

ASX ANNOUNCEMENT

6 NOVEMBER 2008

SUSPENSION OF DEWATERING OF VAMMALA NICKEL MINE, FINLAND

Dragon Mining Limited advises dewatering activities at the Vammala Nickel Mine in Finland have been suspended until at least May 2009 as a result of the significant fall in nickel prices and the pessimistic near term projections for nickel demand.

Dewatering had commenced with the objective of assessing the condition of the decline and main production levels to determine the practicability of re-opening the Vammala mine to access the remaining ore and to explore for additional resources.

All installed equipment including pumps, sumps and pipelines will be maintained in position for a rapid re commencement of de watering should the outlook for nickel improve.

The compilation and review of the historical nickel data for Vammala will continue.

Background to the Vammala Nickel Mine

The Vammala nickel mine was operated by Outokumpu Oy between 1975 and 1995 and produced 7.5m tonnes of ore at 0.68% nickel and 0.43% copper. The ore was treated at the Vammala process plant producing 455,000 tonnes of concentrate containing 39,460 tonnes of nickel and 24,710 tonnes of copper.

The initial Mineral Resource estimate for Stormi of 1,600,200 tonnes at 0.45% nickel and 0.31% copper was completed by independent geological consultants Resource Evaluations Pty Ltd (ResEval*) using accepted industry standard estimation methods.

ResEval have classified all resources as Inferred and reported the estimate in accordance with the 2004 edition of the JORC Code. In-situ Inferred Mineral Resources reported at a 0.3% nickel lower cut-off.

The Stormi Mineral Resource is located within the Vammala Mining Leases and includes seven different sulphide lodes, of which the higher-grade Teinila and Sotka lodes occur near surface.

The Vammala process plant currently treats gold ore mined at the Orivesi gold mine and has spare capacity to process ore mined from the Stormi resource.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Managing Director

**ResEval is now wholly owned by Runge Limited, an Australian based mining consulting company.*

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.