

ASX ANNOUNCEMENT

2 DECEMBER 2010

RESOURCE UPDATE COMPLETED FOR THE KAAPELINKULMA GOLD PROJECT

Dragon Mining announces an update of the Mineral Resource for the Kaapelinkulma Gold Project in southern Finland, totalling **183,000 tonnes at an average grade of 4.1 g/t gold for 24,000 ounces** (Table 1). The updated resource incorporates an improved knowledge of the controls on mineralisation as a result of a recent 4,480 metre infill drilling program.

The southern Kaapelinkulma deposit represents a modest shallow, medium to high grade body of gold mineralisation, which has the potential to initially be mined by a small open-cut. The deposit remains open in several locations and additional drilling is required down plunge and dip to further test the lode system.

In anticipation of the development of this project, internal mining studies have commenced and applications for both a Mining Lease and the Environmental Permit lodged with the relevant authorities. The Mining Lease is to be reviewed by the Finland Ministry of Employment and the Economy in early 2011 with a decision possible in 2011. The application for an Environmental Permit is being processed and it is possible the permit will be granted before the Mining Lease.

Table 1 – Kaapelinkulma Mineral Resource – Reported at a 1 g/t gold cut-off. (Note 1)

Indicated			Inferred			Total		
Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Southern Area								
119,000	4.4	16,800	42,000	4.1	5,600	161,000	4.3	22,400
Northern Area								
-	-	-	22,000	2.2	1,500	22,000	2.2	1,500
Total								
119,000	4.4	16,800	64,000	3.5	7,200	183,000	4.1	24,000

The 2010 resource update was completed by independent geological consultants Runge Limited of Perth, Western Australia using Inverse Distance to Power 2 (ID2) grade interpolation, constrained by resource outlines on mineralisation envelopes prepared using a nominal 0.5 g/t gold cut-off and a minimum down hole length of 2 metres. Block dimensions used in the model were 10m NS x 2m EW x 5m vertical. High grade cuts of 50 g/t gold and 20 g/t were utilised for the Southern and Northern areas, respectively. The updated Mineral Resource complies with recommendations in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC).

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Note:

(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, who is a full time employee of Runge Limited 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 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 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.

Background

The Kaapelinkulma Gold Project is located 65 kilometres east of the Vammala Production Centre in southern Finland, 160 kilometres north of Helsinki. It was acquired by Dragon Mining in 2003 and has the potential to become the company's third operating gold mine in this region.

Gold mineralisation at Kaapelinkulma is associated with a north-northwest trending shear zone. Two gold occurrences have been identified to date, which have returned a number of encouraging intercepts from drilling campaigns that were designed to identify gold mineralisation that is amenable to processing through the nearby Vammala Production Centre.

The southern of the two gold occurrences represents a modest shallow, medium to high grade body of gold mineralisation, which has the potential to initially be mined by way of a small open-cut. In anticipation of development, applications for a Mining Lease and the Environmental Permit were lodged with the relevant authorities in early 2010.

