

ASX ANNOUNCEMENT

04 MAY 2011

COMPANY UPDATE

The Board of Dragon Mining has committed the Company to a \$35m capital expenditure programme over the next 20 months, which is designed to grow production to more than 90,000 ounces per year by 2013. The programme includes:

1. An extensive cut back in the open pit and the development of the decline and underground drives at the Svartliden Gold Mine, Sweden;
2. The purchase of mining equipment and the development of the decline and underground drives at the Orivesi Gold Mine, Finland; and
3. Completion of the decline at the Jokisivu Gold Mine, Finland which commenced in September 2010.

Dragon Mining is also committed to increasing its production profile by continuing an aggressive exploration program. In particular, the Company is focussed on rapidly advancing the Kuusamo Gold Project in northern Finland by embarking on an aggressive drilling campaign to increase the Kuusamo resource inventory, in preparation for the undertaking of a feasibility study during 2012.

Loan and Hedging Facility

Though Dragon Mining's cash position as at 31 March 2011 was A\$33.6m, the Company's 100% owned Finnish subsidiary, Polar Mining Oy has secured additional funding through a 3.8 million euro debt facility ("Facility") with Nordea Bank, one of the Nordic regions leading financial institutions.

Finnvera Plc, a specialised financing company owned by the State of Finland that provides financing and guarantees to Finnish enterprises in a start-up or growth phase has guaranteed half of the Facility, which is to be repaid in equal quarterly instalments until December 2012.

The interest rate under the Facility is 4.4% and is calculated quarterly in arrears.

The drawdown of the Facility is subject to the completion of a minimum euro denominated gold hedging programme of 30,000 ounces (10,000 ounces in 2011 and 20,000 ounces in 2012) representing 24% of the Proven and Probable Reserves of the Company's Finnish operations (Appendix 1).

The Company also has in place a tactical hedging strategy for the Svartliden Gold Mine, which involves shorter dated rolling hedges of 16,000 ounces of gold (denominated in Swedish krona). The Company will continue to deliver into these hedges and replace the same amount of hedging with the last hedge matching the completion of the decline expenditure (mid 2012).

The combined hedging programmes represent approximately 20% of Proven and Probable Reserves of the Company with the last delivery date for the hedges expected in December 2012.

Executive Chairman Peter Cordin stated, "Dragon Mining faces a very active 2 years of development and once completed, should see the Company emerge as one of Europe's leading gold mining companies."

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

APPENDIX 1 – GOLD RESERVES AS AT 31 DECEMBER 2010

Mine	Project	Classification	Tonnes	Gold (g/t)	Ounces
Svartliden	Svartliden - Open Pit	Proven	156,000	3.7	18,560
		Probable	209,000	3.4	22,850
	Svartliden - Underground	Proven	-	-	-
		Probable	294,000	4.3	40,680
	Svartliden – Stockpiles	Proven	20,890	2.7	1,800
Probable		335,240	1.8	19,400	
Svartliden Gold Mine - Total		Proven	176,890	3.6	20,380
		Probable	838,240	3.1	82,930
		Total	1,015,130	3.2	103,310
Orivesi	Sarvisuo - Underground	Proven	-	-	-
		Probable	155,240	4.7	23,230
	Kutema - Underground	Proven	-	-	-
		Probable	72,060	3.2	7,410
Kutema Deeps - Underground	Proven	-	-	-	
	Probable	263,370	4.9	41,490	
Orivesi Gold Mine – Total		Proven	490,670	4.6	72,130
		Probable	490,670	4.6	72,130
		Total	490,670	4.6	72,130
Jokisivu	Kujankallio - Underground	Proven	-	-	-
		Probable	346,700	4.5	50,160
	Arpola – Open Pit	Proven	28,500	3.7	3,390
Probable		12,200	5.2	2,040	
Jokisivu Gold Mine - Total		Proven	28,500	3.7	3,390
		Probable	358,900	4.6	52,200
		Total	387,400	4.5	55,590
Group Total		Proven	205,390	3.6	23,770
		Probable	1,687,810	3.8	207,260
		Total	1,893,200	3.8	231,030

Competent Persons Statement

The information in this announcement 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 announcement of the matters based on his information in the form and context in which it appears.