



ASX ANNOUNCEMENT

03 MARCH 2010

OPTION GRANTED TO PURCHASE DRAGON MINING'S INTEREST IN THE ZARA GOLD PROJECT, ERITREA

Dragon Mining announces it has granted an option to Chalice Gold Mines Limited ("Chalice") to purchase the Company's 20% interest in the Zara Gold Project, Eritrea for a total consideration of up to \$16.2million.

Chalice can exercise the option anytime up until 30 June 2010 by paying \$8 million cash and issuing to Dragon Mining 2 million Chalice shares (current market value of \$0.8 million) with an escrow period of 12 months.

In addition, Chalice has agreed to pay a further \$4 million cash to Dragon Mining on the delineation of 1 million ounces of gold Reserves at the Zara Gold Project. Further, Dragon Mining will be relieved of any debt to Chalice at the completion of the Bankable Feasibility Study which is estimated to be \$3.4m.

Managing Director Peter Cordin comments:

"The completion of the option for the sale of the interest in the Zara Gold Project further enhances the Company's cash position and gives the flexibility to grow the Company and enhance shareholder value.

The disposal of the non core asset will give Dragon Mining an immediate cash benefit and also allow the continued participation in the upside of the Zara Gold Project through the Chalice shares and with the expected delineation of additional ounces."

Dragon Mining is well funded and focussed on increasing the Reserves and mine life of its existing gold mines in Sweden and Finland. The Company is finalising an evaluation for underground mining at the Svartliden Gold Mine, Sweden and is preparing a new resource for the Kujankallio deposit at the Jokisivu Gold Mine, Finland based on the results of an infill drilling completed in 2009.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Managing Director