

ASX ANNOUNCEMENT

18 OCTOBER 2010

**RESOURCE UPDATE CONTINUES TO HIGHLIGHT POTENTIAL AT SVARTLIDEN**

Dragon Mining is pleased to announce an update of the Mineral Resource for the Svartliden Gold Mine totalling **1,029,000 tonnes at an average grade of 4.4 g/t gold for 145,700 ounces** (Table 1). This represents an increase of 10% in contained ounces from the November 2009 in-situ Mineral Resource, and has been depleted for mining to 31 August 2010.

**Table 1 - Svartliden Gold Mine Mineral Resource, depleted to 31 August 2010. (Note 1)**

	<b>Tonnes (t)</b>	<b>Gold (g/t)</b>	<b>Gold Ounces</b>
<b>Open Pit *</b>			
Measured	246,000	4.2	33,200
Indicated	359,000	3.2	37,000
Inferred	79,000	2.8	7,100
<b>Underground **</b>			
Measured	-	-	-
Indicated	272,000	6.5	56,900
Inferred	73,000	4.9	11,500
<b>Total</b>			
Measured	246,000	4.2	33,200
Indicated	631,000	4.6	93,900
Inferred	152,000	3.8	18,600
<b>Total</b>	<b>1,029,000</b>	<b>4.4</b>	<b>145,700</b>

*The 2010 resource update was undertaken by independent geological consultants Runge Limited of Perth, Western Australia using Ordinary Kriging (OK) grade interpolation, constrained by mineralisation envelopes prepared using a nominal 1 g/t gold cut-off and a minimum down hole length of 2 metres. Block dimensions used in the model were 2m NS x 10m EW x 10 m Vertical. A high grade cut of 60 g/t gold was utilised for the underground resource and 30 g/t gold for the open pit resource. The Open Pit Resource is reported at a 1.3 g/t gold cut-off and the Underground Resource reported at a 3 g/t gold cut-off. The updated resource incorporates all available drill data at September 2010 and complies with recommendations in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC).*

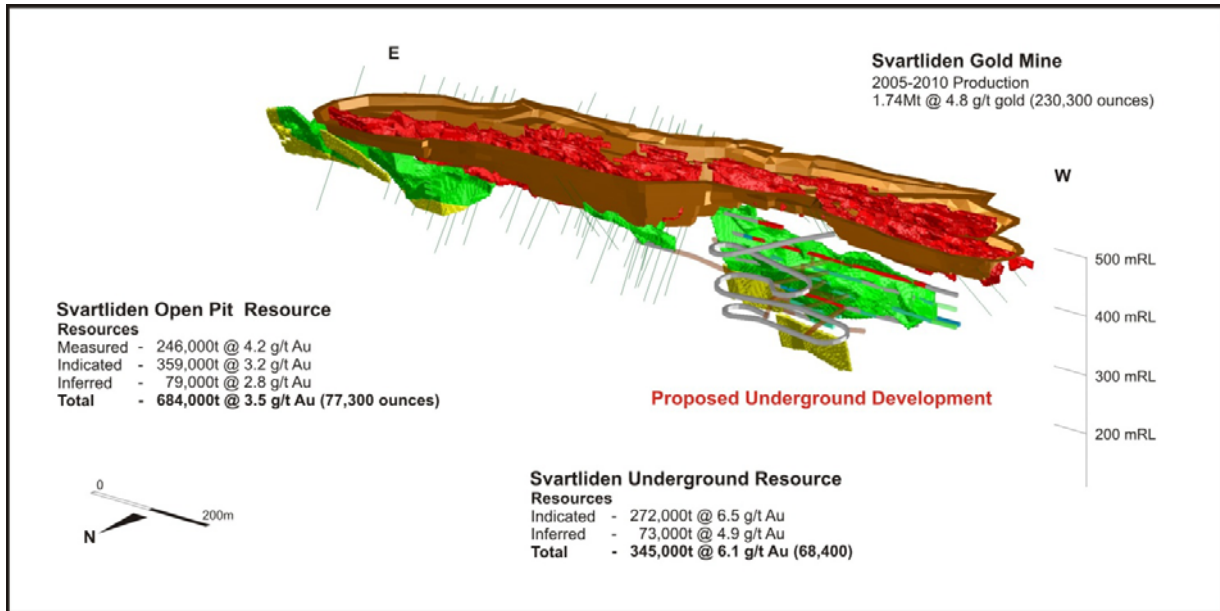
The high grade nature of the Svartliden resource and its consistent geometry suggest that the Svartliden Gold Mine will continue to maintain current production levels through a combination of pit expansion and underground development. A feasibility study for the Svartliden underground mining operation has been completed and a decision to proceed is imminent, whilst studies evaluating the possibility of deepening the eastern portion of the open pit have commenced.

Testing of the depth extensions of the Svartliden deposit also continues with two diamond core rigs drilling the eastern portion of the deposit between 80 and 200 metres below surface. This 43 hole campaign is part of an extensive 22,000 metre drilling program at Svartliden that commenced in March 2010 and was implemented to evaluate the potential to increase the life of the mine. At the completion of this program the Svartliden Mineral Resource will again be updated, incorporating information from the 11,000 metres still to be drilled.

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

**Peter G Cordin**  
Executive Chairman

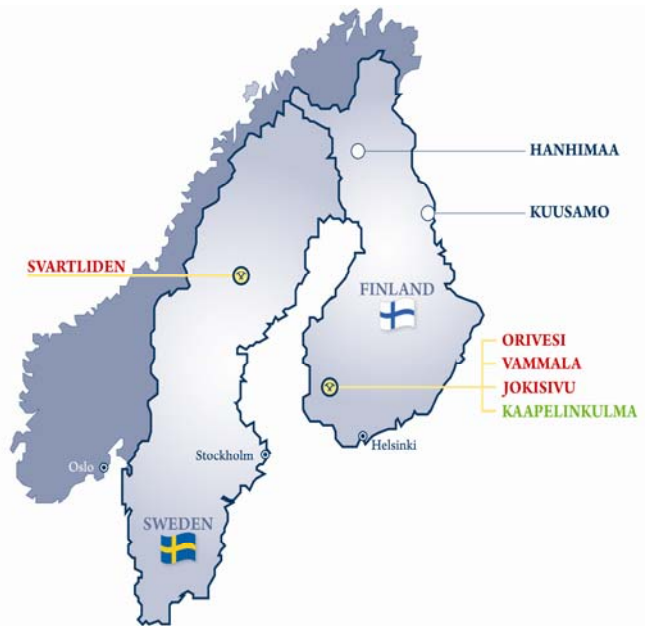
**Svartliden in-situ resource model with the current drilling program.**



**Background**

The Svartliden Gold Mine is located in northern Sweden, 700 kilometres north of Stockholm in an area that is developing into a gold-rich province referred to as the Gold Line. It was developed by Dragon Mining as an open pit mining operation with ore processed on site through a carbon in leach (CIL) plant, the first production in March 2005. At 30 June 2010 the operation had processed 1.74Mt at 4.8 g/t gold for 230,300 ounces of gold.

Mineralisation at Svartliden is structurally controlled and hosted within a series of meta-sediment and volcanic sequences. Higher grade concentrations of gold occur within well defined structures. These zones have been the target of resource drilling since mid-2006 designed to delineate mineralisation with the potential to extend the open pit and to sustain underground mining operations.



**Location of Projects**

**Notations:**

(1) The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Paul Payne BAppSc, a Member of the Australian Institute of Mining and Metallurgy and a full time employee of Runge Limited. Mr Paul Payne 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 Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Paul Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.