

## DRAGON MINING

# CHASING SCANDINAVIAN GOLD UNDERGROUND

Scandinavia-focused gold producer Dragon Mining has consolidated its finances by generating substantial cashflows and is now advancing to establish minimum 5 year mine life at three gold mines.

**D**RAGON MINING began operations in Sweden just over five years ago.

At the time, the company held a considerable hedge book, large debt to Macquarie Bank and had just taken on \$25 million of convertible notes.

The company has made significant progress during this time and in early October will redeem all outstanding convertible notes and have a healthy cash balance.

"The debt to Macquarie was in excess of \$10 million and the hedge book was 135,000 ounces of gold at \$US400 an ounce," Dragon Mining executive chairman Peter Cordin told *RESOURCESTOCKS*.

"We were producing gold at more than \$400 an ounce, so with every ounce we produced and delivered into the hedge we were losing money.

"It has taken considerable time to get through that financial nightmare.

"Now we are through that we have committed substantial funds for exploration to increase our resource base.

"So the Dragon Mining story is we have resurrected the company and are now in the position to prove up a long life at all of our mines and grow the business."

At the end of June Dragon Mining held \$A16 million in cash, \$2.2 million in bullion and \$12.7 million in net gold concentrate receivables.

Dragon Mining's principal operation is the Svartliden gold project, located 700 kilometres north of Stockholm and west of the world-class Skellefteå mining district in an area that is developing into a gold-rich mineral province, referred

to as the "gold line".

The open pit operation at Svartliden has been very profitable for the company, with ore at an average grade around five grams per tonne.

The Svartliden open pit will finish around April/May next year and will move underground in 2010 where the company is confident of mining the resource of 71,000 ounces at a head grade of over 6gpt gold.

The company commenced an aggressive \$2.5 million exploration program in March that will result in 22,000 metres of diamond drilling, with the objective of extending the life of Svartliden.

"We see from the initial results of the drilling to date that the objective will be achievable," Cordin said.

Recent drilling conducted on the eastern zone open cut extension at Svartliden returned a number of encouraging high-grade intercepts, the best of which were 10m at 2.91gpt gold, including 5m at 28.43gpt gold, and 2m at 27.56gpt gold. This round of drilling has indicated the company may be able to eke out a further 6 to 12 months of mine life from the open pit.

In addition, these results indicate mineralisation continues along strike and at depth.

Two diamond core drill rigs

are now drilling the 25 hole, 4,645 metre western zone depth extension 80-200 campaign to further examine the western portion of the deposit below and adjacent to the existing underground resource.

"We also have good regional potential around Svartliden," Cordin continued.

"A detailed airborne magnetic survey was flown two years ago and since then geologists have completed two field seasons that identified numerous targets. In the current field season we are hoping to bring two, perhaps three of the identified targets to drill-ready status.

"Certainly, if we are able to do that and have some success then that will give us the opportunity to have satellite ore bodies to support Svartliden.

"There appears to be a lot of mineralisation in the system."

Dragon Mining's Scandinavian reach extends into Finland, where it operates both the Orivesi mine, which was mined by Outokumpu Group for ten years, and the Jokisivu mine.

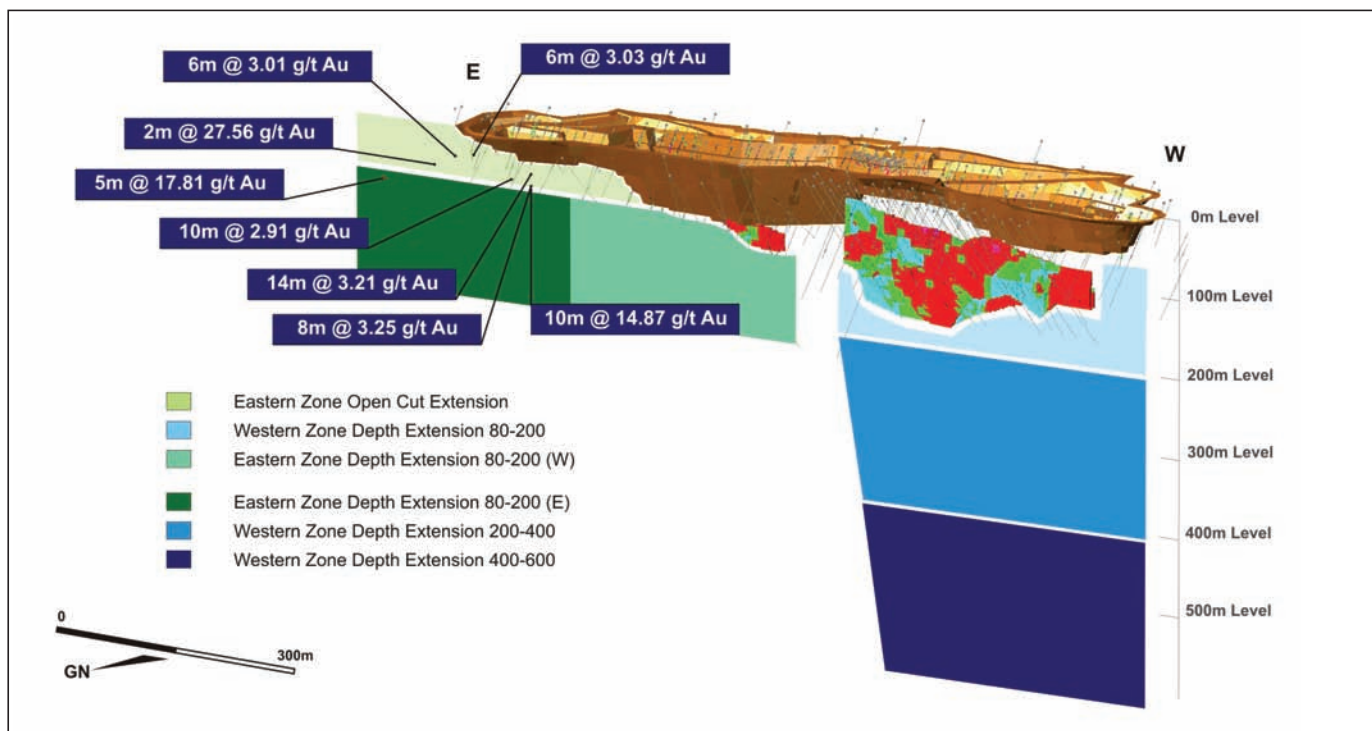
Orivesi is unique when it comes to gold mines, due to its particular style of mineralisation.

This style of mineralisation makes it difficult for Dragon Mining to have

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**PETER CORDIN**  
DRAGON MINING





more than 12 months of reserves in front of it.

“While we know it continues at depth, it pinches, swells and twists and it is difficult to drill from surface and actually intersect it.

“So we have to literally follow it down, then as we mine deeper we drill deeper and can follow it more accurately.”

Dragon has a high degree of confidence the mineralisation does continue at Orivesi and has had considerable success with its drilling there having returned a number of high-grade gold intersections at depth.

However, the company is restricted from bringing these intersections into reserves at this stage because it is not feasible for it to do so by drilling from a long distance.

“We need to be closer to drill shorter holes to bring it into reserve category,” Cordin continued.

“At Orivesi we are looking at a business plan where we’re working towards an overall development strategy to have at least five plus years of mine life.

“The mineralisation is pretty much from just below surface down to 700 metres, so there is a lot of vertical continuity we can rely on and have confidence the mineralisation continues and it doesn’t actually pinch out.”

Basically the Orivesi mineralisation means it lives a perpetual five-year mine life that grows incrementally in concert with continued explorative drilling programs.

“The business plan is based on assuming the mineralisation continues, and we have a fair degree of confidence it does” Cordin said.

Dragon Mining is also considering taking its other Finnish deposit Jokisivu underground.

Jokisivu has 370,000oz of gold resources, which the company is hoping to increase to 500,000oz over the next 12 months.

“Our 12-month program is to get a five-plus year mine life at Svartliden, Orivesi and Jokisivu and we have committed over \$5 million to do that,” Cordin said.

The company is also casting a serious eye over Kuusamo, a project it also acquired from Outokumpu.

“Kuusamo has the potential to be the next production centre for the company,” Cordin said.

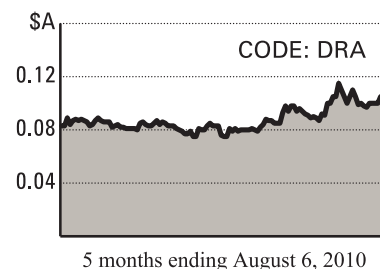
“The objective of the company is to have two production centres maintaining 70,000-80,000 ounces per year production and then bring Kuusamo into production at around 40,000-50,000 ounces per year, which will lift us from a small to a medium-size gold producer.

“It is certainly achievable and the geology is pretty well known, so we are confident of being able to achieve what we have set out to do.

“That’s the story – we have consolidated the financial and corporate position of the company and we are now aggressively exploring our assets to expand the resource base to be able to lift us to the next phase of the growth of the company.”

Dragon has hit significant drilling intercepts in the eastern zone open cut extension

## DRAGON MINING AT A GLANCE



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### MARKET CAPITALISATION

\$77.4 million (at press time)

### QUOTED SHARES ON ISSUE

737,345,151

### MAJOR SHAREHOLDERS

Nicolas Mathys 17.65%  
Brinkley Mining PLC 12.69%  
Eurogold Limited 4.81%