



Dragon Mining Limited
ABN 19 009 450 051

RIGHTS ISSUE OFFER DOCUMENT

For a renounceable pro rata offer of New Shares at an issue price of \$1.10 each on the basis of 1 New Share for every 5.5 Shares held at the Record Date to raise approximately \$15 million before costs.

The last date for acceptance and payment in full is 4.00 pm (AWST) 6 March 2012.



Lead Manager and Underwriter
ABN 69 008 896 311

THIS IS AN IMPORTANT DOCUMENT. IF YOU DO NOT UNDERSTAND IT, OR ARE IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER

IMPORTANT NOTICES

This Offer Document is issued pursuant to section 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with ASX on 6 February 2012. ASX takes no responsibility for the content of this Offer Document.

This Offer Document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless, this Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, or to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No offer is being made to Shareholders with a registered address outside Australia and New Zealand. The distribution of this Offer Document and the Entitlement and Acceptance Form (including electronic copies) outside Australia and New Zealand may be restricted by law. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions. Please refer to Section 1.9.

Information about the Company is publicly available and can be obtained from ASIC and ASX (including its website www.asx.com.au). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Offer Document and do not constitute part of the Offer. This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any such extraneous information or representation may not be relied upon.

The Underwriter:

- has not authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this Offer Document;
- does not make, or purport to make, any statement in this Offer Document, and there is no statement in this Offer Document which is based on any statement by the Underwriter; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any part of this Offer Document.

This Offer Document may include forward looking statements based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements.

Applications for New Shares by Eligible Shareholders may only be made on an **original** Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Offer. Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement. By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your stockbroker or otherwise arranging for payment for your New Shares through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

Please refer to the glossary in Section 5 for terms and abbreviations used in parts of this Offer Document.

Chairman's letter

Dear Shareholder

On behalf of the Board of Dragon Mining, I am pleased to invite you to participate in the fully underwritten, renounceable pro rata Rights Issue announced by the Company on 6 February 2012. This Rights Issue provides you with the opportunity to increase your investment in, and to participate in the continued growth of, the Company.

Eligible Shareholders will have the opportunity under the Offer to subscribe for 1 New Share for every 5.5 Shares held at 4.00 pm (AWST) on the Record Date at the issue price of \$1.10 per New Share. The issue price represents a discount of 11% to the closing price of the Shares last traded on the ASX on 3 February 2012 and a 12% discount to the 5 day volume-weighted average price of Dragon Mining shares to that date.

Please note that the Rights under the Offer are renounceable, which means that Eligible Shareholders who do not wish to take up all or some of their Entitlement under the Offer may sell or transfer their Rights.

If you are ineligible to participate in the Rights Issue due to your registered address not being in Australia or New Zealand, the Company has appointed Patersons Securities Limited as its ASIC-approved nominee to sell your Rights. The net proceeds of the sale of those Rights (if any) will be forwarded to you in due course.

The Rights Issue will raise approximately \$15 million before costs and those funds will be applied in advancing exploration and metallurgical testwork at the exciting Kuusamo Gold Project, as more specifically detailed in Section 1.3 of this Offer Document.

The Board of Dragon Mining is delighted that the rights issue is being fully sub-underwritten by the Company's two largest shareholders, Eurogold Limited and Nicolas Mathys, which demonstrates their support for the Company.

The details of the Offer are set out in this Offer Document together with your personalised Entitlement and Acceptance Form. I encourage you to read the Offer Document in its entirety before making your investment decision. A summary of risk factors that you may wish to consider is set out in Section 3.

On behalf of the Board, I commend this Offer to you and look forward to your continuing investment in the Company. I thank you for your ongoing support as a Shareholder of the Company.

Yours sincerely



Peter George Cordin
Executive Chairman

1. Details of the Offer

1.1 The Offer

Dragon Mining Limited ABN 19 009 450 051 (the **Company**) is making a fully underwritten, renounceable pro rata offer (**Offer**) of fully paid ordinary shares in the capital of the Company (**New Shares**) to Shareholders with a registered address in Australia or New Zealand (**Eligible Shareholders**). Eligible Shareholders who are on the Company's share register at 4.00 pm (AWST) on 15 February 2012 (**Record Date**) will be entitled to apply for 1 New Share for every 5.5 Shares held at an issue price of \$1.10 each per New Share. The issue price is payable in full on application.

Under the Offer, up to 13,670,000 New Shares will be issued and the Company will raise approximately \$15 million before costs. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may apply for all or part of your Entitlement.

The New Shares will be fully paid and will rank equally with the Company's existing issued Shares.

1.2 Key dates

The Offer is open for acceptance until 4.00 pm (AWST) on the Closing Date or such other date as the Directors, in conjunction with the Underwriter, shall determine, subject to the Listing Rules. Other key dates for the Offer are as follows:

Event	Date
Rights Issue / Offer announced via ASX	6 February 2012
Offer Document lodged with ASX	6 February 2012
Notice sent to Shareholders	7 February 2012
Shares quoted on an "ex" basis	9 February 2012
Rights trading commences	9 February 2012
Record Date to identify Shareholders entitled to participate in issue	15 February 2012
Offer Document and Entitlement and Acceptance Forms despatched to Eligible Shareholders	21 February 2012
Rights trading ends	28 February 2012
Closing Date for acceptance and payment	6 March 2012
Issue of New Shares and despatch of holding statements	14 March 2012

The timetable outlined above is indicative only and subject to change. The Directors, in conjunction with the Underwriter, reserve the right to vary these dates, including the Closing Date, without prior notice but subject to the Corporations Act and the Listing Rules. The Directors also reserve the right not to proceed with the whole or part of the Offer at any time prior to allotment. In that event, Application Money will be returned without interest. See Section 1.8 for further details.

1.3 Use of proceeds and effect of the Offer on the Company

The immediate financial effect of the Offer on the Company will be to increase cash reserves by approximately \$15 million (before costs). The Company intends to apply the funds raised in the following manner:

Use of proceeds	Indicative amount
Exploration and test work to advance the Kuusamo Gold Project	\$13,000,000
Working capital	\$1,350,000
Underwriting fees and other costs associated with the Offer	\$650,000

The primary use of the funds raised will be to advance exploration and metallurgical test work at the Kuusamo Gold Project in northern Finland towards feasibility and development at a more rapid rate and to undertake exploration on Kuusamo regional prospects.

During 2012, the key activities will be to increase and improve the confidence of the gold resources through an expansive drilling, re-logging and re-assaying program, undertake metallurgical test work and processing studies to define a conceptual flow sheet, complete the Environment Impact Assessment (EIA) and commence mining studies and economic modelling.

It is envisaged that up to 40,000 metres of drilling will be completed, to test the extensions of the existing lodes and identify possible new lodes associated with the Juomasuo, Hangaslampi and Pohjasvaara deposits in Kuusamo North. Drilling will also be directed at identifying new lode positions in areas in close proximity to these deposits and advance other targets within the Kuusamo North and Kuusamo South areas.

A detailed low-level airborne geophysical survey is planned. This survey will facilitate the prioritising of drill targets and potentially identify new target areas that have previously been subject to little or no modern exploration techniques.

Funds will be also directed to progressing select priority targets at Kuusamo. This will be achieved with an additional 20,000 metres of diamond core drilling supplemented with an expanded geophysical program.

The program of re-logging and re-assaying of historical core will also be accelerated. It is imperative that the Company establishes a comprehensive multi-element database to determine the nature of the mineralised system and geological models for the known deposits, and provide information for metallurgical, processing and environmental studies.

Though well-endowed with known mineral occurrences, the Kuusamo region still remains at an early stage of systematic geological evaluation. The Company will seek to expand its holding in the Kuusamo region by way of applications and acquisitions, evaluation of opportunities by compilation and interpretation of historic datasets, conducting field visits and taking sample collections.

Metallurgical and processing studies are critical for the advancement of Kuusamo. An extensive test work program will be undertaken during 2012 to define a conceptual flow sheet. In addition to maximising the recovery of gold, test work will also determine the optimal method to recover both cobalt and uranium.

The completion of the EIA requires the conceptual flow sheet to identify the process and reagents required. Following the completion of the EIA, mill sites can be determined and various permitting processes can commence.

The balance of the proceeds of the Offer (after repayment of costs associated with the Offer, including the underwriting fee) will be held by the Company as cash at bank available for working capital.

The principal effect of the Offer on the Company's capital structure will be to increase the total number of issued Shares by a maximum of 13,670,000 Shares. The following table sets out the number of issued Shares at the date of the Offer and the total number of issued Shares at the close of the Offer based on the maximum number of New Shares that may be issued under the Offer:

Shares	Number
Issued Shares at the date of this Offer Document	75,170,613
Maximum number of New Shares that may be issued pursuant to the Offer	13,670,000 *
Maximum number of issued Shares upon completion of the Offer	88,840,613 *

* These figures assume that no options are exercised before the Record Date, but allow for upward rounding of fractional entitlements.

In addition, as at the date of this Offer Document, the Company has 1,543,600 unlisted options to acquire a Share on issue that are available to be exercised (**Unlisted Options**). The Company is unable to determine how many of the Unlisted Options will be exercised by the holders of Unlisted Options to enable those holders of Unlisted Options to participate in the Offer. To the extent that additional funds are raised and additional Shares are issued, proceeds will be allocated to the general working capital of the Company.

If all of the Unlisted Options are exercised before the Record Date and all of the resulting Entitlements are taken up, the Company's issued capital would increase by 1,824,255 Shares (being 1,543,600 Shares upon the exercise of the Unlisted Options and 280,655 Shares in respect of Rights relating to those Shares).

Details of the effect of the Offer on control of the Company are set out in Section 4.3.

1.4 Entitlements

Each Eligible Shareholder who is registered as the holder of Shares at 4.00 pm (AWST) on the Record Date is entitled to participate in the Offer. The number of New Shares to which you are entitled is shown on your Entitlement and Acceptance Form accompanying this Offer Document.

You may accept all, or part, of your Entitlement by completing the Entitlement and Acceptance Form and returning it in accordance with the instructions set out on the reverse of that form prior to the Closing Date. Acceptances must not exceed your Entitlement as shown on the Entitlement and Acceptance Form. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus Application Money will be returned to you. If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your rights to participate in the Offer will lapse and the New Shares not taken up by you will form part of the Shortfall.

As a result of this Offer, Shareholders who do not take up all of their Entitlement will have their percentage shareholding in the Company diluted.

In determining Entitlements, any fractional entitlements have been rounded up to the nearest whole number of Shares.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by Applicants of New Shares prior to the receipt of a holding statement is at the Applicant's own risk.

1.5 Rights trading

The Offer is renounceable. This means that Eligible Shareholders who do not wish to take up all or some of their Entitlement may sell or transfer their rights to their Entitlement (**Rights**). Eligible Shareholders are able to renounce (sell) the Rights which they do not wish to accept in order to realise the value which may attach to their Rights. Information on how Rights may be sold or transferred is set out below in Section 2. The Rights will be quoted on ASX. Trading of the Rights will commence on ASX on 9 February 2012 and will cease at the close of trading on 28 February 2012.

1.6 Underwriting and sub-underwriting

The Offer is fully underwritten by Patersons Securities Limited (**Underwriter**) pursuant to an underwriting agreement between the Underwriters and the Company dated 6 February 2012 (**Underwriting Agreement**). Pursuant to the Underwriting Agreement, the Company has given warranties and covenants to the Underwriter which are customary in an agreement of this nature. A summary of the Underwriting Agreement is set out in Section 4.1.

The Offer is fully sub-underwritten by Eurogold Limited (**Eurogold**) and Nicolas Mathys (**Mathys**) pursuant to sub-underwriting arrangements between the Underwriter and those Shareholders. Under these arrangements, Eurogold and Mathys are severally sub-underwriting the entire Rights Issue in the proportions 66.67% to Eurogold and 33.33% to Mathys. The sub-underwriting arrangements are described in Section 4.2.

1.7 ASX listing

The Company has made an application to ASX for Official Quotation of the New Shares. If ASX does not grant quotation for the New Shares, the Company will not allot any New Shares and all Application Money will be refunded without interest.

The fact that ASX may grant Official Quotation of the New Shares is not to be taken in any way as an indication of the merits of the Offer or the New Shares under this Offer Document.

1.8 Refund of Application Money

Application Monies will be held in a subscription account established and held by the Company on behalf of each Eligible Shareholder until the New Shares are issued. If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on any Application Money will be for the benefit of the Company and will be retained by the Company regardless of whether New Shares are issued under the Offer.

1.9 Distribution restrictions and treatment of foreign Shareholders

General

This Offer Document, the Rights and the New Shares have not been registered, and will not be registered, in any jurisdiction, including the United States under the Securities Act 1933. Neither this Offer Document nor the Entitlement and Acceptance Form constitutes an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Offer Document or the Entitlement and Acceptance Form (including electronic copies) in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Offer Document and the accompanying Entitlement and Acceptance Form may not be sent to investors in the United States or to any person acting for the account or benefit of a person in the United States. The Directors reserve

the right to treat as invalid any Entitlement and Acceptance Form that appears to the Directors or the Company's agents to have been submitted in violation of any applicable securities laws.

Eligible Shareholders who are resident outside Australia or New Zealand should consult their professional advisers as to whether, in order to enable them to take up their Rights, any governmental or other consents are required or other formalities need to be observed.

The Offer contained in this Offer Document to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand (including nominees, custodians and trustees) are responsible for ensuring that any dealing with their Rights and any New Shares issued do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Rights or the distribution of this Offer Document or the Entitlement and Acceptance Form. The making of an application (whether by the return of a duly completed Entitlement and Acceptance Form or by the making of a BPAY[®] payment or otherwise) will constitute a representation that there has been no breach of such laws or regulations. Shareholders who are nominees, custodians or trustees are therefore advised to seek independent advice as to how they should proceed.

Excluded Shareholders

The Company will not make an Offer to Shareholders with a registered address outside Australia and New Zealand (**Excluded Shareholders**). The Company has decided that it is unreasonable to extend the Offer to Excluded Shareholders having regard to:

- (a) the number of Shareholders with a registered address outside Australia and New Zealand;
- (b) the number and value of New Shares that would be offered to Shareholders with a registered address outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements, and requirements of regulatory authorities, in the overseas jurisdictions.

In compliance with Listing Rule 7.7.1 and sections 708AA (including section 9A) and 615 of the Corporations Act, the Company has appointed Patersons as an ASIC-approved nominee (the **Nominee**) to arrange for the sale on ASX of all of the Rights which would have been granted to Excluded Shareholders.

The Nominee will direct the net proceeds (if any) to the Company or other party upon its instruction to facilitate pro rata payments to Excluded Shareholders. The Nominee will have the absolute and sole discretion to determine the timing and the price at which the Rights may be sold and the manner in which any sale is made.

Any interest earned on the proceeds of the sale of these Rights will firstly be applied against the expenses of such sale, including brokerage, and any balance will accrue to the Company.

The proceeds of sale (if any) will be paid in Australian dollars to the Excluded Shareholders for whose benefit the Rights have been sold in proportion to their shareholdings (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds will be retained by the Company.

Excluded Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Under section 615 of the Corporations Act, the Nominee must sell all of the Rights on behalf of the Excluded Shareholders.

1.10 Enquiries

The Company has established a Shareholder information line which Shareholders may call if they have any queries in relation to the Entitlement and Acceptance Form or their Entitlement. The Shareholder information line has been established through Computershare Investor Services Pty Limited (**Share Registry**) and the telephone number is 1800 258 031 (within Australia) or +61 3 9415 4816 (outside Australia).

Alternatively, you should consult your professional adviser.

2. Actions required by Shareholders

Acceptance of the Offer must be made by Eligible Shareholders on the **original** Entitlement and Acceptance Form accompanying this Offer Document and must not exceed the Entitlement as shown on that form. The Directors reserve the right to reject any applications for New Shares that are not made in accordance with the terms of this Offer Document or the instructions on the Entitlement and Acceptance Form.

2.1 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, complete the Entitlement and Acceptance Form in accordance with the instructions set out on the front of that form and arrange for payment of the Application Money in accordance with Section 2.7.

2.2 Allow all or part of your Entitlement to lapse

If you decide not to accept all or part of your Entitlement, or fail to accept your Entitlement by the Closing Date, your Entitlement will lapse. The New Shares not subscribed for will form part of the Shortfall.

If you do nothing, although you will continue to own the same number of Shares, your proportionate shareholding in Dragon Mining will be diluted.

2.3 Selling all of your Entitlement on ASX

If you wish to sell all of your Rights on ASX, please contact your stockbroker.

Rights trading on ASX commences on 9 February 2012 and the sale of your Rights must be completed by 28 February 2012 when Rights trading ceases. If you wish to sell all of your Rights on ASX, do **not** return your Entitlement and Acceptance Form to the Share Registry.

2.4 Taking up part of your Entitlement and selling the balance on ASX

If you wish to take up part of your Entitlement and sell the balance on ASX, please complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up. Please lodge the completed Entitlement and Acceptance Form together with a cheque for the Application Money (in respect of that part of your Entitlement you intend to take up) with the Share Registry. Please contact your stockbroker if you wish to sell the balance of the Rights on ASX.

2.5 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement under the Offer and allow the balance to lapse, please complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up in accordance with the instructions set out on the front of that form and arrange for payment of the applicable amount of Application Money in accordance with Section 2.7.

2.6 Transfer all or part of your Rights other than on ASX

You may elect to transfer all or part of your Rights to another person other than on ASX provided that the purchaser is not an Excluded Shareholder or would not be an Excluded Shareholder if the purchaser was the registered holder of the Shares.

If you wish to transfer all or part of your Rights to another person other than on ASX, forward a completed standard renunciation form (available from your stockbroker or the Share Registry) together with your Entitlement and Acceptance Form completed by the transferor and transferee to the Share Registry so that it is received no later than 4.00 pm (AWST) on 6 March 2012, and arrange for payment of the amount of the Application Money in accordance with Section 2.7.

2.7 Payment and return of Entitlement and Acceptance Form

You may pay the Application Money by BPAY[®], cheque, or money order.

Payment by BPAY[®]

Those who elect to pay by BPAY[®] must follow the instructions for BPAY[®] described in the Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). Please note that should you choose to pay by BPAY[®] payment:

- (a) you do **not** need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form; and
- (b) if you do **not** pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money.

Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY[®] are received by no later than 3.00 pm (AWST) on 6 March 2012.

Payment by cheque, money order or bank draft

Those who elect to pay by cheque or money order must follow the instructions described in the Entitlement and Acceptance Form. You must ensure that:

- (a) your Entitlement and Acceptance Form is complete;
- (b) your cheque or money order for the applicable amount of Application Money is made in Australian currency, drawn on an Australian branch of a financial institution, made payable to "Dragon Mining Limited" and crossed "Not Negotiable"; and
- (c) your completed Entitlement and Acceptance Form and cheque or money order are received by the Share Registry by no later than 4.00 pm (AWST) on 6 March 2012 at:

Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001

3. Risk factors

Activities in the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance.

Prior to deciding whether to take up their Entitlement, Shareholders should read the entire Offer Document and review announcements made by the Company to ASX (at www.asx.com.au under the code DRA) in order to gain an appreciation of the Company, its activities, operations, financial position and prospects.

The information in this Offer Document does not constitute a recommendation to subscribe for New Shares and this Offer Document does not purport to contain all of the information that a Shareholder may require to evaluate a possible application for New Shares. Shareholders should make their own assessment of what information is relevant to their decision to participate in the Offer.

Shareholders should also consider the following summary risk factors which the Directors believe represent some of the general and specific risks that Shareholders should be aware of when evaluating the Company and deciding whether to increase their shareholding in the Company. The following risk factors are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed.

General economic risks and business climate

Share market conditions may affect the price of the Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) movements in international stock markets;
- (c) movements in, or outlook on, interest rates and inflation rates;
- (d) currency fluctuations;
- (e) commodity prices;
- (f) industry trends;
- (g) changes in investor sentiment towards particular market sectors; and
- (h) the demand and supply for capital.

Legislative changes

Changes in government regulations, policies and the laws of foreign countries may have an adverse effect on the Company's operations and financial performance. The Directors cannot guarantee that current regulations, policies and laws will not change or impact on the Company's operations.

Gold price and exchange rates

Most of the Company's revenues will be derived from the sale of gold. As a consequence, the Company's earnings and cash flows will be affected by changes in the price of gold.

Over the past 20 years, the price of gold has ranged from a low of approximately US\$285 per ounce to a high of approximately US\$1,896 per ounce. The factors which influence the price of gold include, but are not limited to, supply and demand for gold, forward selling of gold, general world economic conditions and the outlook for interest rates, exchange rates, inflation and other commodity prices. These factors may benefit or adversely affect the gold price and thus the Company's earnings and cash flows.

The world market gold price is expressed in US Dollars. Therefore, revenue derived from the sale of gold is received at the prevailing gold price in US Dollars and is converted into Swedish Krona or Euro when and if required. In addition, some of the Company's costs are influenced by the Australian Dollar, US Dollar, Swedish Krona and Euro exchange rates. Consequently, changes in the various exchange rates may affect the earnings and cash flow of the Company. Exchange rates in general including the Euro, Swedish Krona, Australian Dollar and US Dollar exchange rates are volatile and cannot be predicted.

Operating risks

Mineral production is a high-risk business with no guarantee of success. The Company is subject to the risks inherent in the conduct of mining operations. The operations of the Company may be disrupted by a variety of events and hazards which are beyond the Company's control, including environmental hazards, industrial accidents, technical failures, labour disputes, government decisions, unusual or unexpected rock formations, underground mining conditions and ground conditions, flooding and extended interruptions due to inclement or hazardous weather conditions, fires, explosions and other incidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability.

The Company is exposed to movements in the prices charged by external suppliers, including those which supply inputs to production, such as energy and transport costs, as well as movements in wages, taxes and other government charges. A significant cost increase in one or more of these items for a sustained period could have an adverse effect on the Company's financial performance. In addition, unforeseen adverse changes in quality or reductions in the quantity of supplies provided by external suppliers may also adversely affect the Company's operations.

Resource estimate risks

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change when new information becomes available. Resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. If mineralisation or a formation is different from those predicted by past drilling and mining, resource estimates and mining plans may have to be altered in a way which could either benefit or adversely affect the Company's operations.

Project and ore body risks

Each ore body is different. The nature of the mineralisation, the variability and grade of the ore, as well as its behaviour during mining and processing cannot be exactly predicted. Estimations of the tonnes, grade and overall mineral content of a deposit are based on interpretation of data, including geological interpretation and sample analysis from drilling.

Similarly, the metallurgical performance of the ore in a particular processing plant depends on a number of variables that may be beyond the control of the Company.

Exploration risks

Mineral exploration is a high-risk business with no guarantee of success. The Company is anticipating the discovery of additional resources at its Nordic mines and from other mineral exploration properties that are at various stages of exploration. There is no assurance that exploration on any of the Company's mineral tenements or licences will result in the discovery of a mineral deposit. In the event of a discovery, it may not prove to be economically viable to exploit the discovery due to factors outside the Company's control.

Environmental risks

The Company's operations and projects are subject to Swedish and Finnish laws and regulations regarding environmental matters including the discharge of waste and materials. The Company conducts its operations in an environmentally responsible manner.

Svartliden Gold Mine, Sweden

An environmental breach reported in 2008 concerning levels of arsenic and other metals contained in surface runoff and ground water which is pumped from the waste rock dump and mining area to a water storage facility, termed the Clear Water Dam (CWD), continues to be addressed. Additional corrective measures and improvements were implemented during 2011 to reduce the levels of metals contained in the water pumped to the CWD. Despite improvements to the water treatment processes, metal levels and amounts exceeded guidelines, necessitating further corrective measures and improvements to the water treatment processes. All levels and corrective measures are reported to the inspecting authority.

During 2009, the company which operates the Svartliden Gold Mine was reported by the inspecting authority for a breach of discharging water to a nearby stream which is prohibited under the operating license. The allegation is based on the Company's report of elevated levels of dissolved metals in the water collected and tested from the nearby stream. An internal review has confirmed that no discharge occurred. A police investigation commenced during 2011 and the Company is awaiting the findings.

Though the Directors are unable to predict the likely outcome of these breaches, the Company could be subject to a material liability or increase in the costs of doing business or conducting its operations.

In addition, the company which operates the Svartliden Gold Mine submitted to the authorities a new operating license application that includes underground operations and aims to achieve the environmental requirements for the entire operation, which can be realistically and practically achieved. The Company is preparing its second round of supplements to be submitted to the Land and Environment Court in February 2012.

The Directors cannot guarantee the issue of a new environmental licence, and an unsuccessful outcome could adversely affect the Company's operations, in particular the underground operation.

Orivesi Gold Mine, Finland

The Company breached certain conditions of its environmental permit terms at times during 2011. Discharging water has contained zinc, aluminium and cadmium above allowed limits, despite controlling pH levels underground and settling mine water in several settling ponds. High metal concentrations are derived from complex chemical reactions in mine water that is currently under further study. The Company is designing and working with the authorities to implement a more efficient water treatment system to reduce the impact on the environment.

Though the Directors are unable to predict the likely outcome of these breaches, the Company could be subject to a material liability or increase in the costs of doing business or conducting its operations.

The new environmental permitting process for the Orivesi Gold Mine is expected to be completed in the first half of 2012.

The Directors cannot guarantee the issue of a new environmental licence, and an unsuccessful outcome could adversely affect the Company's operations.

Vammala Production Centre, Finland

Finnish environmental authorities have requested that the Company investigate nickel releases from the tailings dam area. Seepage water is surveyed and sampled for nickel. In the event that nickel releases are evident from the tailings dam area, the Company will prepare a preventative action plan. The Company would be responsible to carry out the plan after an approval by the authorities. The Share and Loan Sales Agreement between the Company (formerly Dragon Mining NL), Outokumpu Nickel B.V, Outokumpu Mining Oy and Outokumpu Oyj executed in 2003 provides that releases from the historical mining operations are the seller's responsibility.

The cost and complexity of implementing an action plan is unknown to the Directors at this stage.

Other

Although the Company believes it complies in all other material respects with all applicable environmental laws and regulations, there are other risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

The Company may require other approvals from the relevant authorities before it can undertake activities that are likely to affect the environment. Failure to obtain such approvals may prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether such laws or regulations would materially increase the Company's costs of doing business or conducting its operations in any area.

There can be no assurance that new environmental laws and regulations or stricter enforcement policies, once implemented, would not require the Company to incur expenses and investments which could have a material adverse effect on the Company's business, financial condition or operational results.

The cost and complexity of complying with applicable environmental laws and regulations may prevent the Company from being able to develop mineral deposits.

Insurance risks

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with minerals exploration and production is not always available and where available the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. The Company will endeavour to insure the risks it considers appropriate for the Company's needs and for its circumstances.

Title risks

The mineral tenements in which the Company has an interest are subject to various conditions and obligations and have different terms. If renewal is required, this may be at the discretion of the relevant government minister or official. If approval for renewal is refused, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement.

Joint venture parties and contractors

The Directors are unable to predict the risk of the financial failure or default by a participant in any joint venture to which the Company may become a party, or insolvency or other managerial failure by any of the contractors used by the Company in its activities.

Future funding

The Company may require further financing in the future, in addition to amounts raised pursuant to the Offer. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or Offer price) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.

Volatility in the market price of Shares

Although the Company is listed on ASX, there is no assurance that an active trading market for its Shares will be sustained. There is also no assurance that the market price for the Shares will not decline below the issue price. The market price of Shares could be subject to significant fluctuations due to various external factors and events, including the liquidity of the Shares in the market, the Company's actual financial and operating results and broader market-wide fluctuations.

Key Personnel

A number of key personnel are important to attaining the business goals of the Company. There is no guarantee that if one or more of the Company's directors or key personnel cease their association with the Company there will not be a detrimental effect on the Company given the significant reliance on key management personnel to oversee the day to day operations of the Company.

Investment risk

An investment in New Shares should be considered speculative. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Weld Range Metals Limited (DRA 39.95% Interest)

On 21 September 2011, the National Native Title Tribunal (NNTT) determined that four Mining License Applications (MLAs) made by Weld Range Metals Limited (WRM) not be granted by the State Government. The four MLAs were applied for in 1995 over an area held under license tenements by WRM since 1986. The MLAs are surrounded by eight granted Mining Licenses, which are not subject to the NNTT's recent determination. All the Mining Licenses adjoin the Sinosteel Midwest Iron Ore Project. The State Government and WRM

have lodged appeals with the Federal Court in respect of the NNTT determination. This is a necessary step for WRM given the adverse impact the determination has on WRM's interests. If the appeal is unsuccessful, there will be doubt over the recoverability of the loan paid by Dragon Mining to WRM (\$1,998,322 as at 31 December 2011).

4. Additional information

4.1 Underwriting Agreement

The Company and the Underwriters have entered into the Underwriting Agreement pursuant to which the Underwriters have agreed to fully underwrite the Offer on the terms and conditions contained in that agreement.

Under the Underwriting Agreement, the Underwriter is required to subscribe for all New Shares in respect of which a valid application is not received (**Underwritten New Shares**), provided that:

- (a) the Company has complied with its obligations under the Underwriting Agreement and has not breached any of the warranties or representations made by it in the Underwriting Agreement (other than those capable of remedy by the Company promptly following request by the Underwriter);
- (b) the Underwriting Agreement has not been terminated under the terms of the Underwriting Agreement (in the circumstances described below);
- (c) the Company has not received any indication from ASX that Official Quotation of all of the New Shares will not be granted; and
- (d) other logistical matters, including the giving of notices, have been satisfied.

Under the Underwriting Agreement, the Underwriter may procure the sub-underwriting of the Shortfall.

The Company has given warranties, covenants and indemnities to the Underwriter which are customary in an agreement of this nature.

Termination

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and its obligations under the Underwriting Agreement on the happening of certain material events, including:

- (a) the S & P/ASX 200 Index published by ASX being, at any time after the date of the Underwriting Agreement, more than 10% below its level as at the close of business on the business day prior to the date of the Underwriting Agreement;
- (b) the price of an ounce of Gold as quoted by the London Metals Exchange falling below US\$1500 at any time after the date of the Underwriting Agreement;
- (c) upon a material default by the Company under the Underwriting Agreement;
- (d) upon the occurrence of events which give rise to a material adverse effect or any adverse change in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries; and
- (e) upon the occurrence of certain other events which have or are likely to have a material adverse effect on the Underwriter or could give rise to a liability of the Underwriter under the Corporations Act or otherwise.

Fees

Subject to completion of the Offer, the Company will pay the Underwriter a fee of 4% of the amount equal to the number of Underwritten New Shares multiplied by the issue price of \$1.10 in respect of the underwriting. In addition, the Underwriter will be reimbursed for certain reasonable costs and out of pocket expenses of and incidental to the Offer.

4.2 Sub-underwriting

Eurogold and Mathys have each entered into sub-underwriting agreements with the Underwriter for the sub-underwriting of the Shortfall. Eurogold and Mathys have given warranties, covenants and indemnities to the Underwriter which are customary in an agreement of this nature.

Under each of the sub-underwriting agreements, Eurogold and Mathys are each required to take up their respective Entitlement prior to the Closing Date.

Neither Eurogold nor Mathys has any right to terminate their respective arrangements with the Underwriter, unless the other sub-underwriter fails to comply (or threatens not to comply) with its obligations under its respective sub-underwriting agreement.

The Underwriter may terminate the sub-underwriting arrangements if the Underwriting Agreement is terminated or the Offer does not proceed. The circumstances in which the Underwriting Agreement may be terminated are set out in Section 4.1.

The Underwriter will pass on 2.75% of the 4% Underwriter fee to Eurogold and Mathys for undertaking the sub-underwriting.

4.3 Effect of the Offer on control of the Company

Pursuant to the sub-underwriting agreements between the Underwriter and each of Eurogold and Mathys, Eurogold (with existing voting power of 19.99%) and Mathys (with existing voting power of 15.50%) are severally sub-underwriting the entire Rights Issue in the proportions 66.67% to Eurogold and 33.33% to Mathys.

Based on the shareholding interests of Eurogold and Mathys as the date of the Offer Document and their respective sub-underwriting commitments, and assuming that neither Eurogold nor Mathys acquire any Rights on ASX, upon completion of the Offer, Eurogold's voting power will be between 19.99% and 27.17% and Mathys' voting power will be between 15.50% and 18.25%.

The Company is aware that Allied Properties Resources Limited has an approximate 36.37% interest in Eurogold, conferring on Allied Properties Resource Limited an indirect interest in the Company.

The final shareholding interest of the sub-underwriters upon completion of the Offer will depend upon the degree to which Eligible Shareholders take up their Entitlements. To the extent that a Shareholder does not take up their Entitlement, the proportionate shareholding interest of that Shareholder in the Company will be diluted.

The Company is of the view that the Offer will not affect the control of the Company, notwithstanding the potential increase in the shareholding interests of the sub-underwriters. It is noted that Eurogold could acquire a percentage interest in the Company (ie. more than 25%) that would give Eurogold the ability to block a special resolution of Shareholders. However, control of the Company (in the sense contemplated by section 50AA of the Corporations Act) will not be affected.

4.4 Effects of rounding and warning against share splitting

All Entitlements will be rounded up to the nearest whole number of New Shares.

If the Company reasonably believes that a Shareholder has been a party to the splitting or division of a shareholding in an attempt to obtain an advantage from the rounding up of Entitlements, then the Company reserves the right to round the Entitlement of such holdings so as to provide only the number of New Shares that would have been received but for the splitting or division.

4.5 Tax

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under the Offer. The Company does not accept any responsibility in this regard, and Shareholders should consult with their professional tax adviser.

4.6 Privacy

The Entitlement and Acceptance Form requires you to provide information that may be personal information for the purpose of the Privacy Act 1988 (Cth). The Company (and the Share Registry on its behalf) collects, holds and uses personal information in order to assess applications for New Shares, service the needs of Shareholders, provide facilities and services and to administer the Company.

Access to information may also be provided to the Company's related bodies corporate, agents and service providers, regulatory bodies, mail houses and the Share Registry.

If you do not provide the information requested of you in the Entitlement and Acceptance Form, the Share Registry will not be able to process your application for New Shares or administer your holding of Shares appropriately.

5. Glossary

In this Offer Document:

\$ means Australian dollars, unless otherwise specified.

Applicant means a person who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form.

Application Money means the aggregate amount of money payable for New Shares applied for in a duly completed Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

AWST means Australian Western Standard Time.

Closing Date the last day for payment and return of Entitlement and Acceptance Forms, being 4.00 pm (AWST) on 6 March 2012.

Company Secretary means the company secretary of the Company.

Directors means the directors of the Company.

Dragon Mining or **Company** means Dragon Mining Limited ABN 19 009 450 051.

Eligible Shareholder means a Shareholder at the Record Date who is not an Excluded Shareholder.

Entitlement means the number of New Shares that a Shareholder is entitled to apply for under the Offer, as determined by the number of Shares held by that Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Eurogold means Eurogold Limited ABN 58 009 070 384.

Excluded Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Listing Rules means the official listing rules of ASX.

Mathys means Nicolas Mathys.

New Share means a new Share to be issued under the Offer.

Official Quotation means "quotation" (as that term is used in the Listing Rules) of all of the New Shares on ASX when allotted which if conditional may only be conditional on customary pre-quotation conditions.

Record Date means 4.00 pm (AWST) on 15 February 2012 or such other date as may be determined by the Directors.

Right means the right to subscribe for New Shares in accordance with an Entitlement under the Offer described in this Offer Document.

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

Shareholder means a holder of Shares.

Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

Shortfall means the number of New Shares offered under the Offer for which valid applications have not been received from Eligible Shareholders or the holders of Rights before the Closing Date.

Underwriter means Patersons Securities Limited ACN 008 896 311.

Underwriting Agreement means the underwriting agreement between the Company and the Underwriter dated 6 February 2012.