

13 August 2010



Dominion Mining Limited

ABN 37 000 660 864

OPERATION AND EXPLORATION UPDATE

Summary

- Challenger **July gold production** of **9,653 ounces** with **19,600 ounces** produced over **June/July** at an average cash operating cost of **A\$611/oz.**
- **Reserves** as at 30 June 2010 are **421,650 ounces** and **Resources** total **950,220 ounces.**
- Major drilling campaign underway at Challenger to convert resources into reserves.
- High grade intersections have been returned from future mining levels of the M1, M2 and M3 Shoots.
- Drilling to commence early September at the Chapman Prospect at Calingiri to follow up a previous RC hole intersection which included 75 metres at 0.4% copper.

Challenger Gold Project – (Dominion 100%)

The focus on development to access the lower level high grade M2 stopes over April and May has resulted in **July gold production of 9,653 ounces** at a cash cost of **A\$675/oz.** This continues the positive results achieved in **June with 9,947 ounces produced** for the month. A total of **19,600 ounces was produced over June and July** at an average **cash operating cost of A\$611/oz.**

Development continues on track to sustain access to these higher grade M2 stopes with production for the 6 months ended 31 December 2010 expected to exceed 50,000 ounces.

Revenue for the month of July was A\$11.6 million generated from the sale of 8,762 ounces of gold at an average price received of A\$1,320/ounce. This resulted in a gross cash margin of A\$5.5 million and a net operating cash surplus after development and all capital expenditure of A\$3.1 million.

Current cash and bullion is A\$23.4 million and is after a royalty payment of A\$1.9 million paid at the end of July to the South Australian Government.

Resources and Reserves as at 30 June 2010

As previewed in the June Quarterly report, resources and reserves at Challenger have been downgraded due to an unexpected decrease in the endowment of the M1 Shoot below the 500m RL. Recent development within the lower levels is, however, demonstrating an increase in the endowment of the adjacent M2 Shoot. Supported by the geological continuity of the combined shoots there appears to be a trend of combined M1/M2 endowment that is more balanced than any changes within the individual shoots.

In addition to the positive production results, further high grade intersections have been returned from future mining levels of the M1, M2 and M3 Shoots as tabulated below.

Underground Percussion Drilling Intersections

Hole	Interval (m)	Grade (g/t Au)	Shoot	Level
10CUS8257	3.60	38.12	M1	370
10CUS8323	2.70	63.78	M1	370
10CUS8323	2.60	38.36	M1	370
10CUS8328	4.50	34.85	M1	370
10CUS8330	4.50	27.37	M1	370
10CUS7904	3.00	120.84	M2	750
10CUS8165	3.60	201.28	M2	750
10CUS8171	3.60	52.74	M2	750
10CUS8283	4.40	24.16	M2	390
10CUS8284	4.50	178.57	M2	390
10CUS8089	2.70	36.41	M2	370
10CUS8096	6.30	21.23	M2	370
10CUS8320	2.70	54.74	M2	370
10CUS8321	5.30	21.30	M2	370
10CUS5559	2.25	23.31	M3	770
10CUS5889	2.60	22.09	M3	770

These results give confidence in the increasing endowment of the M2 Shoot as well as an indication that the endowment of the M1 Shoot has stabilised. There is potential to upgrade the resources and reserves within the M1 Shoot if more positive results are sustained.

The recent positive results for the M2 Shoot are the basis for the increases in resources and reserves relative to the guidance given in the June Quarterly report. **Reserves as at 30 June 2010 are 421,650 ounces and Resources total 950,220 ounces.** (A detailed Resources and Reserves Statement is attached).

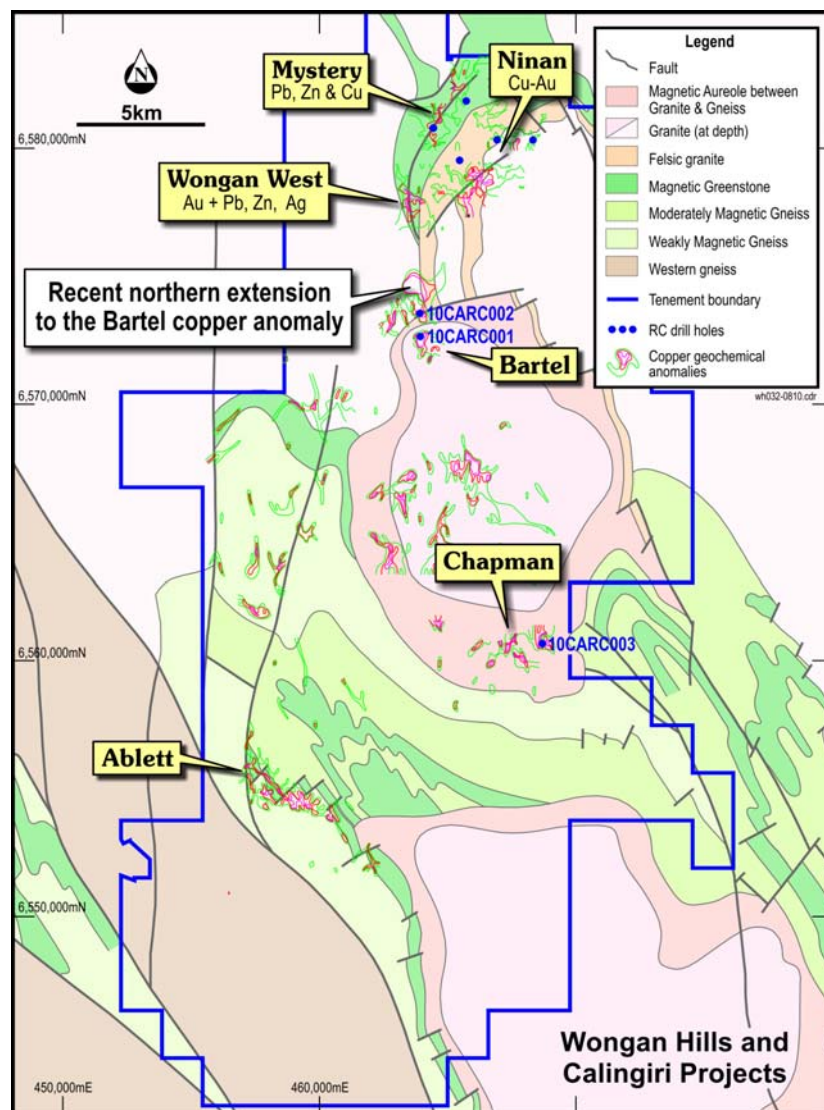
Resources that are outside of areas for which Reserves have been estimated total 490,480 ounces. Of these the priority exploration target is the Inferred Resources of 364,000 ounces contained within the M1 and M2 Shoots, below the 79 Fault. Conversion of Inferred Resources to Reserves has historically been very high (+90% conversion rate) for both the M1 and M2 Shoots.

Due to the shallow plunge of the shoots, drilling from underground access can only be carried out from positions that are within 150 – 200 metres vertically above the target depths (below the 200m RL – approximately 1,000 metres below surface).

These positions have now been reached and drilling programmes from the 370m RL recently commenced. Additional drilling from the 320m RL is due to start shortly. These drilling programs will be the major focus of Challenger exploration activity over the next six months with an approved budget of A\$1.3 million.

Exploration

Calingiri Project



Follow up to the encouraging copper intersections returned from the initial reverse circulation (RC) drilling and announced in the June 2010 Quarterly Report will involve the activities outlined below.

Drilling at the **Chapman Prospect**, where a single hole (10CAR003) intersected continuous copper mineralisation to the end of hole (**124 metres @ 0.27% copper, including 75 metres @ 0.4%, 5 metres @ 1.0% and 12 metres @ 0.9% copper**). Ten RC holes are planned, both to extend the drilling on section with 10CAR003, and to test the northern continuation of the Chapman IP and copper geochemical anomaly on 4 additional sections, respectively at 100 metre spacing. Further to the north the anomaly has not been defined due to the presence of a salt lake drainage system. This drilling is currently planned to commence early in September.

Drilling at the **Bartel Prospect**, where both holes (10CAR001 and 10CAR002) intersected continuous copper mineralisation to the end of hole (**202 metres @ 0.16% and 252 metres @ 0.11% copper, including 5 metres @ 1.4% copper**), and where detailed IP has defined a priority follow up target, will have to be deferred until after the end of the cropping season in December. In the meantime additional geochemical sampling has outlined a very strong northern continuation of the Bartel copper anomaly. This area has not been tested by either drilling or IP surveying.

A potentially positive aspect of the mineralisation intersected to date at both **Bartel** and **Chapman** is that chalcopyrite is the dominant sulphide within the mineralised zones. This is important in that in any development scenario involving sulphide flotation the concentrate is likely to be of relatively high value in relation to both copper content and lack of deleterious elements. It is planned to carry out preliminary metallurgical test work to support these indications. If positive results are confirmed it would effectively decrease the target economic grades for these potentially very large mineralized systems. Initial test work results should be available by mid September.



Jonathan Shellabear
Managing Director

For further information please contact:
Jonathan Shellabear, Managing Director
Tel: +61 8 9426 6400

ATTRIBUTION

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Bamford, Tony Poustie and Paul Androvic who are full-time employees of the Company, members of the Australasian Institute of Mining and Metallurgy. Peter Bamford, Tony Poustie and Paul Androvic have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Bamford, Tony Poustie and Paul Androvic, consent to the inclusion in the report of the matters based on their information in the form and context in which it appears

RESOURCE AND RESERVE STATEMENT

30 JUNE 2010

**Challenger Gold Project
(Dominion 100%)**

SHOOT/LEVEL	RESOURCES				RESERVES				NOTES
	CATEGORY	TONNES	GRADE (g/t Au)	CONTAINED OUNCES	CATEGORY	TONNES	GRADE (g/t Au)	CONTAINED OUNCES	
Underground Development									
M1 1065 Crown Pillar	Measured	21,000	9.6	6,480	Proven	23,000	7.6	5,620	2
M1 below 400m RL (inc broken stocks) to 360m RL	Measured	19,450	7.0	4,370	Proven	23,000	5.7	4,220	2/3
M1 360m RL – 180m RL	Indicated	166,300	6.5	34,510	Probable	198,000	5.2	33,230	3
SUB-TOTAL		206,750	6.8	45,360		244,000	5.5	43,070	
M1 180m RL – -200m RL	Inferred	351,000	6.5	72,900					3
M1 Shadow Zone 760m RL - 740m RL	Measured	3,300	10.1	1,070	Proven	4,240	6.9	940	3
M1 Shadow Zone 800m RL - 760, 680 - 660m RL	Indicated	15,100	8.4	4,070	Probable	12,000	6.9	2,660	3
SUB-TOTAL		18,400	8.7	5,140		16,240	6.9	3,600	
M1 Shadow Zone 900m RL – 800m RL	Inferred	25,000	8.4	6,780					3
M2 1000 - 940, 840 - 800, 440 - 400m RL	Measured	241,500	6.0	46,760	Proven	239,320	5.8	44,540	2
M2 1120 - 1000, 940 - 840, 780 - 440, 400 - 220m RL	Indicated	1,403,000	5.7	256,140	Probable	1,248,900	5.7	229,870	2/3
SUB-TOTAL		1,644,500	5.7	302,900		1,488,220	5.7	274,410	
M2 220m RL – -200m RL	Inferred	1,119,000	8.1	291,500					3
M3 Above (1135m RL)	Measured	16,000	8.5	4,370	Probable	12,000	7.3	2,820	1
M3 1070m RL - 990m RL, 805mRL – 770m RL	Measured	24,400	5.2	4,060	Proven	28,810	4.3	3,940	4
M3 980 – 800, 780 – 600, 560 – 400m RL	Indicated	250,100	7.7	61,560	Probable	264,740	6.9	58,820	4
M3 1072 - 980m RL 400 – 275m RL	Indicated	82,400	4.5	11,910					4
SUB-TOTAL		372,900	6.8	81,900		305,550	6.7	65,580	
M3 275m RL - -100m RL	Inferred	153,500	4.4	21,900				0	4
Challenger West Surface to 1000m RL	Indicated	63,300	11.1	22,540	Probable	85,500	8.3	22,780	5*
Challenger West 1000 - 800m RL	Indicated	87,300	18.8	52,690		0	0.0	0	5
SUB-TOTAL		150,600	15.5	75,230		85,500	8.3	22,780	
Challenger West 1000 - 700m RL	Inferred	23,000	34.1	25,000		0	0.0	0	5
Open Pit Development									
SEZ Shoot	Indicated	133,000	2.6	11,120	Probable	13,000	4.8	2,000	4
Challenger Area "shallow" deposits									
Challenger 3 above 1120m RL	Indicated	16,000	2.9	1,490					5
SUB-TOTAL		16,000		1,490					
TOTAL	Measured	309,650	6.3	62,740	Proven	318,370	5.8	59,260	
	Indicated	2,232,500	6.4	460,400	Probable	1,834,140	6.0	352,180	
	Inferred	1,671,500	7.8	418,080					
Stockpiles									
ROM	Measured	5,300	5.2	890	Proven	5,340	6.5	890	
Low grade ROM	Measured	3,500	2.3	250	Proven	3,500	1.5	250	
Low Grade Stockpile	Measured	148,200	1.7	7,860	Proven	148,200	1.7	7,860	
SUB-TOTAL		157,000	1.8	9,000		157,040	2.1	9,000	
OVERALL TOTALS	Measured	315,000	6.3	63,630	Proven	323,710	5.8	60,150	
	Indicated	2,232,500	6.4	460,400	Probable	1,834,140	6.0	352,180	
	Inferred	1,671,500	7.8	418,080					
	Measured LG	151,700	1.7	8,110	Proven LG	151,700	1.7	8,110	
	TOTAL	4,370,700	6.8	950,220	TOTAL	2,309,550	5.7	420,440	6
Gold in plant circuit								1,210	
TOTAL RESERVES								421,650	

Notes

1. *Based on a 3D Block Model by Dominion Gold Operations (DGO). A top cut of 180 g/t Au has been applied.*
2. *Based on close spaced grade control data and detailed stope designs carried out by DGO.*
3. *Based on a 'generic' approach which takes into account both historic reconciled data from underground mining, using a 180 g/t Au top cut, and continuity of orebody geometry as interpreted from both drilling and underground development. This approach, developed by DGO, to deal with the unusual, but very consistent, folded geometry of the ore shoots, is considered to be a more accurate basis for estimation than traditional block modelling.*
4. *Based on 3D Block Models by DGO. Underground M3 Shoot reserve estimated applying a 2 g/t cut off grade and a 180 g/t top cut. SEZ Shoot open pit optimisation based on a resource using a 0.5 g/t cut off grade and a 5 g/t top cut.*
5. *Based on 3D Block Models by DGO. Top cut of 80 g/t Au has been applied.*
- 5* *Mining width is greater than ore width – no ore loss expected.*
6. *Resources are inclusive of Reserves.*

ATTRIBUTION

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Bamford, Tony Poustie and Paul Androvic who are full-time employees of the Company, members of the Australasian Institute of Mining and Metallurgy. Peter Bamford, Tony Poustie and Paul Androvic have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Bamford, Tony Poustie and Paul Androvic, consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.