



ASX ANNOUNCEMENT

21 SEPTEMBER 2010

SHARE CONSOLIDATION AND ON-MARKET SHARE BUY-BACK

- **Proposal to undertake a 1-for-10 consolidation of issued capital; and**
- **On-Market Share Buy-Back of up to 70 million ordinary shares, representing approximately 9.5% of issued capital.**

Dragon Mining Limited ("Dragon Mining") is pleased to announce the proposal to undertake a one-for-ten consolidation of its issued capital. The consolidation will create a more efficient and streamlined capital structure resulting in the shares on issue being reduced from approximately 737.6 million to 73.8 million.

All outstanding options will be consolidated on the same ratio which will result in a total of 1.02 million options on issue.

Further details will be sent to Shareholders in a Notice of General Meeting to be dispatched shortly.

In addition, the Company will also implement an On-Market Share Buy-Back ("Buy-Back") of up to 70 million ordinary shares on a pre-consolidation basis (7 million shares post the proposed consolidation), representing approximately 9.5% of the Company's issued capital.

The Directors consider that the market price of Dragon Mining shares has not reflected the strong cash position, underlying value, future earnings and potential of Dragon Mining's assets. In addition, the Board considers that there are advantages to having a program in place that would allow the Company to buy-back its shares as part of its capital management initiatives.

The Buy-Back will continue for a 12 month period from 6 October 2010. The prices paid for the shares purchased under the Buy-Back will be no more than 5% above the average of the closing price of Dragon Mining shares over the five previous trading days, in accordance with ASX Listing Rules. All shares purchased under the Buy-Back will be cancelled. The total number of shares purchased by the Company under the Buy-Back will depend on market conditions.

Directors who currently hold shares either directly or indirectly in the Company are not intending to offer their shares to the Company under the Buy-Back.

Executive Chairman Peter Cordin stated, "The combination of these two capital management initiatives is another important milestone towards increasing shareholder value. The consolidation will assist in attracting international institutional investors who currently avoid investing in Companies with a large number of issued shares. The Company has strong cash flows, three operating gold mines and the outlook for the gold market remains positive, all of which has added significant value to the Company."

Mr Cordin added, "The Buy-Back will not affect the Company's exploration strategy on increasing the mine life of its existing gold mines in Sweden and Finland and undertaking the Jokisivu and Svartliden underground developments, whilst also enhancing the value of its exploration properties."

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

DRAGON MINING LIMITED

ABN

19 009 450 051

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------|
| 1 | +Class of +securities issued or to be issued | Not applicable |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Not applicable |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Not applicable |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Not applicable</p>												
<p>5 Issue price or consideration</p>	<p>Not applicable</p>												
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Not applicable</p>												
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>Anticipated 22 November 2010</p>												
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="716 1476 995 1507">Number</th> <th data-bbox="1000 1476 1271 1507">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="716 1507 995 1539">Pre-consolidation</td> <td data-bbox="1000 1507 1271 1539"></td> </tr> <tr> <td data-bbox="716 1539 995 1570">737,645,151</td> <td data-bbox="1000 1539 1271 1570">Ordinary</td> </tr> <tr> <td data-bbox="716 1570 995 1602">Post consolidation</td> <td data-bbox="1000 1570 1271 1602"></td> </tr> <tr> <td data-bbox="716 1602 995 1633">73,764,515</td> <td data-bbox="1000 1602 1271 1633">Ordinary</td> </tr> <tr> <td data-bbox="716 1675 995 1715">23,595,289</td> <td data-bbox="1000 1675 1271 1715">Convertible Notes</td> </tr> </tbody> </table>	Number	+Class	Pre-consolidation		737,645,151	Ordinary	Post consolidation		73,764,515	Ordinary	23,595,289	Convertible Notes
Number	+Class												
Pre-consolidation													
737,645,151	Ordinary												
Post consolidation													
73,764,515	Ordinary												
23,595,289	Convertible Notes												

+ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	Number Pre-consolidation 4,100,000 Post consolidation 410,000	⁺Class Employee Options exercisable at 17.5 cents pre-consolidation (\$1.75 post consolidation), expiry 08/12/2012
		Pre-consolidation 75,000 Post consolidation 7,500	Employee Options exercisable at 21 cents pre-consolidation (\$2.10 post consolidation), expiry 21/12/2011
		Pre-consolidation 1,000,000 Post consolidation 100,000	Director Options exercisable at 21 cents pre-consolidation (\$2.10 post consolidation) only when volume weighted share price exceeds 0.25 cents pre-consolidation (\$2.50 post consolidation) for 5 consecutive days
		Pre-consolidation 1,000,000 Post consolidation 100,000	Director Options exercisable at 14 cents pre-consolidation (\$1.40 post consolidation), no expiry
		Pre-consolidation 1,500,000 Post consolidation 150,000	Director Options exercisable at 17.5 cents pre-consolidation (\$1.75 post consolidation), no expiry
		Pre-consolidation 500,000 Post consolidation 50,000	Director Options exercisable at 17.5 cents pre-consolidation (\$1.75 post consolidation), expiry 08/06/2012
		Pre-consolidation 2,000,000 Post consolidation 200,000	Director Options exercisable at 21 cents pre-consolidation (\$2.70 post consolidation), no expiry
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable	

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

- | | | |
|----|---|----------------|
| 11 | Is security holder approval required? | Not applicable |
| 12 | Is the issue renounceable or non-renounceable? | Not applicable |
| 13 | Ratio in which the +securities will be offered | Not applicable |
| 14 | +Class of +securities to which the offer relates | Not applicable |
| 15 | +Record date to determine entitlements | Not applicable |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | Not applicable |
| 17 | Policy for deciding entitlements in relation to fractions | Not applicable |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | Not applicable |
| 19 | Closing date for receipt of acceptances or renunciations | Not applicable |

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable

+ See chapter 19 for defined terms.

Appendix 3B New issue announcement

- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a **new class of securities**

Tick to indicate you are providing the information or documents

- 35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional ⁺securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	Not Applicable	
39	Class of +securities for which quotation is sought	Not applicable	
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Not applicable	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	Not applicable	
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	Number	+Class
		Not applicable	

+ See chapter 19 for defined terms.

Appendix 3B New issue announcement

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

== == == == ==

+ See chapter 19 for defined terms.

Appendix 3C

Announcement of buy-back (*except* minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity	ABN/ARSN
DRAGON MINING LIMITED	19 009 450 051

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	On-market
2	⁺ Class of shares/units which is the subject of the buy-back (<i>eg, ordinary/preference</i>)	Ordinary
3	Voting rights (<i>eg, one for one</i>)	One for one
4	Fully paid/partly paid (<i>and if partly paid, details of how much has been paid and how much is outstanding</i>)	Fully paid
5	Number of shares/units in the ⁺ class on issue	737,645,151 pre-consolidation 73,764,515 post proposed consolidation
6	Whether shareholder/unitholder approval is required for buy-back	No shareholder approval required
7	Reason for buy-back	Capital management

Appendix 3C Announcement of buy-back

8	Any other information material to a shareholder's/unitholder's decision whether to accept the offer (eg, details of any proposed takeover bid)	None
---	--	------

On-market buy-back

9	Name of broker who will act on the company's behalf	Patersons Securities Limited
10	Deleted 30/9/2001.	
11	If the company/trust intends to buy back a maximum number of shares - that number Note: This requires a figure to be included, not a percentage.	Up to 70,000,000 pre-consolidation Up to 7,000,000 post proposed consolidation
12	If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention	Within 12 months
13	If the company/trust intends to buy back shares/units if conditions are met - those conditions	Prices paid for the shares purchased will be no more than 5% above the average of the closing price of Dragon Mining shares over the five previous trading days

Employee share scheme buy-back

14	Number of shares proposed to be bought back	Not Applicable
15	Price to be offered for shares	Not Applicable

+ See chapter 19 for defined terms.

Selective buy-back

- | | | |
|----|--|----------------|
| 16 | Name of person or description of class of person whose shares are proposed to be bought back | Not Applicable |
| 17 | Number of shares proposed to be bought back | Not Applicable |
| 18 | Price to be offered for shares | Not Applicable |

Equal access scheme

- | | | |
|----|---|----------------|
| 19 | Percentage of shares proposed to be bought back | Not Applicable |
| 20 | Total number of shares proposed to be bought back if all offers are accepted | Not Applicable |
| 21 | Price to be offered for shares | Not Applicable |
| 22 | ⁺ Record date for participation in offer
<small>Cross reference: Appendix 7A, clause 9.</small> | Not Applicable |

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.

or, for trusts only:

1. The trust is in compliance with all requirements of the Corporations Act as modified by Class Order 07/422, and of the trust's constitution, relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign: 
(Executive Chairman)

Date: 21 September 2010

Print name: Peter Cordin

⁺ See chapter 19 for defined terms.