UPDATE ON THE ZARA JOINT VENTURE, ERITREA

Zara Joint Venture, Eritrea (Dragon Mining Limited - 20% interest)

The following is the extract from the Sub Sahara Resources NL June 2008 Quarterly Report which provides an update on the Zara Joint Venture.

Koka Gold Deposit

Eight drill holes (ZARD112-119), totalling 1014.1m were completed during the quarter in a programme of HQ diamond drilling designed to generate a representative bulk sample for more detailed metallurgical test-work at the Koka Gold Deposit. The drill holes were positioned in consultation with a metallurgical consultant at Coffey Mining. The programme was designed to achieve intersections of the mineralisation in the oxide, transition and sulphide zones.

Whole core samples of the mineralised zone together with 10m of hanging wall and footwall core have been batched by drill hole. Sampling of the mineralised zone in the final two drill holes is in progress and the consignment of intersections will be expedited to the Ammtec Laboratory in Perth for test-work.

Drill hole (ZARD115) was abandoned at 63.7m when the core barrel became stuck and was not sampled; this hole was re-drilled as ZARD118.

A programme of seven diamond drill holes designed to test the conclusions made by Vearncombe & Associates’ (Perth) regarding the structural controls on the mineralisation at Koka Gold Deposit commenced at the end of the quarter. The first drill hole (ZARD120) has reached 98m and the second (ZARD121) has reached 14m.

Assay results from the geochemical sampling survey completed to the south of the Koka Prospect confirm a strike extension to the main mineralised zone. Follow up work with ground-based geophysics will be carried out next quarter.

The Environmental Baseline Study utilizing the services of Global Resources, which commenced in July 2007, continues.

Konate Prospect

The results from a suite of samples comprising mineralized rocks from the Koka and Konate Prospects that were dispatched to Mason Geoscience in Adelaide for petrographic and mineragraphic studies last quarter, have been received. These confirm that the style of mineralization at Konate Prospect is similar to that at the Koka Prospect.

The programme of geological mapping and topographic survey due to commence during the quarter was temporarily halted due to logistical issues. The surveys are now planned for the coming quarter.
Regional

A programme of drainage sampling was completed over the east and south of the Zara licenses. Assay results are awaited.

A Digital Terrain Model survey comprising ~194,000 points over Koka Prospect, Zara Camp area and access from Rikeb town, has been completed.

A hydro-geological survey designed to identify aquifers capable of supplying water for a mining operation was completed and 25 targets for ground-based geophysical follow up were delineated. The most promising targets are situated on the alluvial terraces adjacent to the main Zara River, eight kms west of the Zara Camp. Geophysical surveys will commence at the beginning of the next quarter.

The Zara Joint Venture comprises a single license covering an area of 196km$^2$ situated in northern Eritrea, approximately 160km northwest of Asmara city. The project is managed by Sub-Sahara and Dragon Mining has a 20% interest and is free carried through to completion of a bankable feasibility study.

For and on behalf of

Dragon Mining Limited

Peter G Cordin
Managing Director