



ASX ANNOUNCEMENT

26 AUGUST 2009

DRAGON MINING BECOMES AN UNHEDGED GOLD PRODUCER

Dragon Mining Limited is pleased to announce that it has closed out the remaining forward gold contracts from the original project financing of the Svartliden Gold Mine and is now in a position to take full advantage of the high gold prices.

The hedging was transacted in November 2003 for 150,000 ounces at an average forward delivery price of US\$400 an ounce. Initial problems associated with the development and construction of the processing facility at the Svartliden Gold Mine caused delays in delivery of production into the hedge book and with general cost increases experienced in the mining industry, the hedge book has been a significant burden on the Company.

Since the commencement of production, the Svartliden Gold Mine has produced in excess of 190,000 ounces of gold of which 81,150 ounces has been delivered into the forward contracts. The remaining 68,850 ounces was closed out following the completion of the 2007 rights issue.

Dragon Mining currently has considerable cash and receivables and is targeting to produce in the order of 80,000 ounces of gold in 2009 from the Svartliden Gold Mine in Sweden and the Orivesi and Jokisivu Gold Mines in Finland.

Having the ability now to deliver all gold production into current spot prices will enable the Company to take full advantage of any future gold price rises. The funds will be used to continue the aggressive exploration program, to increase reserves around the production centres, to continue to explore the exciting regional exploration properties, and to pursue other growth opportunities including acquisitions.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Managing Director