tonnes at grade of between 15 and 25% Fe[1]. This exploration target is based on an estimate of the area of surficial gravel beds mapped within the exploration licences, a reasonable expectation that the depth of gravel beds ranges from 3m to 6m and limited surface sampling, the results of which are shown in Table 1 .

Metallurgical test work was undertaken in 2005. Five composite samples from shallow pits in areas of raised iron-rich paleo-drainage material were submitted for sizing analysis and gravity separation test work. The average grade of the surface samples was around 20% Fe.

Table 1: Head grade of samples provided for test work

	% Wt	Assay %											
Sample	Rec	Fe	SiO_2	Al_2O_3	P	S	TiO_2	MnO	CaO	MgO	K_2O	Na_2O	LOI 1000
1	100	17.89	*52.56*	9.94	0.05	0.03	0.96	0.09	0.71	2.01	1.28	1.15	5.11
2	100	18.39	52.99	9.39	0.04	0.02	0.89	0.09	1.00	1.53	1.22	1.04	5.09
3	100	21.66	50.58	8.25	0.41	0.04	0.90	0.10	0.59	1.72	0.99	0.69	4.82
4	100	21.94	41.55	9.08	0.41	0.15	0.82	0.08	4.05	*2.75*	1.15	0.99	7.22
5	100	20.04	43.11	7.47	0.03	0.06	0.64	0.09	5.80	2.51	0.74	0.66	9.74
Ave	**100**	**19.98**	**48.16**	**8.83**	**0.04**	**0.06**	**0.84**	**0.09**	**2.43**	**2.10**	**1.08**	**0.91**	**6.40**

The results of the test work provided some information on the amenability of the samples to be upgraded by size separation and gravity separation; acceptable weight recoveries and grades were achieved for the +1.00 mm material after density separation, Table 2. The mass recovery of the +1mm material was in the order of 20%.

Table 2: Cumulative +1mm product after separation at a 3.3 SG density

	%Wt	Rec	Assay %											
Samp	Size	Feed	Fe	SiO_2	Al_2O_3	P	S	TiO_2	MnO	CaO	MgO	K_2O	Na_2O	LOI1000
1	61.4	16.69	60.27	6.26	2.72	0.77	0.09	0.21	0.07	0.045	0.2	0.05	0.10	2.73
2	80.1	22.67	60.04	6.12	2.92	0.53	0.12	0.29	0.12	0.036	0.13	0.05	0.13	3.44
3	71.8	28.07	60.21	6.19	3.00	0.65	0.10	0.14	0.07	0.055	0.10	0.08	0.09	2.85
4	61.5	26.1	61.51	4.79	2.43	0.62	0.08	0.65	0.08	0.129	0.19	0.06	0.13	2.14
5	33.2	14.03	57.55	6.26	3.59	0.79	0.15	2.08	0.05	0.057	0.24	0.05	0.12	3.63
Avg	**59.9**	**21.51**	**60.15**	**5.86**	**2.88**	**0.65**	**0.11**	**0.056**	**0.08**	**0.068**	**0.02**	**0.08**	**0.12**	**2.89**

Gravity separation results have indicated an acceptable grade of product can be obtained from a beneficiation process. The average grade of the sinks product for the 5 samples is bordering on acceptable compared to similar grades for the Pilbara region.

Based on the test work and using a 20% recovery the +1mm iron ore exploration target is in the range 120 to 240 million tonnes at a grade of 55-65% Fe.[1]

The study examined the establishment of a start up operation based on a proposed minimum production rate of 10 million tonnes of product per annum over a period of 20 years. The test work suggested that recoveries of saleable product of the 1mm size fraction are possible. The conclusion of the scoping study was that the Project has merit and potential to be a viable iron ore operation. Further geological and metallurgical investigation is warranted.

The key strengths of the Project are its location close to existing plant and infrastructure, the large scale target potential, including high grade CID style of mineralisation and the low phosphorus content of the beneficiated product.

Dragon will commence exploration by acquiring high resolution aeromagnetic, Landsat, digital elevation and airborne EM data to enable detailed mapping of paleo-drainages and identification of potential structures that may host large scale, high grade CID. Reconnaissance drilling will then be initiated to determine the extent of the iron mineralisation.

[1] The potential quantity and grade of the detrital iron deposits in the Project area is conceptual in nature and to date there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the delineation of a mineral resource.

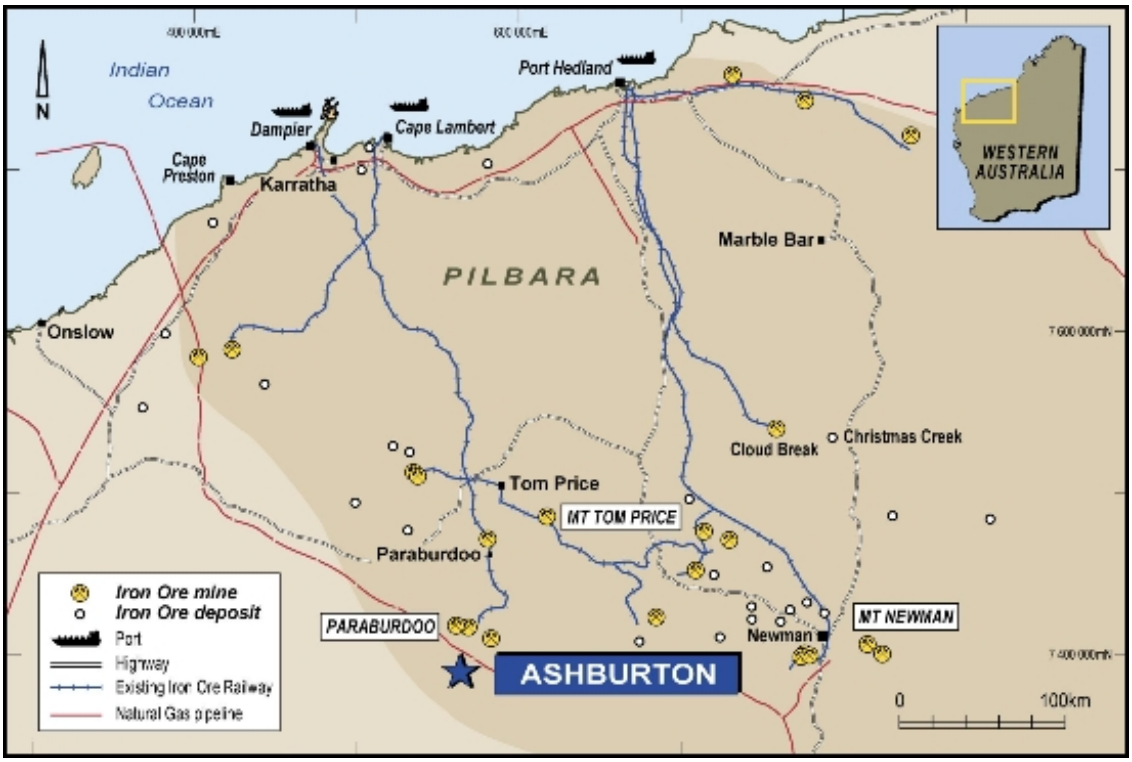

Figure 1: Pilbara Ashburton Fe Project location

Authorised by:

Gang Xu
Managing Director

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

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

Anthony Ho
Executive Director & Company Secretary
Telephone: +61 8 6389 2688
Mobile: +61 422 862 829

Lindsay Cahill
Exploration Manager
Telephone: +61 8 9322 6009
Mobile: +61 430 828 803

Competent Person's Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Lindsay Cahill (Exploration Manager), who is a member of The Australasian Institute of Mining and Metallurgy. He 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 Cahill consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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 in February 2009, 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.