

ASX ANNOUNCEMENT

28 JULY 2015

UPDATE ON THE ACQUISITION OF THE FÄBOLIDEN GOLD PROJECT IN NORTHERN SWEDEN

Further to its announcement on 4 February 2015, Dragon Mining (ASX:DRA) provides the following update on the acquisition of the Fäboliden Gold Project in northern Sweden.

The Sale and Purchase Agreement ("Agreement") with the Bankruptcy Estate of Lappland Goldminers Fäboliden AB ("Bankruptcy Estate") to acquire the Fäboliden Gold Project was conditional upon:

- i. a final, legally binding and unappealable granting by the appropriate court of the extension of the start-up time set out in the Environmental Permit of at least 4 years; and*
- ii. a final, legally binding and unappealable approval from the Mining Inspectorate of Sweden or an approval from the Swedish Government of the transfer of the Exploitation Concession to Dragon Mining.*

The Agreement provides that if the conditions are not achieved within two years of execution of the Agreement, the Agreement shall be considered void and payments reversed, apart from 0.25 million SEK (A\$0.04 million) that will be retained by the Bankruptcy Estate.

On 12 June 2015, the Land and Environmental Court in Sweden rejected the application for an extension to the start-up time as set out in the Environmental Permit. The Bankruptcy Estate has appealed the decision to the Land and Environment Court of Appeal (**Appeal**).

After reviewing various options, Dragon Mining and the Bankruptcy Estate have agreed to amend the Agreement, whereby the condition in the Agreement relating to the extension of the existing Environmental Permit for a period of at least four years is waived, in consideration for a lower total purchase price of 38 million SEK (A\$6 million), being a discount of 2 million SEK. 6 million SEK (A\$0.95 million) of this total purchase price has already been paid to the Bankruptcy Estate, the remaining 32 million SEK (A\$5.05 million) to be paid on or before 30 July 2015. The Bankruptcy Estate will hold these funds on trust until the Completion Date, being the seventh day following the fulfilment of the final condition:

- i. a final, legally binding and unappealable approval from the Mining Inspectorate of Sweden or an approval from the Swedish Government of the transfer of the Exploitation Concession to Dragon Mining.*

The parties have agreed to vary the timing for achievement of this final condition from two years to one year.

Following the Completion Date, Dragon Mining will advise the Bankruptcy Estate to discontinue the Appeal.

Dragon Mining's Executive Director, Mr Brett Smith stated, "The discussions with the Bankruptcy Estate following the ruling by the Land and Environment Court have been very positive. The agreed amendments to the Agreement will potentially result in the Company being able to achieve production at Fäboliden at an earlier date than if Dragon Mining followed the path specified in the original Agreement. Whilst we agree with the administrators that an appeal is likely to be successful, our advice is to the effect that it will be faster to obtain the necessary permits for our smaller project with its reduced environmental footprint than progressing an appeal and then applying for modification of the original permit. It also ensures we are directly managing the permit application process."

The Fäboliden Gold Project is an advanced project located in northern Sweden, 25 kilometres southeast of Dragon Mining's Svartliden Production Centre and 750 kilometres north of the Swedish capital Stockholm. It represents a potential source of open pit material that could be trucked to and processed at the CIL plant at Svartliden.

The 1,740 hectare Fäboliden project area comprises the Fäboliden K nr 1 Exploitation Concession that hosts the Fäboliden Gold Deposit and four contiguous Exploration Permits that encompass the southwest strike extensions of the deposits host geological sequence. In addition, the Designation of Land at Fäboliden and ownership of 1,728 hectares of land that the deposit occurs and which retains 18 million SEK worth of standing timber, were included in the acquisition.

It is the Company's intention to immediately commence work on an application for a new Environmental Permit for a mining operation at Fäboliden. This application will be for an operation that has a significantly smaller environmental footprint than the operation proposed by the previous owners. In conjunction with this the Company will also compile an application for a Permit to undertake a program of test mining at Fäboliden.

A 34 hole, 2,941.40 metre diamond core drilling program at the Fäboliden Gold Project was completed by Dragon Mining during the June quarter. Results from the drilling program are pending.

For and on behalf of
Dragon Mining Limited