

ASX ANNOUNCEMENT

11 FEBRUARY 2011

INCREASE IN ORE RESERVES AT SVARTLIDEN GOLD MINE

Dragon is pleased to announce that the Proven and Probable Ore Reserves of the Svartliden Gold Mine, Sweden have been updated to a total of **1.015 million tonnes grading 3.2 g/t gold for 103,310 ounces** (Table 1), which represents an increase from the 31 December 2009 Proven and Probable Ore Reserve of 0.49 million tonnes grading 3.5 g/t gold for 55,300 ounces. The reserve increase is the result of the decision to deepen the open pit, and includes ore from the planned underground mine and existing stockpiles.

The success of the drilling has resulted in production plans being extended into 2014, with optimisation studies indicating that the eastern portion of the open pit can be deepened, enabling open pit mining to continue until July 2012.

The extending of open pit mining has also resulted in the deferral of the commencement of the underground mine development until mid - 2011

Table 1 - Svartliden Gold Mine Ore Reserves – 31 December 2010.

	Tonnes (t)	Gold (g/t)	Ounces
Open Pit			
Proven	156,000	3.7	18,560
Probable	209,000	3.4	22,850
Underground			
Proven	-	-	-
Probable	294,000	4.3	40,680
Stockpiles			
Proven	20,890	2.7	1,820
Probable	335,240	1.8	19,400
Total			
Proven	176,890	3.6	20,380
Probable	838,240	3.1	82,930
Total	1,015,130	3.2	103,310

The update of Svartliden Gold Mine Proven and Probable Ore Reserves was completed using the 2010 Mineral Resource update completed by independent consultants Runge Limited.

For the open pit Proven and Probable Ore Reserves, ore loss was set at 10% and dilution at 22% in line with reconciliation figures. Mining costs were based on the existing mining contract. Metallurgical recoveries average 91%. The determined ore reserves are based on a gold price of US\$1,200/oz and reported at a gold cut-off grade of 1.8 g/t gold.

For the underground Proven and Probable Ore Reserves ore loss was set at 21% and dilution at 39%. Mining costs were based on tendered rates. Metallurgical recoveries average 91%. The ore reserves that have been declared are based on a gold price of US\$1,200/oz and reported at a gold cut-off grade of 3.0 g/t gold.

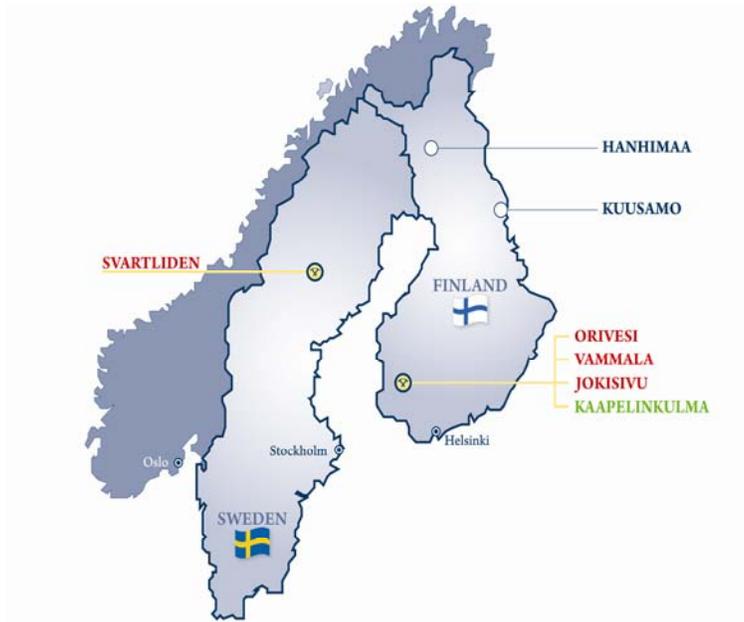
For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Background

The Svartliden Gold Mine is located in northern Sweden, 700 kilometres north of Stockholm in an area that is developing into a gold-rich province referred to as the Gold Line. It was developed by Dragon Mining as an open pit mining operation with ore processed on site through a carbon in leach (CIL) plant, the first production in March 2005. At 31 December 2010 the operation had processed 1.82Mt at 4.7 g/t gold for 251,037 ounces of gold.

Mineralisation at Svartliden is structurally controlled and hosted within a series of meta-sediment and volcanic sequences. Higher grade concentrations of gold occur within well defined structures. These zones have been the target of resource drilling since mid-2006 designed to delineate mineralisation with the potential to extend the open pit and to sustain underground mining operations.



Location of Projects

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Neale Edwards BSc (Hons), a Member of the Australian Institute of Geoscientists, who is a full time employee of the company and has sufficient experience which is relevant to the style of mineralization 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 of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.