

Stock  
Exchange  
Codes

ASX: DMG

Issued Shares:  
178.3m

Market Cap:  
\$30.0m

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## ASX RELEASE

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15 September 2008

### Drilling returns 172m at 3.06g/t Au including 68m at 6.19g/t Au

#### HIGHLIGHTS

- Resource definition drilling programme at the Lixian Gold Project in China, delivers excellent widths and grades with outstanding results being:
  - 172m at 3.06 g/t Au including 68m at 6.19 g/t Au
  - 57m at 6.36 g/t Au including 11m at 7.28 g/t Au  
21m at 9.21 g/t Au  
5m at 8.52 g/t Au
  - 60.4m at 2.88 g/t Au including 22.6m at 5.09 g/t Au
- Results obtained in drillholes near the eastern margin of the inferred JORC-Code compliant Mineral Resource, comprising 18.9 million tonnes at 1.8g/t Au for 1.1 million contained ounces.
- These results are not included in the estimation of the Mineral Resource.
- Drilling underway to upgrade the Mineral Resource from Inferred to Indicated category and to define high grade extensions along strike – assays pending.
- Significant exploration potential with the Mineral Resource remaining open at depth and along strike.

Dragon Mountain Gold Ltd (“DMG”) is pleased to report that it has received excellent assay results from an extensive resource definition drilling programme at the Company’s flagship Zhao Gou deposit, at its majority owned Lixian Project in central China. The results included an outstanding intersection of **172 metres at 3.06g/t Au** including **68 metres at 6.19g/t Au**.

These results reinforce the potential to upgrade the current inferred Mineral Resource announced on 30 June, 2008 which covers only part of the known strike extent of the Zhao Gou deposit and remains open at depth and along strike. This Inferred Mineral Resource is quoted in accordance with the JORC Code reporting standards and comprises **18.9 million tonnes at 1.8g/t Au for 1.1 million contained ounces**.

Results recently received are from within and near the eastern margin of the inferred Mineral Resource for the Zhao Gou deposit and have not been included in the resource calculation.

The intersection of **172m at 3.06g/t Au including 68m at 6.19g/t Au** was returned from ZG5370DD5 which was drilled to obtain metallurgical samples 70m from the eastern margin of the Zhao Gou resource. Drill hole ZG5370DD6 on the same section returned an equally outstanding result of **57m at 6.36 g/t Au**.

These results confirm previously announced results obtained in nearby drilling on the same section including **116m at 3.96g/t Au** and **43m at 4.38g/t Au** (Figures 1 and 2).

Additionally, DMG has received an intersection of **60.4m at 2.88 g/t Au including 22.6m at 5.09 g/t Au** from ZG5410DD3 drilled on section 5410E which is located within the resource and 30m from the eastern margin (see Figures 1 and 3).

These drillholes provide additional confirmation of the significant high grade component that has been identified within the Mineral Resource and extends along the full length of its eastern margin.

### **Background**

The Zhao Gou resource is an inferred Mineral Resource reported in accordance with the JORC Code reporting standards. It **totals 18.9Mt containing 1.1 million ounces of gold grading an average of 1.8 g/t Au but covers only part of the known strike extent of the outcropping Zhao Gou deposit.** Drilling has been undertaken in order to upgrade this resource to an Indicated category as well as define high grade extensions along strike. Depth extensions will be targeted after the top 200m of the deposit has been drill tested along its entire 800m strike extent.

DMG's drilling program is focused on confirming and extending gold mineralisation that outcrops at the Lixian Project. Numerous deposits which are part of widespread gold mineralisation have been outlined by the Gansu Non-Ferrous Metallurgical Bureau and are described in detail in the Company's Prospectus. Zhao Gou is the first to be assessed within the Project area and this will be increased in size with further drilling during 2008/9

Now that a significant resource has been defined the company is moving into a development phase as evidenced by lodgement of the Mining Area Demarcation application and has reduced the number of rigs on site to three.

The Mining Area Demarcation application was lodged with the Ministry of Land and Resources (MOLAR) in late July and is currently being progressed through the approvals system.

### **Concluding note**

DMG's share price has not escaped the turmoil on the world's share markets nevertheless, the fundamentals of the Lixian Project and the Company remain sound with recent progress demonstrating considerable upside potential. The latest drill results provide an excellent example of the continuity and repeatability of the mineralisation. Drilling has also demonstrated that gold mineralisation not only occurs in drill holes within the resource but also in the hanging wall and footwall zones. Results will be reported as assays come to hand and are checked.

Yours sincerely,



Andrew Richards  
**Managing Director**

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The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Steve Boda, who is a Member of the Australian Institute of Geoscientists and Andrew Richards, Managing Director, who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Andrew Richards and Steve Boda are full time employees of the Company.

Andrew Richards and Steve Boda have sufficient experience which is relevant to the style of mineralisation 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Andrew Richards and Steve Boda both consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

<b>Table 1. Lixian Project: Zhao Gou deposit Drill hole assay results (15 September 2008)</b>											
Hole	Type	Azi	Inc	Significant intercepts +0.5g/t Au				Includes Significant intercepts			
				From (mdh)	To (mdh)	Interval (mdh)	Grade (g/t Au)	From (mdh)	To (mdh)	Interval (mdh)	Grade (g/t Au)
<b>Zhao Gou deposit (Li Ba license)</b>											
ZG5370DD5	Core	0	90	<b>48.0</b>	<b>220.34</b>	<b>172.34</b>	<b>3.06</b>	<b>48.0</b>	<b>63.0</b>	<b>15.0</b>	<b>6.22</b>
								<b>65.0</b>	<b>78.0</b>	<b>13.0</b>	<b>10.83</b>
								<b>80.0</b>	<b>87.0</b>	<b>7.0</b>	<b>5.55</b>
								<b>91.0</b>	<b>101.0</b>	<b>10.0</b>	<b>4.48</b>
								<b>107.0</b>	<b>116.0</b>	<b>9.0</b>	<b>9.44</b>
								<b>139.0</b>	<b>215.0</b>	<b>76.0</b>	<b>1.05</b>
				323.0	331.7	8.70	1.04				
ZG5370DD6	Core	180	65	<b>50.0</b>	<b>107.0</b>	<b>57.0</b>	<b>6.35</b>	<b>50.0</b>	<b>61.0</b>	<b>11.0</b>	<b>7.27</b>
								<b>63.0</b>	<b>84.0</b>	<b>21.0</b>	<b>9.21</b>
								<b>87.0</b>	<b>92.0</b>	<b>5.0</b>	<b>8.52</b>
				<b>126.0</b>	<b>141.2</b>	<b>15.2</b>	<b>2.25</b>	<b>128.5</b>	<b>133.0</b>	<b>4.5</b>	<b>4.06</b>
				152.0	157.8	5.8	2.16				
				161.5	172.0	10.5	1.06				
				<b>176.0</b>	<b>181.0</b>	<b>5.0</b>	<b>4.52</b>				
				189.0	202.0	13.0	1.18				
ZG5410DD3	Core	180	65	<b>124.7</b>	<b>185.05</b>	<b>60.35</b>	<b>2.88</b>	<b>124.7</b>	<b>147.3</b>	<b>22.6</b>	<b>5.09</b>
								<b>162.0</b>	<b>185.1</b>	<b>23.1</b>	<b>2.46</b>
				195.0	201.8	6.8	1.67				

The composited intercepts in Table 1 show significant intersections above a cutoff grade of 0.5 g/t Au, inclusive of internal sub-grade mineralisation of up to 2m. Within these intersections notable high grade sections are highlighted. Assay results were received from Intertek Laboratories at Beijing who used fire assay analysis.



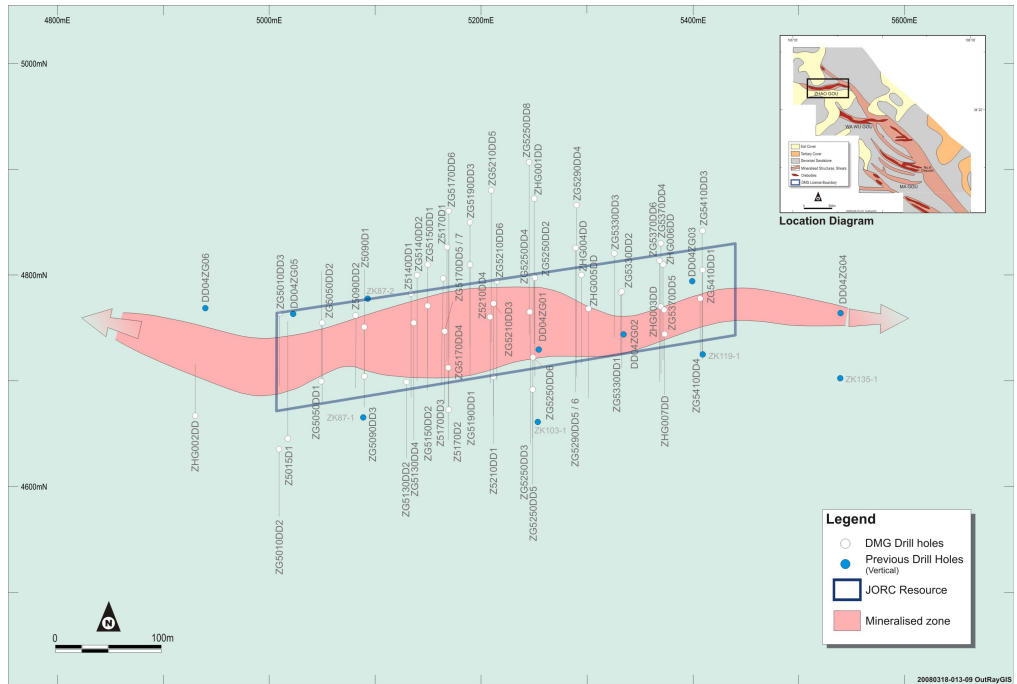


Figure 1. Zhao Gou drill hole location plan with the section of deposit placed within the Mineral Resource outlined in blue.

**Liba Project -ZhaoGou Deposit - Section 5370mE**

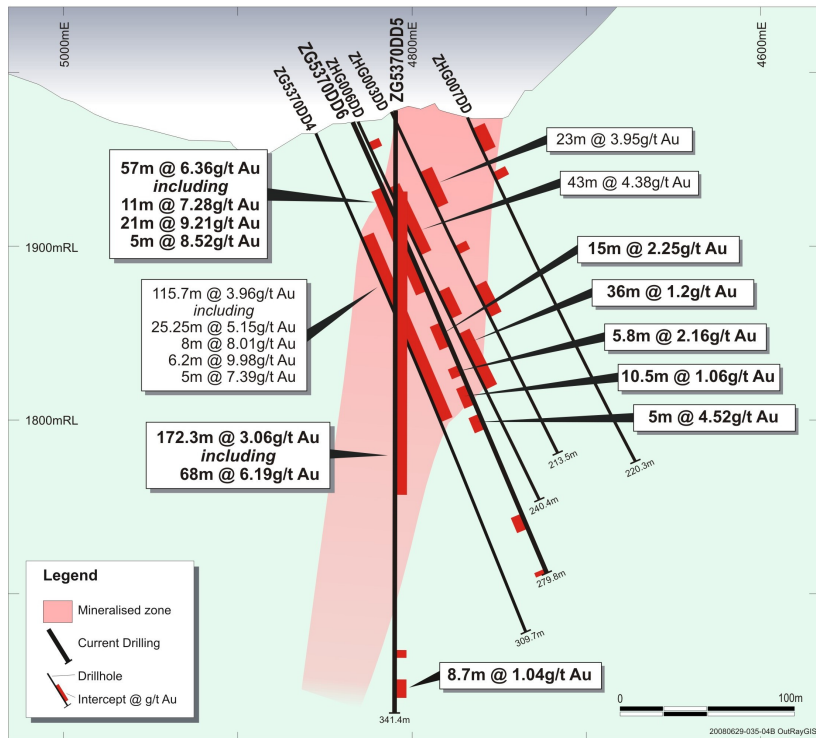


Figure 2. Section 5370E, 70m from the eastern boundary and within the JORC-compliant resource. Assays from drill holes ZG5370DD5 and DD6 were not included in the Mineral Resource estimate released on 30 June 2008.

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### Liba Project - ZhaoGou Deposit - Section 5410mE

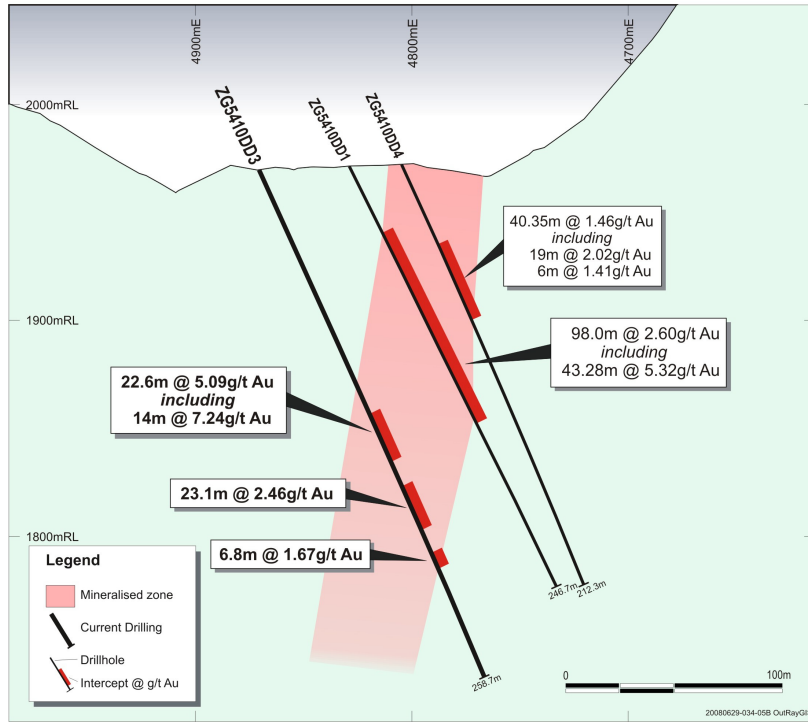


Figure 3. Section 5410E, 30m from the eastern boundary and within the JORC-compliant resource. Assays from drill hole ZG5410DD3 were not included in the resource estimate released on 30 June 2008.