

**ASX ANNOUNCEMENT**

**21 DECEMBER 2006**

**PURCHASE OF SAULYAK GOLD PROJECT, UKRAINE**

Dragon Mining NL ("Dragon") announces entering into a Sale and Purchase Agreement with Eurogold Limited ("Eurogold") for the purchase of the Saulyak Gold Project in Ukraine. The all scrip transaction will involve 79,919,874 Dragon shares being issued to Eurogold.

The transaction will be effected by the purchase of Eurogold's wholly owned Bermudan subsidiary, Eurogold (Bermuda) Ltd, which holds the Saulyak Gold Project. The purchase is subject to the approval of shareholders of both companies, Dragon completing due diligence and any necessary regulatory approvals. It is expected that the shareholders' meetings will be held during February 2007, with notices for these meetings sent in January 2007. Completion is due to occur at the end of February 2007.

Eurogold has agreed to hold the Dragon shares for a minimum of six months prior to being distributed *in specie* to Eurogold shareholders.

As part of the transaction Dragon will provide limited recourse working capital loans of up to A\$0.6m to Eurogold to cover corporate overheads and a further US\$1m to enable the work programme at the Saulyak Gold Project to be progressed without interruption until the acquisition can be completed. The loan will be secured against, and repayable out of Eurogold receivables, which includes a US\$3m loan (less costs) to Transgold S.A. (in liquidation) ("Transgold") and a US\$0.7m loan to S.C. Explorer S.A (in liquidation) ("Explorer"). Subsequent to the corporate loan being repaid (A\$0.6m), Eurogold will be entitled to 8.3% of the Transgold and Explorer receivables to a maximum of US\$0.25m.

In late November 2006 it was announced that the liquidator for Transgold accepted an offer of US\$6.99m for Transgold S.A. with the successful bidder being a joint venture between Oxus Gold plc and KazahkGold Group Ltd.

Dragon has also committed to fund, if necessary, a further US\$0.325m for the loan facility provided by Eurogold via a 100% owned subsidiary Saulyak Resources Limited (SRL), to Zakarpatpolymetal Ltd (ZLLC) who own the Beregove Gold Project in the Ukraine. If the loan facility is not repaid, SRL has the right to convert the total loan facility (US\$1m) into shares in ZLLC, which can then be issued to such parties as SRL nominates. As part of Sale and Purchase Agreement with Eurogold, Dragon will ultimately own 100% of SRL.

On the completion of the purchase of the Saulyak Gold Project, Peter Gunzberg, executive chairman of Eurogold will join the Dragon board as a non executive director.

## **Background of the Saulyak Gold Project**

Eurogold has previously reported (refer to Eurogold announcement made on 11 July 2006) that the Saulyak Gold Project in southwest Ukraine has an estimated total C1 and C2 category "reserve" under the Soviet classification system (Non-JORC Code Compliant) of approximately 578,000 oz of gold (2.1 million tonnes @ 8.4g/t gold). Eurogold is confident that this can be converted to a JORC Code compliant Mineral Resource during the next year and believe that there is substantial potential for delineating further resources.

Eurogold was recently granted a new 5 year activities licence for the Saulyak Gold Project and as reported in its last quarterly, Eurogold "... is preparing a revised work programme in support of an application for the early conversion of the Saulyak "sub-soil" licence into a Mining License." The current sub soil licence, which confers the mining rights for the Saulyak Gold Project, expires in November 2007.

As noted above, Dragon will provide funding for the immediate ongoing work programme of the Saulyak Gold Project, which will enable the programme to be accelerated and should enhance the Mining Lease application. Furthermore, Dragon has significant project development and operational expertise in similar European environments.

The purchase of the Saulyak deposit will complement Dragon's existing Svartliden Gold mine in Sweden and the commencement of mining and bringing into production of the Sarvisuo gold reserves at Orivesi for processing at the Vammala Centre in Finland in mid 2007. It will provide Dragon shareholders with an exciting exposure to an attractive and growing suite of European mining assets.

For and on behalf of  
Dragon Mining NL

Peter G Cordin  
Managing Director

*The information on the resources for the Saulyak project in this report have been provided by Eurogold and are exactly as reported by Eurogold in their separate announcement. This information has been reviewed by Mr Simon Pepper, a full time employee of Eurogold. Mr Pepper holds a MSc Mining Geology from Camborne School of Mines, is a member of the Institute of Materials, Minerals and Mining in the United Kingdom and has at least five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. Mr Pepper has reviewed this report and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*The Saulyak deposit is located in Ukraine and most of the previous work was conducted by Soviet state organisations and some of the Soviet exploration data has not yet been fully validated in accordance with the JORC Code. As such, this report includes references to a resource estimate that is not yet JORC Code compliant. As stated in their report, Eurogold is currently working towards the conversion of this into a JORC Code compliant Mineral Resource estimate.*