



**ASX ANNOUNCEMENT**

**28 MARCH 2011**

## **INCREASE IN SCANDINAVIAN GOLD ORE RESERVES**

Dragon Mining is pleased to announce that the Proven and Probable Ore Reserves for the Nordic gold projects have been updated to a total of **1.89 million tonnes grading 3.8 g/t gold for 231,030 ounces** (Table 1), which represents an increase from the 31 December 2009 Ore Reserve of 0.69 million tonnes grading 4.1 g/t gold for 90,900 ounces. The Scandinavian reserve increase is the result of the inclusion of Reserves from a series of new developments at each of the Company's three operating gold mines in Sweden and Finland.

Executive Chairman Peter Cordin stated, "The Reserve increase is significant for the Company as exploration activities over the past twelve months have been focussed on increasing the life of our mines in Sweden and Finland."

At the Svartliden Gold Mine, an increase in Reserves was the result of a decision to expand and deepen the open pit and includes ore from the planned underground mine and existing stockpiles.

The success of exploration drilling during 2010 has resulted in production plans being extended into 2014, with open pit mining to continue until July 2012. The extension of open pit mining has also resulted in the deferral of the commencement of the underground mine development until mid-2011.

The Reserve position at the Orivesi Gold Mine has been bolstered, with the commitment to the staged development of the Kutema Deeps deposit. An internal study highlighted the prospectivity of the Kutema Deeps project to the 1080m level. The commitment involves the purchase of new key mining equipment for the development, raise boring a new fresh air ventilation shaft to the surface and establishing additional infrastructure including a new workshop.

With the completion of the Kujankallio open pit in August 2010, the Company commenced the decline for underground mining at the Jokisivu Gold Mine. Successful infill drilling has resulted in a maiden underground Reserve for Kujankallio.

An internal study for the mining of a small open pit at Arpola has also been completed, returning positive results. Mining of the 5,000 ounce Reserve is scheduled to commence in April 2011.

Mr Cordin further stated, "Efforts in 2011 will continue to be directed towards the Company's future. Expenditure on underground development will be matched with extending the aggressive exploration strategy on the Company's highly prospective exploration portfolio."

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

**Peter G Cordin**  
Executive Chairman

*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.*

**Table 1 – Group Gold Ore Reserves – 31 December 2010**

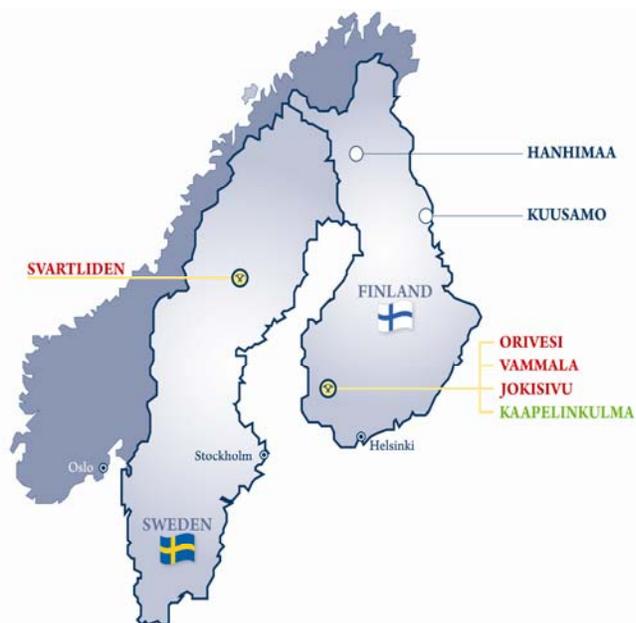
Mine	Project	Classification	Tonnes	Gold (g/t)	Ounces
Svartliden	Svartliden - Open Pit (1)	Proven	156,000	3.7	18,560
		Probable	209,000	3.4	22,850
	Svartliden - Underground (2)	Proven	-	-	-
		Probable	294,000	4.3	40,680
	Svartliden – Stockpiles (3)	Proven	20,890	2.7	1,800
		Probable	335,240	1.8	19,400
<b>Svartliden Gold Mine – Total</b>		<b>Proven</b>	<b>176,890</b>	<b>3.6</b>	<b>20,380</b>
		<b>Probable</b>	<b>838,240</b>	<b>3.1</b>	<b>82,930</b>
		<b>Total</b>	<b>1,015,130</b>	<b>3.2</b>	<b>103,310</b>
Orivesi	Sarvisuo - Underground (4)	Proven	-	-	-
		Probable	155,240	4.7	23,230
	Kutema - Underground (5)	Proven	-	-	-
		Probable	72,060	3.2	7,410
	Kutema Deeps - Underground (6)	Proven	-	-	-
		Probable	263,370	4.9	41,490
<b>Orivesi Gold Mine – Total</b>		<b>Proven</b>	<b>490,670</b>	<b>4.6</b>	<b>72,130</b>
		<b>Probable</b>	<b>490,670</b>	<b>4.6</b>	<b>72,130</b>
		<b>Total</b>	<b>490,670</b>	<b>4.6</b>	<b>72,130</b>
Jokisivu	Kujankallio - Underground (7)	Proven	-	-	-
		Probable	346,700	4.5	50,160
	Arpola – Open Pit (8)	Proven	28,500	3.7	3,390
		Probable	12,200	5.2	2,040
<b>Jokisivu Gold Mine – Total</b>		<b>Proven</b>	<b>28,500</b>	<b>3.7</b>	<b>3,390</b>
		<b>Probable</b>	<b>358,900</b>	<b>4.6</b>	<b>52,200</b>
		<b>Total</b>	<b>387,400</b>	<b>4.5</b>	<b>55,590</b>
<b>Group Total</b>		<b>Proven</b>	<b>205,390</b>	<b>3.6</b>	<b>23,770</b>
		<b>Probable</b>	<b>1,687,810</b>	<b>3.8</b>	<b>207,260</b>
		<b>Total</b>	<b>1,893,200</b>	<b>3.8</b>	<b>231,030</b>

Reserve Notations	
(1)	<p>Ore loss was set at 10% and dilution at 22% in line with reconciliation figures. Mining costs were based on the existing mining contract. Metallurgical recoveries average 91%. The determined ore reserves are based on a gold price of US\$1,200/oz and reported at a gold cut-off grade of 1.8 g/t gold.</p> <p><i>The information in this announcement 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 they are 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 Neale Edwards consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(2)	<p>Ore loss was set at 21% and dilution at 39%. Mining costs were based on tendered rates. Metallurgical recoveries average 91%. The ore reserves that have been declared are based on a gold price of US\$1,200/oz and reported at a gold cut-off grade of 3.0 g/t gold.</p> <p><i>The information in this announcement 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 they are 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 Neale Edwards consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(3)	<p><i>The information in this announcement 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 they are 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 Neale Edwards consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(4)	<p>Ore loss was set at 0% and dilution at 10%. Mining costs were based on the existing mining contract. The determined ore reserves are based on a gold price of US\$1,355/oz and foreign exchange rate of 1,40 USD/EUR. Ore reserves are reported at a gold cut-off grade of 2.0 g/t gold.</p> <p><i>The information in this announcement 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 and Mr Urpo Kuronen MSc (Geology), a Member of the Australian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralization 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 of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards and Mr Urpo Kuronen consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(5)	<p>Ore loss was set at 0% and dilution at 10%. Mining costs were based on the existing mining contract. The determined ore reserves are based on a gold price of US\$1,355/oz and foreign exchange rate of 1,40 USD/EUR. Ore reserves are reported at a gold cut-off grade of 2.0 g/t gold.</p> <p><i>The information in this announcement 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 and Mr Urpo Kuronen MSc (Geology), a Member of the Australian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralization 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 of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards and Mr Urpo Kuronen consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(6)	<p>Ore loss was set at 0% and dilution at 10%. Mining costs were based on the existing mining contract. The determined ore reserves are based on a gold price of US\$1,200/oz and foreign exchange rate of 1,35 USD/EUR. Ore reserves are reported at a gold cut-off grade of 2.0 g/t gold.</p> <p><i>The information in this announcement 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 and Mr Urpo Kuronen MSc (Geology), a Member of the Australasian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralization 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 of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards and Mr Urpo Kuronen consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(7)	<p>Ore loss was set at 5% and dilution at 30%. Mining costs were based on the existing mining contract. The determined ore reserves are based on a gold price of US\$1,200/oz and foreign exchange rate of 1.25 USD/EUR. Ore reserves are reported at a gold cut-off grade of 2.0 g/t gold.</p> <p><i>The information in this announcement 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 and Mr Urpo Kuronen MSc (Geology), a Member of the Australasian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralization 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 of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards and Mr Urpo Kuronen consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>
(8)	<p>Ore loss was set at 10% and dilution at 44% in line with results from the Kujankallio open pit. Mining costs were based on the tendered rates. The determined ore reserves are based on a gold price of US\$1,350/oz and foreign exchange rate of 1.35 USD/EUR. Ore reserves are reported at a gold cut-off grade of 2.0 g/t gold.</p> <p><i>The information in this announcement 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 and Mr Urpo Kuronen MSc (Geology), a Member of the Australasian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralization 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 of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards and Mr Urpo Kuronen consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.</i></p>

## 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. 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

### 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>