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Companies Announcement Office
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

STATE GRANTS APPROVED FOR PAMPALO GOLD PROJECT

Dragon Mining N.L. is pleased to announce that it has secured State Grants for pre-development work at the Pampalo Gold Project of up to a maximum level of €1.05 million.

The Pampalo Gold Project is located in eastern Finland and has previously been subjected to extensive evaluation, including the establishment of a production capable decline down to the 320 metre level. Mineralisation at Pampalo is hosted by three plunging ore shoots, which have been defined in detail down to the 350-400 metre level. However, limited deeper drilling has indicated that the known mineralised structures continue down plunge to at least the 750 metre level, while the potential for the discovery of additional shoots along the hosting structure has not been fully tested.

Preliminary economic studies indicate that an increase in the current indicated and inferred resource base of 0.9 million tonnes at 6.9g/t gold (203,000 ounces) is required to progress the Pampalo project to feasibility status. To achieve this, a program of underground diamond drilling and ramp extension has been proposed to evaluate the down plunge extensions of the known ore shoots.

The provision of the State Grants will assist the Company to proceed with this programme.

All regulatory permitting for mine development and processing by flotation methods is in place for the Pampalo project.

MICHAEL J. ALLEN
Company Secretary