



7 March, 2005

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

PLACEMENT AND SHARE PURCHASE PLAN

Dragon Mining is pleased to announce the placement of 31.8 million shares at 22 cents each to Australian and overseas institutional and sophisticated clients of RBC Capital Markets to raise approximately \$7 million.

Funds are to be applied to activities in Finland and for working capital.

Shareholders registered at 5pm WST on 15 March 2005 with a registered address in either Australia or New Zealand will be entitled to apply for up to 22,727 new fully paid ordinary shares under the Share Purchase Plan ("SPP"). The SPP permits the Company to make offers to shareholders of shares to a maximum value of \$5,000.

The subscription price will be 22 cents, the same as the above Placement. Applications can be made in lots of \$1,000, \$3,000 and \$5,000. The SPP offer will close at 5pm WST on 31 March 2005.

Dragon will apply 60% of the SPP funds raised to the capital costs of the Vammala project and working capital, with the balance used to pay down corporate debt as previously announced to the market.

A written offer document containing all relevant information of the SPP will be mailed to shareholders no later than 3 business days after the Record Date.

Dr JAMES SEARLE
Chief Executive Officer and Director