

**ASX ANNOUNCEMENT**

**22 JUNE 2010**

**CHALICE EXERCISES OPTION AND COMPANY UPDATE**

Dragon Mining Limited is pleased to announce that Chalice Gold Mines Limited (“Chalice”) has exercised its option to purchase the Company’s 20% interest in the Zara Gold Project, Eritrea. Settlement, which will occur in two days, will result in Dragon Mining receiving \$8.0 million in cash and 2 million Chalice shares (current market value of \$0.9m) which will be escrowed for 12 months.

In addition, Chalice has the obligation to pay Dragon Mining a further \$4.0 million on the delineation of 1 million ounces of gold Reserves at the Zara Gold Project. On 4 June 2010, Chalice announced a maiden gold Reserve at the Zara Gold Project of 760,000 ounces from an Indicated gold Resource of 840,000 ounces.

As at 31 May 2010, Dragon Mining had \$21.4 million of cash and gold concentrate receivables compared to \$11.8m at 31 March 2010 as reported in the quarterly report. With the receipt of the \$8.0 million, the Company will have total cash and receivables of \$29.4 million. The limited obligations of Dragon Mining comprise a working capital facility of 2 million euros (\$2.8m) which is repayable in two equal tranches on 30 June 2010 and 31 December 2010. In addition, as a result of on-market purchases by the Company, the outstanding number of convertible notes amount to 9.2 million.

Executive Chairman Peter Cordin stated, “It is pleasing that with the final delivery in August 2009 into the original hedge to finance the Svartliden development, the Company has substantially improved its balance sheet and cash position. We are well positioned to meet forecasted production of 70,000 ounces of gold for 2010 and continue to generate strong operating margins with the appreciation of the gold price and the weakening of the euro and Swedish krona. The strong cash position will allow the Company to grow and enhance shareholder value.”

The Company is focussed on increasing the Reserves and mine life of its existing gold mines in Sweden and Finland. Feasibility studies for the underground operation at the Svartliden Gold Mine in Sweden and Jokisivu Gold Mine in Finland are nearing completion with commitment to development expected in the third quarter of 2010.

In addition the Company will be able to commit further funding to enhance the value of its exploration properties, particularly at Kuusamo in northern Finland.

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

**Peter G Cordin**  
Executive Chairman