

ASX ANNOUNCEMENT

JANUARY 2013

KUUSAMO MINE PROJECT CONTINUES TO ADVANCE

Dragon Mining is pleased to provide an update of key activities recently completed on the Kuusamo Mine Project, in northern Finland. This project is an integral part of Dragon Mining's production growth plans, the Company seeking to capitalise on the projects excellent potential.

During 2012 a total of 21,982.70 metres of diamond core drilling directed at the Kuusamo Mine Project area was completed. This drilling yielded a number of very encouraging results including the previously released intercept highlights 7.20 metres @ 8.76 g/t gold, 10.20 metres @ 9.53 g/t gold and 10.55m @ 16.54 g/t gold from the Juomasuo deposit and 2.55 metres @ 156.90 g/t gold, 6.85 metres @ 9.04 g/t gold, 12.45 metres @ 7.15 g/t gold and 9.00 metres @ 30.17 g/t gold from the Hangaslampi deposit.

In conjunction with the drilling activities, Dragon Mining has continued to consolidate its position in this exciting new exploration province and established a platform from which future regional exploration could advance.

Drilling

Assay results from diamond core drilling on the Kuusamo Mine project has yielded a further series of encouraging intercepts including **5.28 metres @ 5.54 g/t gold, 9.95 metres @ 10.75 g/t gold, 7.25 metres @ 4.57 g/t gold, 5.65 metres @ 11.98 g/t gold, 3.40 metres @ 10.16 g/t gold and 4.60 metres @ 7.00 g/t gold.**

The new results are from the Phase 11 and 12 programs, the assays received from 23 of the 24 holes drilled and all 6 re-entry holes (Appendix 1).

The Phase 11 program was designed to primarily evaluate the near surface potential of the area immediately east of the known Juomasuo lodes. The program intersected a number of sulphide rich zones but these returned few gold intercepts of encouragement. The results will be evaluated prior to planning any further work in this area.

The Phase 12 program targeted the north-western portion of the Juomasuo deposit to evaluate the strike and depth extensions of known mineralisation. The program has surpassed expectations and returned a number of very encouraging intercepts that are located away from any known gold lode positions and may represent either significant extensions of known lodes or new lodes. Drilling is now underway on the 12 hole, 4,220 metre program (Phase 13), which has been designed to further examine the strike and depth extensions of gold mineralisation in this area. By the end of December 2012, 4 holes of the Phase 13 program had been completed for a total advance of 1,312.20 metres.

Mineral Resource

The Mineral Resource for the Juomasuo deposit has been updated by independent consultants RungePincockMinarco Limited, returning a total resource of **1,941,000 tonnes grading 4.8 g/t gold for 298,900 ounces** at a reporting cut-off grade of 1 g/t gold (Table 1). This represents a marginal decrease from the November 2011 Mineral Resource of 1,955,000 tonnes grading 4.9 g/t gold for 305,600 ounces.

The decrease is the result of the truncation of some of the lodes in the near surface environment, deeper drilling countering these losses with an increase in tonnes, grade and ounces below a vertical depth of approximately 120 metres.

The Juomasuo deposit represents geologically well-defined zones of steeply dipping medium to high grade gold mineralisation, which remain open primarily at depth. The updated resource extends over a strike length of 280 metres and includes a vertical extent of 280 metres from 260 mRL to -20 mRL, with 85% of the resource tonnes occurring between surface and a vertical depth of 180 metres. The confidence level of the Juomasuo Mineral Resources has increased, with material in the Measured and Indicated categories now including 79% of the total tonnes and 83% of the total ounces, up from 72% and 80% in the November 2011 resource.

Table 1 – Juomasuo Mineral Resource – Gold. Reported at a 1 g/t gold cut-off. (Note 1)

	Tonnes (t)	Gold (g/t)	Cobalt (%)	TREO (ppm)	Uranium (ppm)	Gold (ozs)
Measured	158,000	8.4	0.13	444	55	42,500
Indicated	1,368,000	4.7	0.14	243	147	205,900
Inferred	415,000	3.8	0.15	331	236	50,500
Total	1,941,000	4.8	0.14	278	158	298,900

The gold Mineral Resource was defined from a total database that contained 450 holes (388 diamond core drill holes; 62 percussion drill holes, an additional 85 diamond core drill holes from the November 2011 Mineral Resource). The estimate was completed using Ordinary Kriging (OK) grade interpolation, constrained by resource outlines on mineralisation envelopes prepared using a nominal 0.5 g/t gold cut-off and a minimum down hole length of 2 metres. Block dimensions used in the model were 6m NS x 2m EW x 5m vertical. Statistical analysis determined that high grade cuts of 120 g/t gold and 130 g/t gold were appropriate for the main zones of mineralisation (Objects 12 and 15). The remaining lodes were assigned high grade cuts between 18 g/t gold and 50 g/t gold. The updated Mineral Resource complies with recommendations in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC).

The cobalt Mineral Resource, which occurs separately and in addition to the gold Mineral Resource, has also been updated, returning a total resource of **3,675,000 tonnes grading 0.12% cobalt** (Table 2). This represents an increase of 20% in tonnes from the November 2011 estimate of 3,084,000 tonnes grading 0.12% cobalt.

Table 2 – Juomasuo Mineral Resource – Cobalt. Reported at a 0.05% cobalt cut-off. (Note 1)

	Tonnes (t)	Gold (g/t)	Cobalt (%)	TREO (ppm)	Uranium (ppm)	Cobalt (t)
Measured	239,000	0.20	0.11	219	8	300
Indicated	2,242,000	0.13	0.11	234	42	2,500
Inferred	1,195,000	0.11	0.13	484	35	1,600
Total	3,675,000	0.13	0.12	314	38	4,300

The cobalt Mineral Resource was defined from a total database that contained 450 holes (388 diamond core drill holes; 62 percussion drill holes). The estimate was completed using Ordinary Kriging (OK) grade interpolation, constrained by resource outlines on mineralisation envelopes prepared using a nominal 1% sulphur and 0.015% cobalt cut-off and a minimum down hole length of 2 metres. Block dimensions used in the model were 6m NS x 2m EW x 5m vertical. Statistical analysis determined that a high grade cut of 2% cobalt was appropriate. The Mineral Resource complies with recommendations in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC).

Regional Exploration

Dragon Mining continues to consolidate its position in the exciting Kuusamo Exploration Province, increasing its exploration holding in the broader region to 1,173.3km² with the application of a series of Reservation areas. These new tenements are located to the northwest and west of the Kuusamo Mine Project and includes an area that was selected on the basis of a historic boulder that graded 15.5 g/t platinum, 24.3 g/t palladium, 1.53 g/t rhodium, 4.17 g/t gold, 2.2% copper and 0.36% nickel. The review of historical exploration data sets continues to identify areas of interest on the expanded holding, a number of these areas already subjected to reconnaissance appraisal during the recent summer field season.

The Company completed a detailed 3,715 line kilometre heli-borne VTEM and magnetic survey over the Kuusamo Mine project area and the tenement holding immediately to the southwest of this area during 2012, providing a platform from which future exploration could advance. Imaging and interpretation of the new dataset is advancing, the work completed to date highlighting a number of areas of interest that display an analogous geophysical signature to four of the five known deposits.

For and on behalf of
Dragon Mining Limited

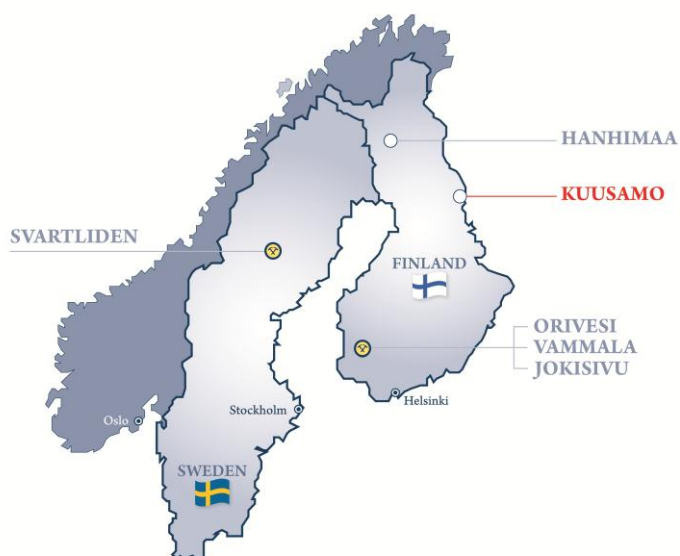
Kjell E Larsson
Managing Director

BACKGROUND

Dragon Mining's key project, Kuusamo is located approximately 700 kilometres northeast of Helsinki in northern Finland. It comprises five known gold deposits with a combined Measured, Indicated and Inferred Resource of 459,600 ounces grading 4.2 g/t gold.

The project area encompasses portion of the Paleoproterozoic Kuusamo Schist Belt and includes the highly prospective Käylä-Konttiäho anticline that hosts the known gold deposits. Gold mineralisation is located within a larger zone of sulphidised and sheared rocks, which also hosts the cobalt, copper, uranium and rare earth elements.

Numerous indications of gold mineralisation and the occurrence of a series of either untested or poorly tested geophysical, geochemical and geological targets, provides the company with a pipeline of prospects to advance and serves to highlight the overall potential of the Kuusamo region.



Kuusamo Gold Project Mineral Resource – 31 December 2012

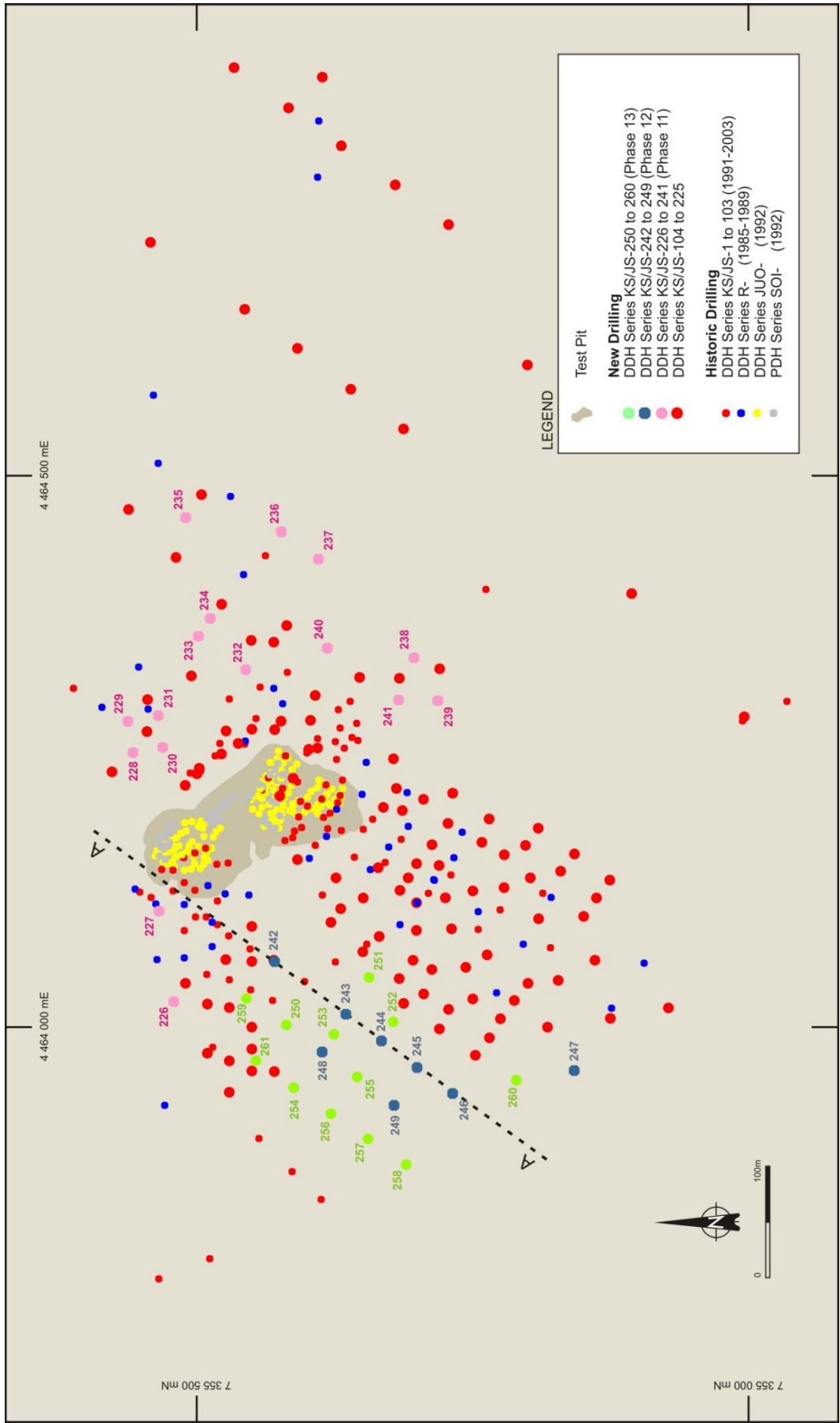
	Measured			Indicated			Inferred			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Kuusamo Mine												
Juomasuo	158,000	8.4	42,500	1,368,000	4.7	205,900	415,000	3.8	50,500	1,941,000	4.8	298,900
Hangaslampi				341,000	5.3	57,500	62,000	4.3	8,600	403,000	5.1	66,100
Pohjasvaara				81,000	3.3	8,600	49,000	5.0	8,000	130,000	4.0	16,600
Kuusamo Exploration Province												
Meurastuksenaho				61,000	2.4	4,700	831,000	2.3	61,800	892,000	2.3	66,500
Sivakkaharju							50,000	7.2	11,500	50,000	7.2	11,500
Kuusamo Total	158,000	8.4	42,500	1,851,000	4.7	276,700	1,407,000	3.1	140,400	3,416,000	4.2	459,600

Mineral Resources reported at a 1 g/t gold cut-off.

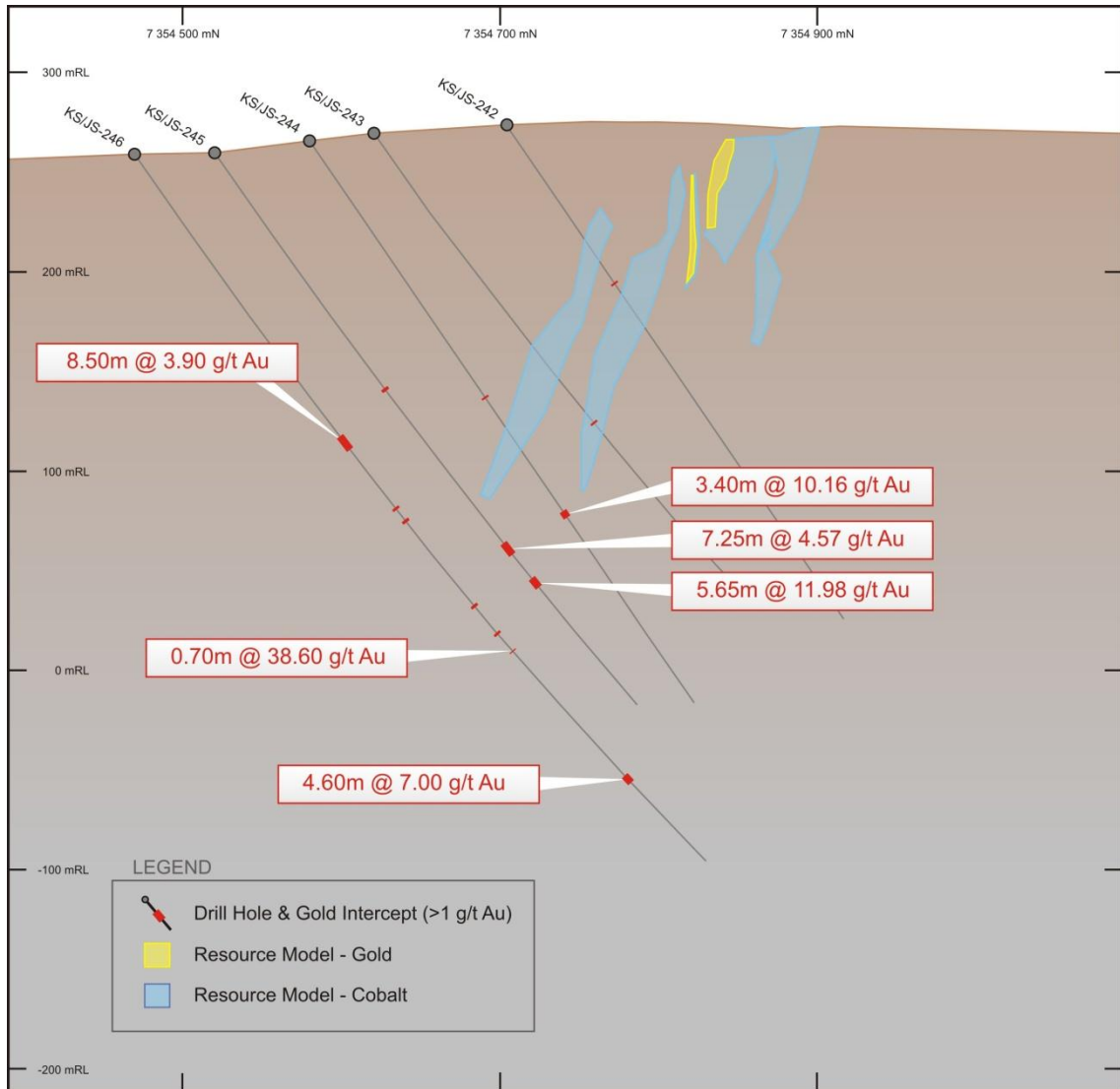
Competent Persons Statement

Note 1. The information in this report that relates to Mineral Resources is based on information compiled by Mr Aaron Green BSc (Hons), a Member of the Australian Institute of Geoscientists, who is a full time employee of RungePincocKMinarco Limited and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr. Aaron Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

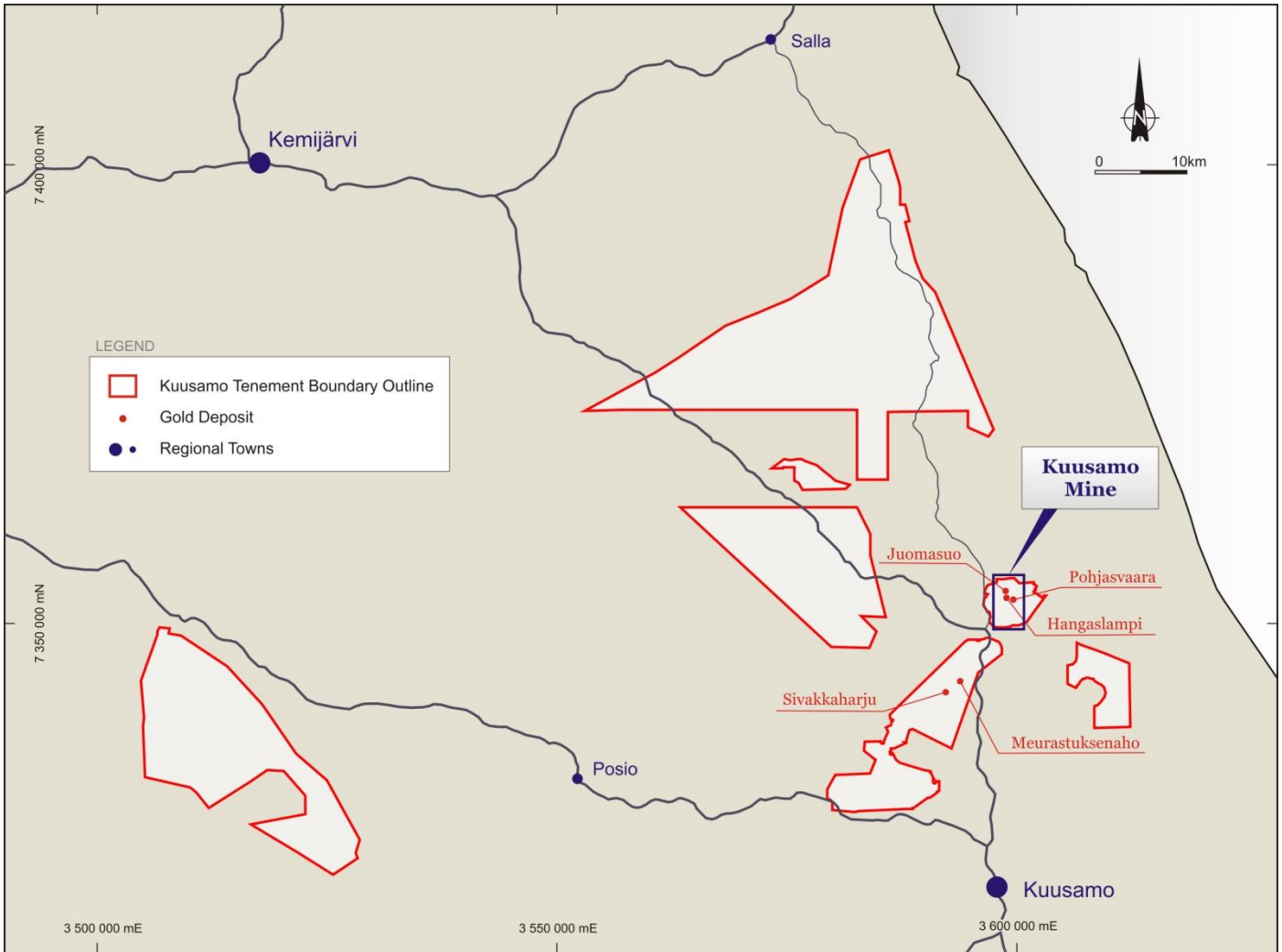
General The information in this announcement that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists and Mr Matti Talikka MSc (Geology), a Member of the Australasian Institute of Mining 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 Matti Talikka consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.



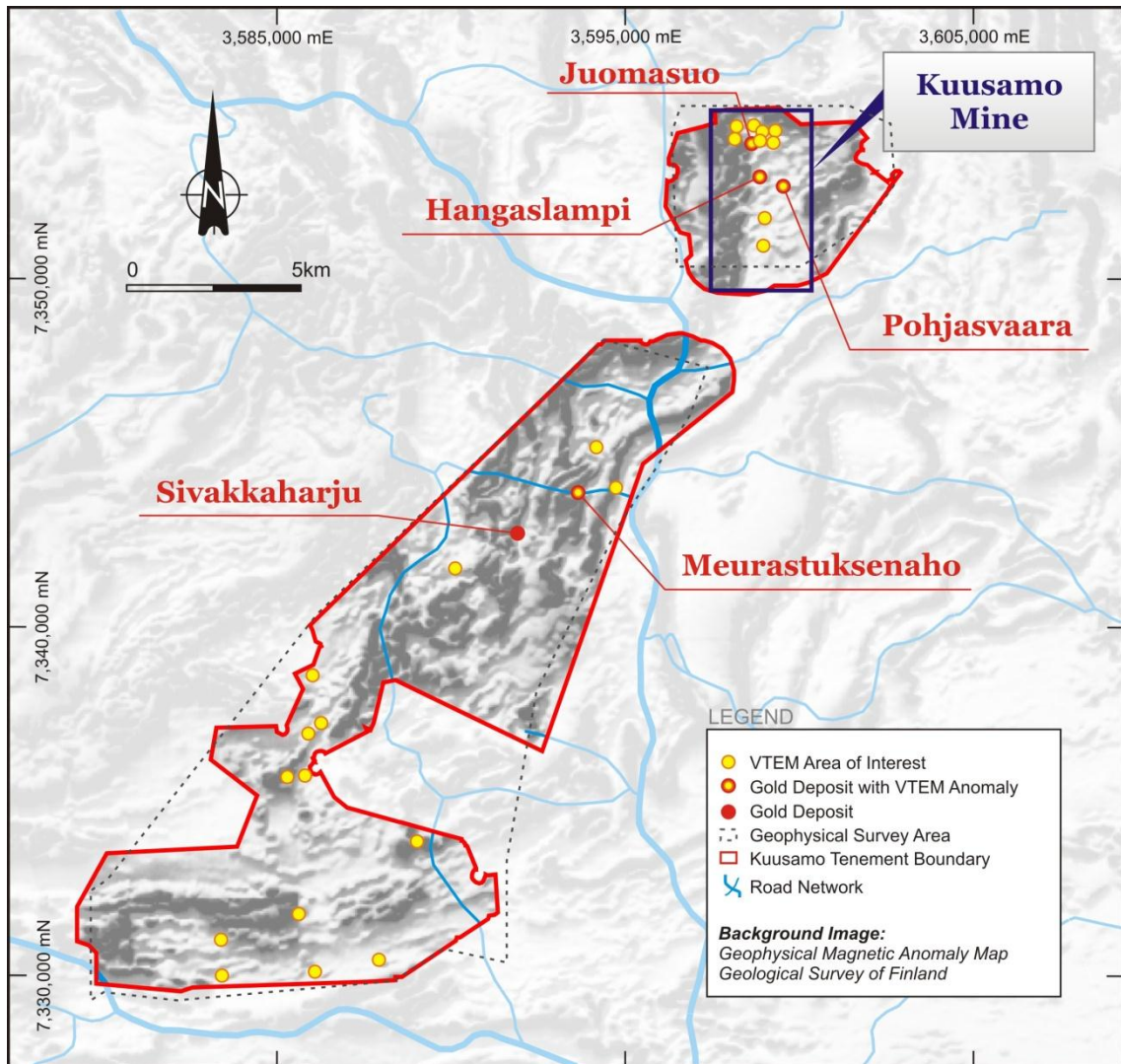
Juomasuo Drill Hole Location Plan



Juomasuo Cross Section A-A



Kuusamo Exploration Province



Airborne Geophysics Summary Plan

Appendix 1 - Results from the Phase 11 and 12 diamond core drilling programs at the Juomasuo deposit, Kuusamo Mine.

Hole ID	Northing	Easting	Elevation	Azimuth (°)	Dip (°)	Length (m)	From (m)	Down Hole Interval (m)	Au (g/t)	Co (ppm)	Cu (ppm)	U (ppm)
Phase 11												
KS/JS-226	7355520.93	4464023.11	272.90	33.00	-44.5	200.40	No significant gold intercept					
KS/JS-227	7355534.30	4464105.14	271.89	36.20	-43.8	100.00	No significant gold intercept					
KS/JS-228	7355557.87	4464248.82	269.24	39.90	-46.1	150.90	No significant gold intercept					
KS/JS-229	7355562.83	4464276.75	269.30	36.70	-45.0	121.10	54.85	3.35	4.20	88	1997	3
KS/JS-230	7355530.77	4464253.75	270.21	37.90	-44.2	151.00	88.40	1.15	1.87	101	2290	3
KS/JS-231	7355535.32	4464282.22	269.59	36.30	-44.6	150.70	76.30	1.05	1.05	236	2690	1
							82.50	1.50	1.64	77	920	2
KS/JS-232	7355455.69	4464323.87	273.84	35.00	-45.7	202.60	16.70	5.28	5.54	614	501	13
KS/JS-233	7355499.13	4464353.99	270.80	36.80	-45.9	151.60	No significant gold intercept					
KS/JS-234	7355487.76	4464370.59	271.47	34.30	-45.0	150.30	84.30	1.20	1.92	30	401	2
KS/JS-235	7355510.48	4464461.66	269.91	36.50	-44.0	151.60	61.70	1.07	2.26	60	1590	2
KS/JS-236	7355423.89	4464448.63	273.38	36.20	-47.2	142.80	No significant gold intercept					
KS/JS-237	7355390.00	4464424.00	275.00	39.40	-48.2	181.50	No significant gold intercept					
KS/JS-238	7355303.20	4464334.83	273.78	34.70	-45.4	361.10	No significant gold intercept					
KS/JS-239	7355282.00	4464296.00	271.00	36.00	-45.4	223.00	No significant gold intercept					
KS/JS-240	7355382.09	4464343.76	276.63	34.90	-43.1	202.70	No significant gold intercept					
KS/JS-241	7355317.25	4464296.44	274.34	38.30	-45.0	222.60	53.50	0.90	3.27	234	1480	4
							211.45	1.00	1.65	270	2620	6
KS/JS-150_ext*	7355397.11	4464325.19	276.41	36.90	-44.9	171.00	No significant gold intercept in the extension					
KS/JS-152_ext*	7355339.31	4464283.38	275.67	35.50	-45.0	160.40	No significant gold intercept in the extension					
KS/JS-153_ext*	7355405.13	4464380.05	275.41	33.70	-45.3	181.60	No significant gold intercept in the extension					
KS/JS-155_ext*	7355340.27	4464332.89	276.30	35.20	-43.6	112.60	Extension not assayed					
KS/JS-156_ext*	7355316.50	4464315.98	274.66	37.10	-44.9	139.40	No significant gold intercept in the extension					
KS/JS-166_ext*	7355149.14	4464100.36	264.70	38.10	-59.7	376.90	357.50	1.30	1.69	4950	764	24
Phase 12												
KS/JS-242	7355429.51	4464059.75	273.43	35.40	-54.1	254.30	94.65	1.05	1.17	740	385	446
KS/JS-243	7355364.76	4464011.47	269.75	34.00	-55.0	298.10	183.80	1.10	1.46	124	1	15
KS/JS-244	7355338.30	4463993.33	266.11	32.03	-55.6	343.20	156.14	1.00	3.56	255	693	6
							226.25	3.40	10.16	929	115	262
KS/JS-245	7355300.75	4463963.54	259.93	36.50	-54.5	349.80	146.20	1.70	2.90	1210	583	20
							244.60	7.25	4.57	580	437	261
							267.25	5.65	11.98	296	266	1351
KS/JS-246	7355268.47	4463939.71	259.15	35.90	-55.0	458.00	175.30	8.50	3.90	1219	5	43
							221.00	1.20	1.81	597	3	10
							228.60	1.45	4.13	663	392	15
							283.60	1.45	5.67	272	9	369
							301.85	1.05	2.16	350	342	355
							313.90	0.70	38.60	748	528	6100
							398.60	4.60	7.00	439	1410	2
KS/JS-248	7355387.22	4463977.92	271.35	37.60	-54.5	269.80	227.25	9.95	10.75	721	1174	11
							241.85	1.25	1.01	1145	2230	8
KS/JS-249	7355324.19	4463931.14	261.61	35.00	-54.6	379.60	159.90	1.40	2.01	266	6	3
							359.50	1.85	2.56	168	2494	7

All drilling was undertaken by WL-66 (50.5mm) diamond core methods, yielding excellent recoveries. All drill core is geologically and geotechnically logged to a level that supports Mineral Resource estimation, photographed and mineralised zones sampled where possible on a one metre basis. Preparation of sawn half-core samples was completed at the ALS Minerals facility in Outokumpu, Finland, using procedure PREP-31BY. Analysis is completed at ALS Minerals in Rosia Montana, Romania, and Vancouver, Canada, using procedures Au-AA25 (Detection Limit - 0.01 g/t gold; Upper Limit - 100.00 g/t gold), ME-4ACD81, ME-MS81. Gold values exceeding 3 g/t and uranium values exceeding 1,000 ppm were re-assayed by AU-GRA22 (Detection Limit - 0.05 g/t gold; Upper Limit - 1,000.00 g/t gold) and U-XRF-10 methods, respectively. Weighted average gold intercepts reported at a 1 g/t gold cut-off.

QA/QC protocols are stringently adhered to throughout the duration of the drilling program and include, collar surveys with use of a DGPS, down hole deviation surveys completed on all holes using a Maxibor device, the inclusion of certified reference material and blank material (1 sample in 20 samples) and duplicate samples (1 sample in 20 samples).

(*) Extensions: KS/JS-150 - from 70.50 metres to 171.00 metres; KS/JS-152 - from 100.30 metres to 160.40 metres; KS/JS-153 - from 88.50 metres to 181.60 metres; KS/JS-155 - from 70.60 metres to 112.60 metres; KS/JS-156 - from 72.30 metres to 139.40 metres; KS/JS-166 - from 301.60 metres to 376.90 metres.