

**ASX ANNOUNCEMENT**

**24 AUGUST 2011**

**DECLINE COMMENCES FOR UNDERGROUND MINING AT THE SVARTLIDEN GOLD MINE, SWEDEN**

Dragon Mining is pleased to announce the first blast to commence the decline for underground mining was fired on 12 August. Subsequent blasts have confirmed good ground conditions.

The development will consist of 3,500m of decline and lateral development from the base of the open pit (approximately 50m from surface) at a total production cost of US\$6.5m. The decline is expected to be completed within 12 months with the first ore in early 2012.



For and on behalf of  
**Dragon Mining Limited**

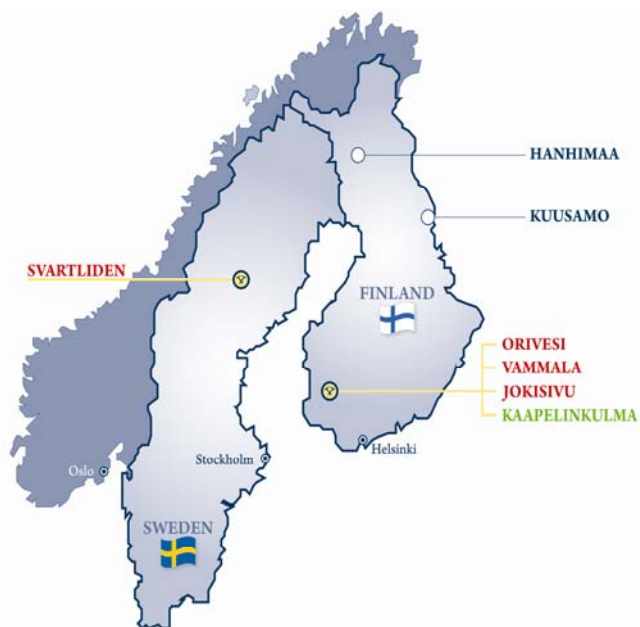
**Peter G Cordin**  
Executive Chairman

## 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 1.1 million ounces. <sup>(note 1)</sup>

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

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

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

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.