



ASX ANNOUNCEMENT

30 APRIL 2012

SETTLEMENT OF TRAILING PAYMENT FROM CHALICE

Dragon Mining Limited is pleased to announce agreement with Chalice Gold Mines Limited ("Chalice") for the payment of \$1.5 million to Dragon Mining in full consideration for setting aside the trailing payment of \$4 million in the event that a one million ounce Ore Reserve is delineated at the Zara Project.

Following careful consideration the Company formed the view that the early, discounted payment represented fair value given the probable time and risk of the Zara Project achieving the threshold Ore Reserve.

The payment is subject to completion of the sale of the Zara Project by Chalice to China SFECO Group.

Further details are outlined in the Chalice (ASX: CHN) announcement to ASX dated 27 April 2012.

Background

In June 2010, Chalice exercised its option to purchase Dragon Mining (Eritrea) Ltd, a 100% owned subsidiary of Dragon Mining Limited which holds the 20% interest in the Zara Gold Project, Eritrea which resulted in the Company receiving \$8.0m in cash and 2 million Chalice shares. In addition, Chalice had the obligation to pay Dragon Mining a further \$4.0 million on the delineation of a one million ounce Ore Reserve at the Zara Project.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman