

ASX ANNOUNCEMENT

27 MAY 2011

DRAGON MINING SECURES 100% OF THE SVARTLIDEN GOLD MINE, SWEDEN

Dragon Mining is pleased to announce it has acquired the remaining 20% of the Svartliden Gold Mine for the total consideration of US\$1,000,000 and 500,000 ordinary, fully paid DRA shares.

Dragon Mining secured the remaining 20% interest in Dragon Mining (Sweden) AB ("DMS"), the owner and operator of the Svartliden Gold Mine from Pioneer Intertrade Company Limited ("Pioneer").

Dragon Mining acquired the initial interest in DMS in August 1997, earning an 80% interest following completion of a feasibility study in 2002, and subsequently has been responsible for all exploration, development and financing costs. Svartliden was brought into production in 2005 and as at 31 March 2011 has produced over 255,000 ounces of gold at an average cash cost of \$520 an ounce.

The success of an aggressive drilling campaign which commenced in March 2010 has resulted in production plans being extended into 2014. Given the exploration success, the extended mine life and the benefits of an increased gold price, DMS was anticipating to commence the payment of dividends to Pioneer in 2012, after repayment of the intercompany loan owing to Dragon Mining.

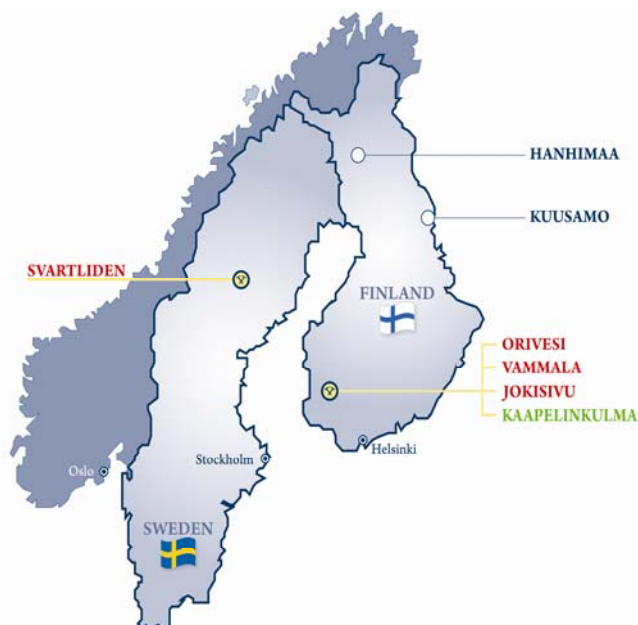
The cash consideration provides Pioneer an immediate return from a long involvement in the Svartliden Gold Project whilst the DRA shares will provide continued exposure to the success of Svartliden as well as Dragon Mining's two other gold mines at Orivesi and Jokisivu in southern Finland and exploration at the exciting Kuusamo gold project in northern Finland.

Company Background

Dragon Mining is an ASX listed gold producer, focussed on Scandinavia. The Company operates three gold mines in this region, which produced 71,598 ounces of gold at an average cash cost of US\$678 per ounce in 2010.

The Company has been active in the Scandinavian region for in excess of 10 years and holds an extensive project portfolio that hosts a gold resource inventory of 1.1million ounces.^(note 1)

Further growth to this inventory is expected as the Company continues to place a high priority on exploration and maintains an aggressive exploration strategy, on projects both in close proximity to its existing mines and in regional areas.



Location of Projects

Secondary Trading Notice Pursuant to Paragraph 708A(5)(e) of the Corporations Act 2001 (“Act”)

By giving this notice, the sale of the Shares noted above will fall within the exemption in section 708A(5) of the Act.

The Company hereby notifies ASX under paragraph 708A(5)(e) of the Act that:

- (a) the Company issued the Shares without disclosure to investors under Part 6D.2 of the Act;
- (b) as at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company, and section 674 of the Act; and
- (c) as at the date of this notice there is no information:
 - a. that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - b. that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - i. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - ii. the rights and liabilities attaching to the relevant Shares.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Note 1 - Scandinavian Gold Resource Inventory – Depleted to 31 December 2010

Classification	Tonnes	Gold (g/t)	Ounces
Svartliden Gold Mine, Sweden			
Measured	209,900	4.0	26,700
Indicated	967,200	3.6	113,200
Inferred	152,000	3.8	18,600
Total	1,330,100	3.7	158,200
Vammala Production Centre, Finland			
Measured	193,600	6.5	40,200
Indicated	1,311,200	5.2	217,800
Inferred	1,667,400	6.0	325,300
Total	3,172,200	5.7	583,200
Kuusamo Gold Project, Finland			
Measured	-	-	-
Indicated	786,000	7.0	177,000
Inferred	1,404,000	4.6	206,500
Total	2,189,000	5.4	383,500
Group Total			
Measured	403,500	5.2	66,900
Indicated	3,064,400	5.2	508,000
Inferred	3,223,400	5.3	550,400
Total	6,691,300	5.2	1,124,900

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.