

ASX ANNOUNCEMENT

11 OCTOBER 2007

SIGNIFICANT UPGRADE OF RESOURCES OF THE KUTEMA GOLD DEPOSIT AT ORIVESI, FINLAND

Independent Australian geological consultants Resource Evaluations Pty Ltd have completed Mineral Resource estimates for the Kutema Pillars and Kutema Deeps areas at the Orivesi Gold Mine in Finland.

The new resource estimates encompass material associated with the remaining pillars (Kutema Pillars) above the 720m level and the depth extensions of the Kutema lode system (Kutema Deeps) from the 720m level to the 1100m level at the Orivesi Mine. The insitu Mineral Resource at Kutema now totals 178,100 ounces and is provided in detail in Tables 1 and 2.

The resource for the Kutema Deeps represents more than a 100% increase on the previously quoted resource estimate of 70,900 ounces, reported by Outokumpu Mining Oy prior to Dragon's involvement in the project. The resource for the remnant pillars had previously not been estimated.

Table 1. Kutema Pillars Insitu Mineral Resources

	Tonnes	Grade	Ounces
Measured	123,100	5.6	22,100
Indicated	33,400	4.8	5,100
Total	156,500	5.4	27,200

Tonnage Distributions subdivided by JORC Categories; ID2 Estimate using 10mE x 5mN x 10mRL Block Dimensions; Reported at a 3.0 g/t Au Cut Off. A minimum down hole width of two metres was used. The resource is reported using high grade cuts 80 g/t Au for Lode 1 and 110 g/t Au for Lode 2 (Main Lode).

Table 2. Kutema Deeps Insitu Mineral Resources

	Tonnes	Grade	Ounces
Indicated	310,400	5.1	50,800
Inferred	515,000	6.0	100,100
Total	825,400	5.7	150,900

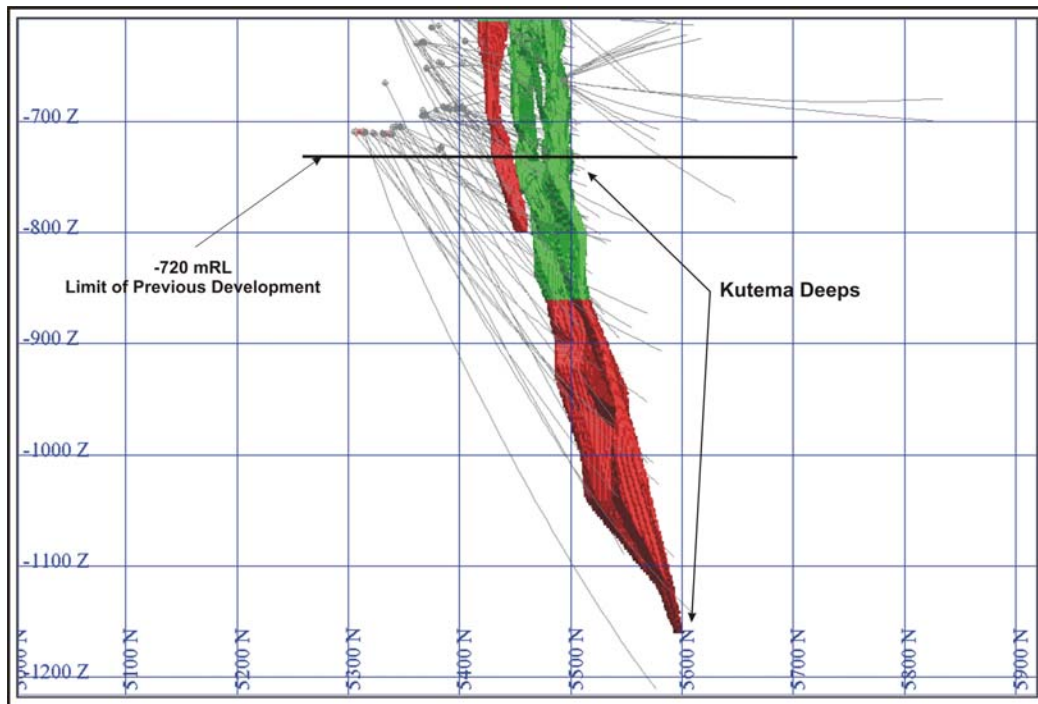
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Minimal underground development and drilling is required to bring the medium grade remnant mineralisation from the Kutema Pillars into production, with mining of pillar material having already commenced in July this year. By the end of September a total of 15,400t of ore has been trucked to the surface.

The resource estimated for Kutema Deeps represents a substantial, medium to high grade depth extension below the existing underground mine, which had been developed down to the 720m level. Planning of new development to deepen the mine to the 800m level is in progress and minimal underground development is required to bring this upper part of the new resource into production.

A significant amount of drilling is required below the 860m level to accurately define this portion of the new resource, as well as assist with the overall interpretation of the lode structure. A program to undertake underground drilling at Kutema Deeps is in preparation.

Figure 1 – Kutema Insitu Mineral Resource



Mineral Resource Classification in Long Cross Section (Red = Inferred, Green = Indicated)

The addition of resources at Kutema Gold Deposit at Orivesi when combined with those of Sarvisuo and Jokisivu provides the company with a total resource base in southern Finland of 640,000 ounces.

As all deposits are within close proximity of the Vammala Production Centre the focus will be to upgrade the resources to reserves and develop additional mining fronts to supplement production from Orivesi.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Managing Director

The information in this report 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 report of the matters based on their information in the form and context in which it appears.