



ASX ANNOUNCEMENT

28 OCTOBER 2010

DRAGON MINING TO EARN UP TO 80% INTEREST IN EXPLORATION PERMIT ADJACENT TO SVARTLIDEN

Dragon Mining Limited (Dragon) is pleased to announce that it has entered into an agreement with listed Swedish entity Botnia Exploration AB (Botnia) on Botnia's 100%-owned Exploration Permit, Harpsund nr 1 in northern Sweden.

The Harpsund Exploration Permit is located immediately adjacent to Dragon's Exploration Permit holding, and is situated 4 kilometres northeast of the Svartliden Gold Mine. The Permit covers a total area of 2,686.30 hectares encompassing prospective geological units associated with the Gold Line.

Historic surface geochemical sampling in the Harpsund area has defined two zones with anomalous gold, arsenic, bismuth, tellurium, copper, tungsten and zinc values, whilst geological mapping across the area has outlined a large area of hydrothermal alteration. A gold bearing boulder trail south of the permitted area has also previously been identified, analysis of boulders returning results ranging up to 50 g/t gold.

Though some exploratory activities have been previously conducted, Dragon believes that the Harpsund area remains at an early stage of systematic evaluation. The area is considered by company geologists to be very prospective, with the potential to host a higher grade gold deposit similar to that which occurs at Svartliden.

Under the terms of the Agreement, Dragon has secured exclusive exploration rights on the Harpsund Permit for 12 months, during which Dragon will expend a minimum of 1.5 million SEK (A\$0.2M).

Dragon can elect to expend a further 3.0 million SEK (A\$0.5M) within 3 years of the Agreement date to earn a 60% interest in the Harpsund Permit, and upon Dragon earning the 60% interest in the Permit, Dragon can then elect to earn an additional 20% interest by expending another 3.0 million SEK (A\$0.5M) within 5 years of the Agreement date.

Dragon will be the manager of all exploration activities during the exclusive and earn-in phases and can withdraw at any time following expenditure of 1.5 million SEK (A\$0.2M).

Exploration at Harpsund will commence immediately, with programs of boulder hunting initiated before the onset of winter snows. Data acquisition and review will be completed prior to undertaking geochemical, geophysical and reconnaissance drilling programs.

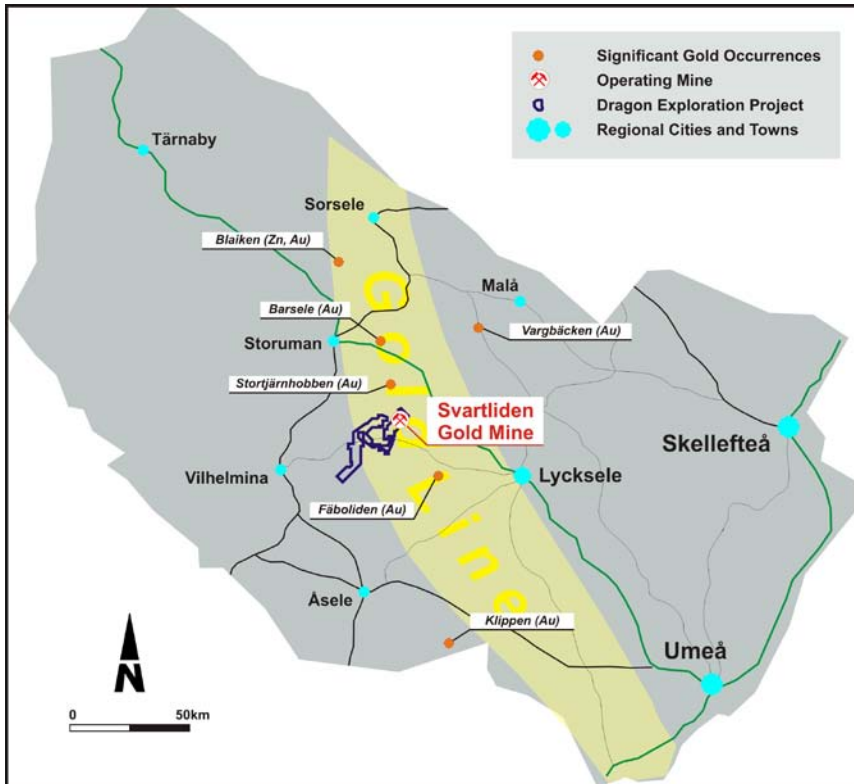
Executive Chairman Peter Cordin stated, "I am pleased that we have established a relationship with fellow Swedish explorer Botnia Exploration and secured the right to earn an interest in the Harpsund Exploration Permit. This Permit adjoins our existing holding that surrounds the Svartliden Gold Mine and will form an intrinsic part of our forward exploration strategy as we look to increase our gold resource inventory and continue to extend the life of the Svartliden operation."

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.

Gold Line Displaying Significant Gold Occurrences



Svartliden Project Holding and Harpsund Exploration Permit

