

ASX ANNOUNCEMENT

14 SEPTEMBER 2011

RESOURCE AND EXPLORATION UPDATE - SVARTLIDEN GOLD MINE, SWEDEN

Dragon Mining is pleased to provide a resource update and the results from recent exploration activities carried out at the Svartliden Gold Mine.

The updated Mineral Resource for the Svartliden deposit, depleted to 31 July 2011 totals 1,033,000 tonnes at 4.3 g/t gold for 142,200 ounces (Table 1) and represents an increase of 10% in contained ounces from the September 2010 Mineral Resource at the depletion date.

The increase reflects the defining of additional mineralisation associated with the North Lode in the eastern portion of the deposit and adjustments to both mineralisation and granite envelopes arising from a greater density of grade control and exploration drilling.

The 2011 resource update was undertaken by company geologists using Ordinary Kriging (OK) grade interpolation, constrained by resource outlines based on mineralisation envelopes that were prepared using a nominal 1.3 g/t gold cut-off and a minimum down hole length of 2 metres. The update was audited by independent resource consultants Runge Limited of Perth, Western Australia.

With the inclusion of stockpiled material, the total resource inventory for the Svartliden Gold Mine as at 31 July 2011 is **1,295,100 tonnes grading 3.7 g/t gold for 157,100 ounces.**

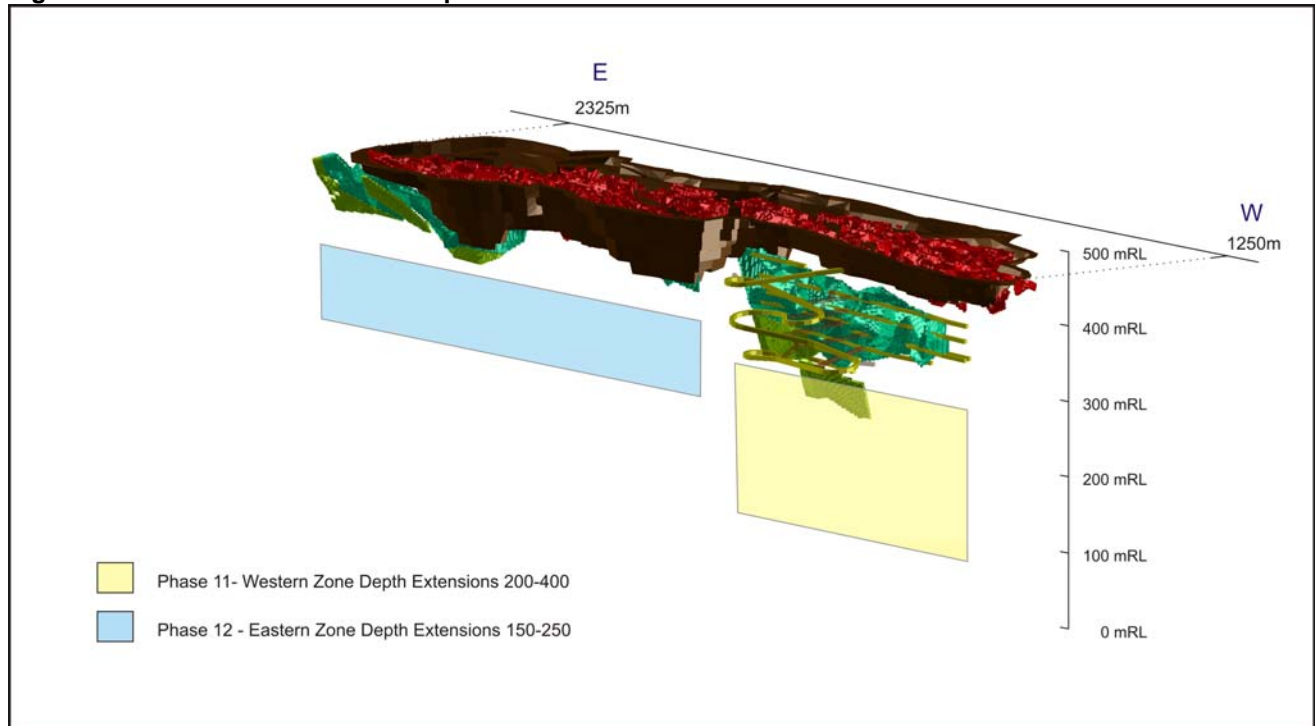
Table 1 - Svartliden Gold Mine Resource Inventory, depleted to 31 July 2011.

	Tonnes (t)	Gold (g/t)	Ounces
Open Pit (Notation 1)			
Measured	186,700	3.8	22,800
Indicated	379,200	3.2	39,400
Inferred	30,300	2.6	2,600
Open Pit Total	596,200	3.4	64,800
Underground (Notation 1)			
Measured	8,000	4.9	1,200
Indicated	396,500	5.6	71,400
Inferred	32,400	4.6	4,800
Underground Total	436,900	5.5	77,400
Stockpiles (Notation 2)			
Measured	3,200	3.4	300
Indicated	258,900	1.8	14,600
Inferred			
Stockpiles Total	262,100	1.8	14,900
Total			
Measured	197,900	3.8	24,300
Indicated	1,034,600	3.7	125,400
Inferred	62,600	3.7	7,400
Total	1,295,100	3.7	157,100

The Open Pit Resource is reported at a 1.3 g/t gold cut-off and the Underground Resource reported at a 3 g/t gold cut-off. Block dimensions used in the model were 2m NS by 10m EW by 10m vertical. A high grade cut of 60 g/t gold was applied to the underground resource and a high grade cut of 30 g/t gold was applied to the open pit resource. The updated resource incorporates all available drill data at 31 March 2011 and complies with recommendations in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC).

Drill testing of the depth extensions of the Svartliden deposit continues, with results received from campaigns that targeted both the eastern and western portions of the deposit (Figure 1).

Figure 1 – Svartliden Gold Mine drill panels.



Results have been received for an 18 hole campaign (Phase 12), which tested a panel in the east between 150 metres and 250 metres below surface (Table 2). Analysis returned a series of narrow high grade intercepts, including **4.00m @ 9.37 g/t gold, 5.00m @ 6.78 g/t gold, 2.00m @ 8.31 g/t gold** and **2.00m @ 9.72 g/t gold**, highlighting the down-dip continuation of the north lode in the very eastern portion of the deposit.

Assays have also been received for 5 holes (Phase 11) that targeted the up-dip and lateral extensions of a second lens of mineralisation in the western portion of the deposit. A series of promising intercepts were obtained from this campaign, including **4.00m @ 5.10 g/t gold, 4.00m @ 4.75 g/t gold** and **5.00m @ 5.44 g/t gold** and **7.00m @ 6.44 g/t gold** (Table 3), which have provided confidence that the second lens of mineralisation extends laterally and will require further drill testing to better defines its extent and geometry along strike.

The results from each of these campaigns were not available at the time of the resource update and have not been incorporated into the new model.

Results are pending for an 8 hole campaign (Phase 13) that tested portion of the Svartliden deposit beneath the western end of the open-pit, where drilling was designed to link potential gold bearing units to the existing underground resource.

Two diamond core rigs continue to be active at Svartliden, one advancing a program at the Far East prospect, 800 metres east of the Svartliden open pit where recent drilling intersected material characteristic of the Svartliden host sequence. The second rig has commenced a 9 hole, 2,225 metre campaign (Phase 15) following-up the results obtained from the Phase 12 campaign, between Profiles 2050 and 2250.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Table 2 – Results from Phase 12 - Eastern Zone Depth Extensions 150-250 program.

Hole	North	East	Azimuth (°)	Dip (°)	Length (m)	From (m)	Interval (m)	Gold (g/t)
Profile 1875								
SV11430	7187139.60	1588683.63	341	-53	260.00	No significant intercepts		
Profile 1900								
SV11431	7187165.19	1588701.37	341	-51	215.00	175.0	1.00	1.04
						189.0	1.00	1.72
SV11432	7187131.88	1588712.66	341	-56	301.30	232.0	1.00	2.07
Profile 1950								
SV11433	7187197.61	1588743.19	341	-56	228.55	166.0	1.00	1.19
Profile 1975								
SV11434	7187185.31	1588773.84	341	-50	236.00	143.0	1.00	1.08
						181.0	4.00	9.37
SV11435	7187181.41	1588775.12	341	-56	260.40	No significant intercepts		
Profile 2000								
SV11436	7187166.53	1588806.40	341	-51	255.60	No significant intercepts		
Profile 2025								
SV11437	7187230.31	1588811.29	341	-58	205.40	No significant intercepts		
Profile 2075								
SV11438	7187270.72	1588850.09	341	-55	236.2	194.0	2.00	9.72
Profile 2100								
SV11447	7187236.75	1588888.29	341	-62	244.45	194.0	1.00	1.31
Profile 2125								
SV11439	7187199.77	1588927.31	341	-62	314.1	244.0	1.00	1.34
Profile 2150								
SV11440	7187251.40	1588936.11	341	-64	250.50	No significant intercepts		
Profile 2175								
SV11441	7187273.68	1588954.95	341	-61	235.7	199.0	1.00	2.14
Profile 2200								
SV11442	7187286.02	1588977.05	341	-54	223.9	169.0	1.00	3.46
						186.0	5.00	6.78
Profile 2225								
SV11443	7187303.60	1588997.63	341	-60	227.0	172.00	2.00	1.64
SV11444	7187292.29	1589001.46	341	-65	226.9	152.0	1.00	2.54
						179.0	2.00	1.74
						189.0	1.00	3.54
Profile 2250								
SV11445	7187311.31	1589021.30	341	-54	203.0	149.0	2.00	8.31
Profile 2275								
SV11446	7187300.15	1589051.35	341	-53	242.1	150.0	1.00	1.47
						168.0	1.00	1.70
						175.0	2.00	4.40

Analysis of half core was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using method Au-AA25, following sample preparation at the ALS Chemex facility in Piteå, Sweden. Reported at a cut-off grade of 1.0 g/t gold.

Table 3 – Results from Phase 11 - Western Zone Depth Extensions 200-400 program.

Hole	North	East	Azimuth (°)	Dip (°)	Length (m)	From (m)	Interval (m)	Gold (g/t)
Profile 1475								
SV11401	7186946.11	1588327.17	341	-50	294.55	203.0	1.00	1.60
						266.0	4.00	5.10
Profile 1550								
SV11402	7186995.36	1588390.81	341	-56	298.90	208.0	6.00	1.28
						253.0	4.00	4.75
Profile 1625								
SV11404	7186980.33	1588474.87	341	-52	335.40	250.0	1.00	1.33
						277.0	1.00	1.47
						297.0	1.00	2.78
SV11411	7187026.28	1588458.404	341	-51	290.2	175.0	5.00	5.44
						185.0	1.00	1.68
						197.0	1.00	1.52
Profile 1650								
SV11408	7187030.96	1588483.41	341	-57	295.60	190.0	8.00	3.34
						202.0	1.00	9.29
						232.0	1.00	2.40
						251.0	7.00	6.44

Analysis of half core was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using method Au-AA25, following sample preparation at the ALS Chemex facility in Piteå, Sweden. Reported at a cut-off grade of 1.0 g/t gold.

Figure 2 – Svartliden Gold Mine drill hole plan.

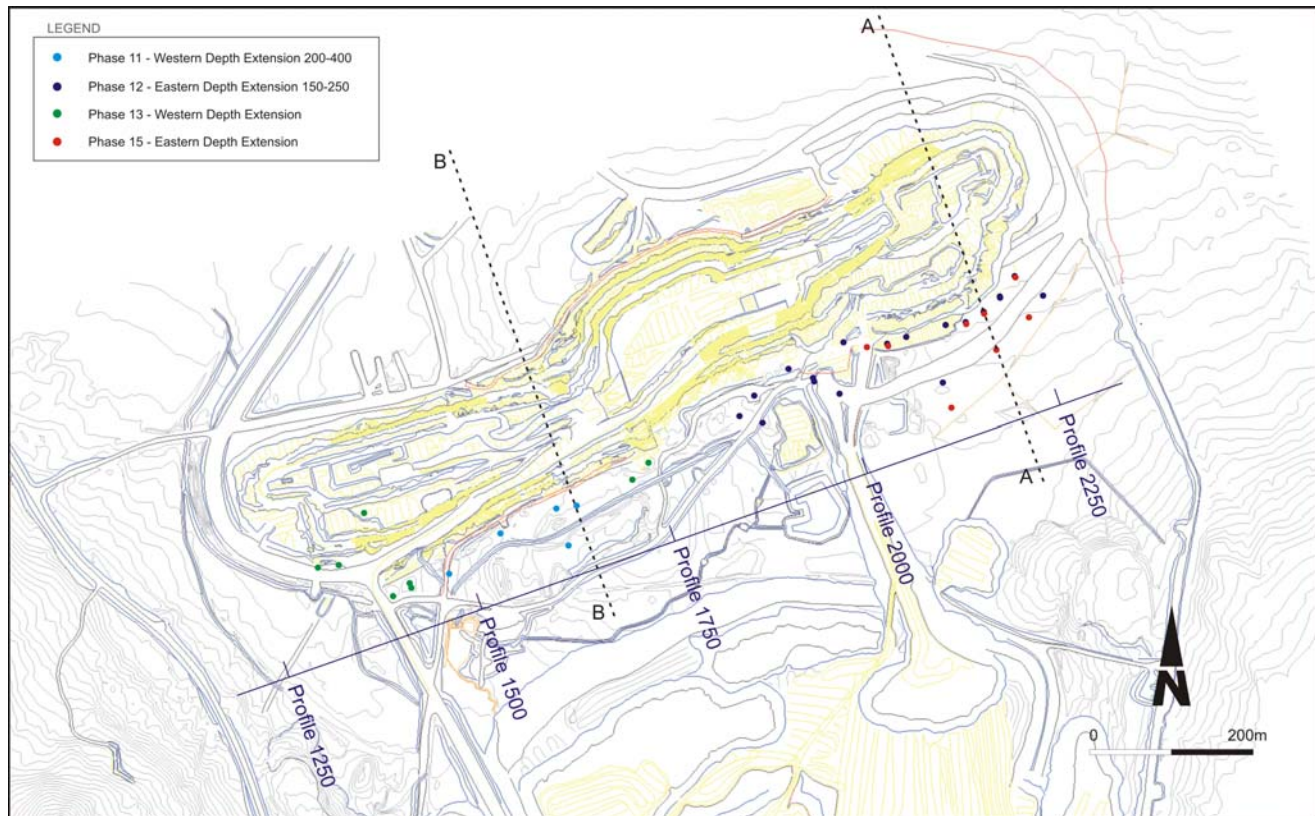


Figure 3 – Svartliden Profile 2200 (A-A).

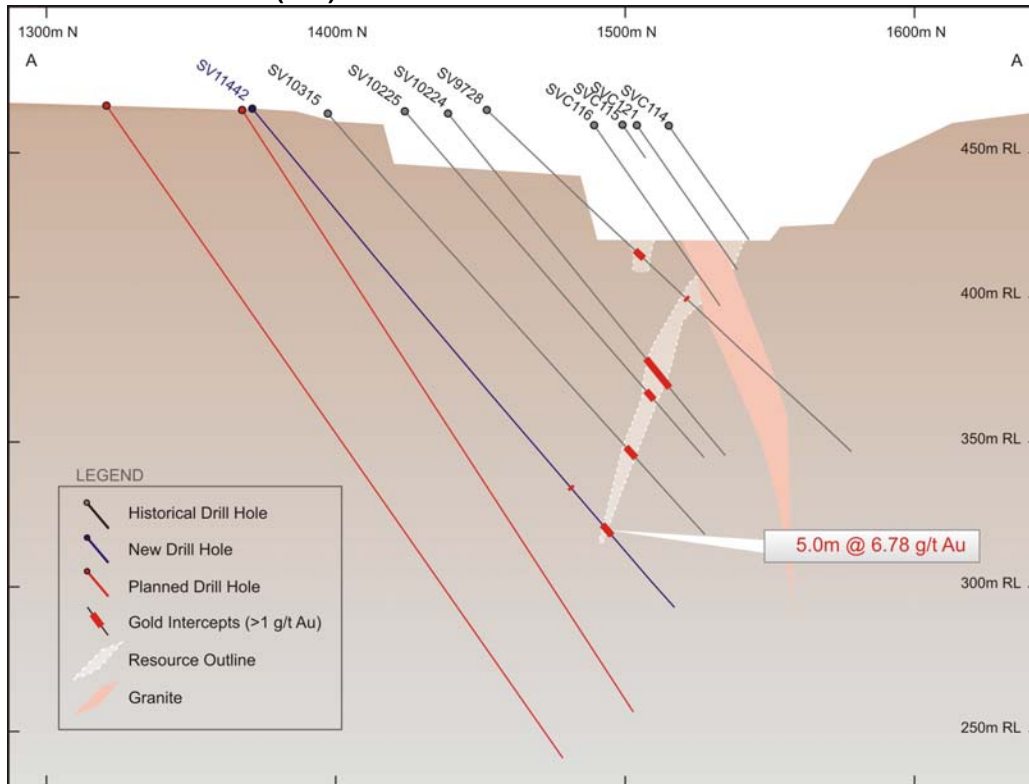
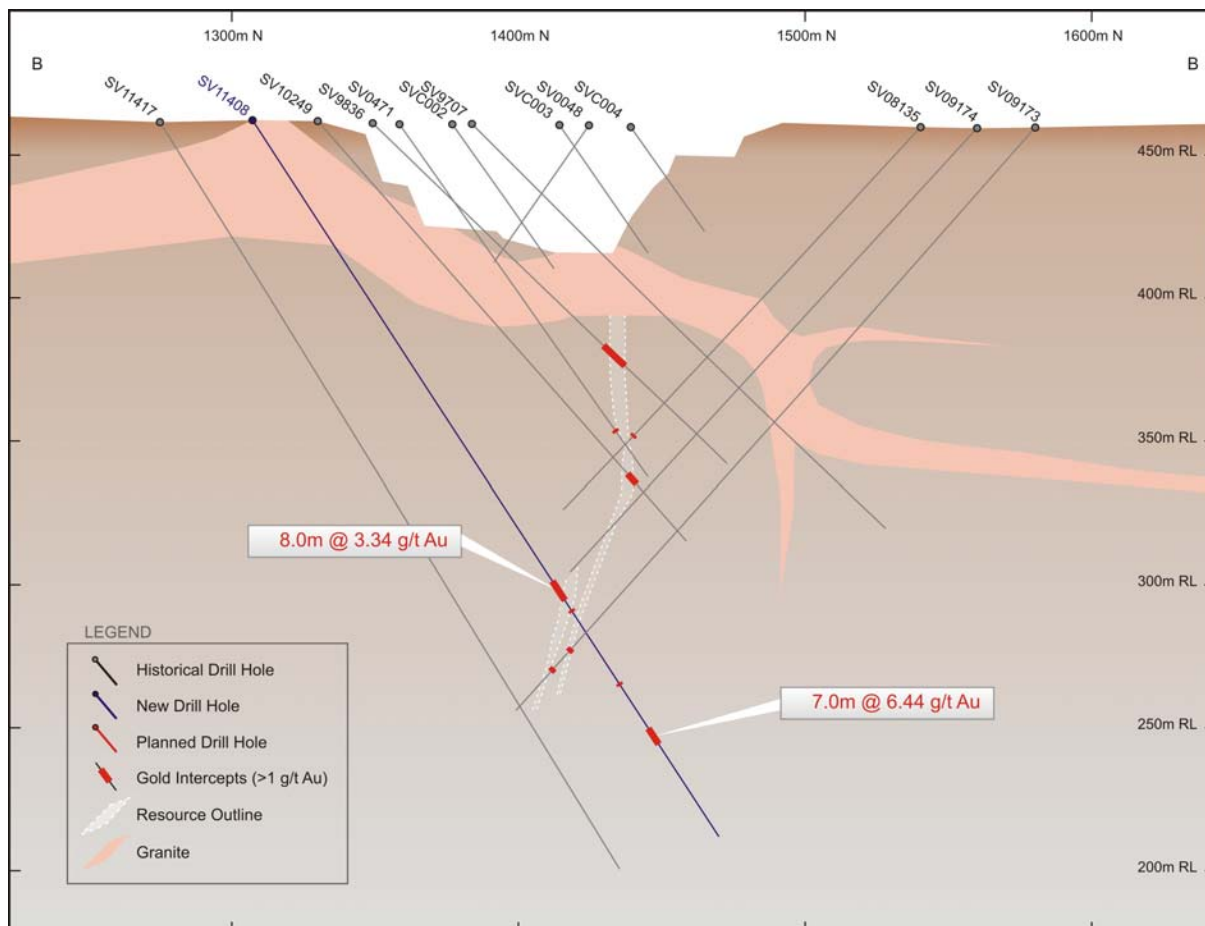


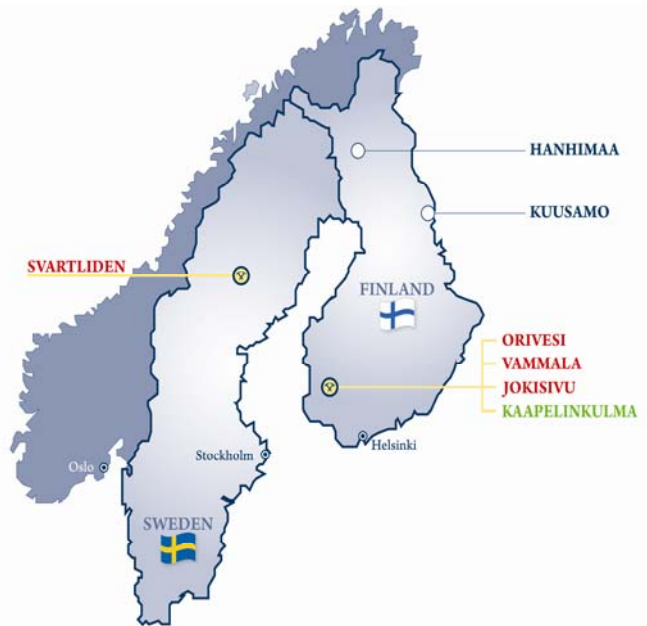
Figure 4 – Svartliden Profile 1650 (B-B).



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 30 June 2011 the operation had processed 1.99Mt at 4.53 g/t gold for 262,614 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

Notations:

1. The information in this report that relates to Mineral Resources is based on information compiled by Mr Craig Allison, a Member of the Australian Institute of Mining and Metallurgy, who is a full time employee of Runge Limited 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 Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Craig Allison consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
2. The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Neale Edwards BSc (Hons), a Fellow 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.