



ASX ANNOUNCEMENT

1 JUNE 2012

AIRBORNE GEOPHYSICAL SURVEY COMMISSIONED FOR THE KUUSAMO GOLD PROJECT

Dragon Mining is pleased to announce the engagement of Canadian geophysical contractors, Geotech Airborne Limited to undertake a high resolution helicopter-borne magnetic and VTEM geophysical survey over the Kuusamo Gold Project in northern Finland.

The 3,764 line km geophysical survey will be completed over the 117km² core holding at Kuusamo, on a 50 metre line spacing and at a mean terrain clearance of 40 metres.

Since commencing exploration at Kuusamo in November 2010 efforts have been directed to expanding the resources at the Kuusamo North deposits. With completion of a rights issue in March 2012 the Company has determined to broaden the exploration effort to the surrounding, highly prospective Kuusamo claim holding. The geophysical survey is the first step and a key element of the summer exploration programs and will greatly assist in both the identification and prioritisation of targets for future exploration activities. It is scheduled to commence in early June and will take 3 to 4 weeks to complete, processing and interpretation to be finalised within 5 to 8 weeks of completion of the survey.

The Kuusamo Gold Project is an integral part of the Company's growth plans. To date, the project comprises five known gold deposits, with a combined Indicated and Inferred Mineral Resource of 460,700 ounces grading 4.2 g/t gold.

By the 30 April 2012 a total of 161 diamond core drill holes had been completed on the Kuusamo North deposits for an advance of 32,698.50 metres, yielding a series of exceptional intercepts including the previously released 31.90m @ 45.67 g/t gold, 17.75m @ 16.59 g/t gold, 10.55m @ 16.54 g/t gold, 25.60m @ 9.66 g/t gold, 34.90m @ 9.30 g/t gold and 17.60m @ 34.01 g/t gold.

Drilling is now advancing a 17 hole, 6,130 metre Phase 10 program, further testing several lodes and their strike and depth extensions at the Juomasuo deposit.

For and on behalf of
Dragon Mining Limited

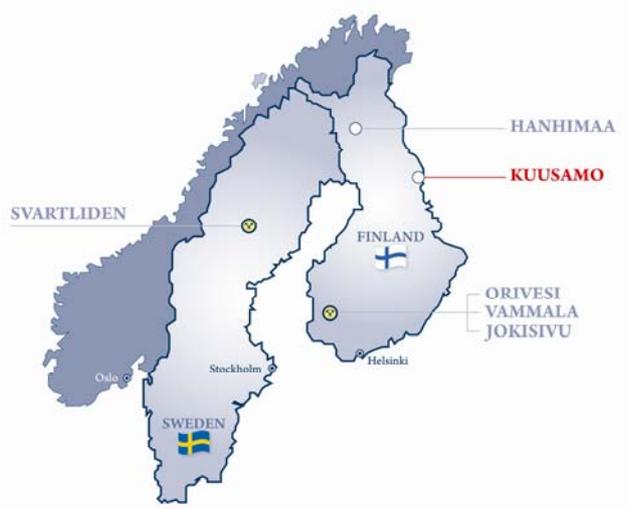
Peter G Cordin
Chairman

The information in this announcement that relates to Ore reserves, 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.

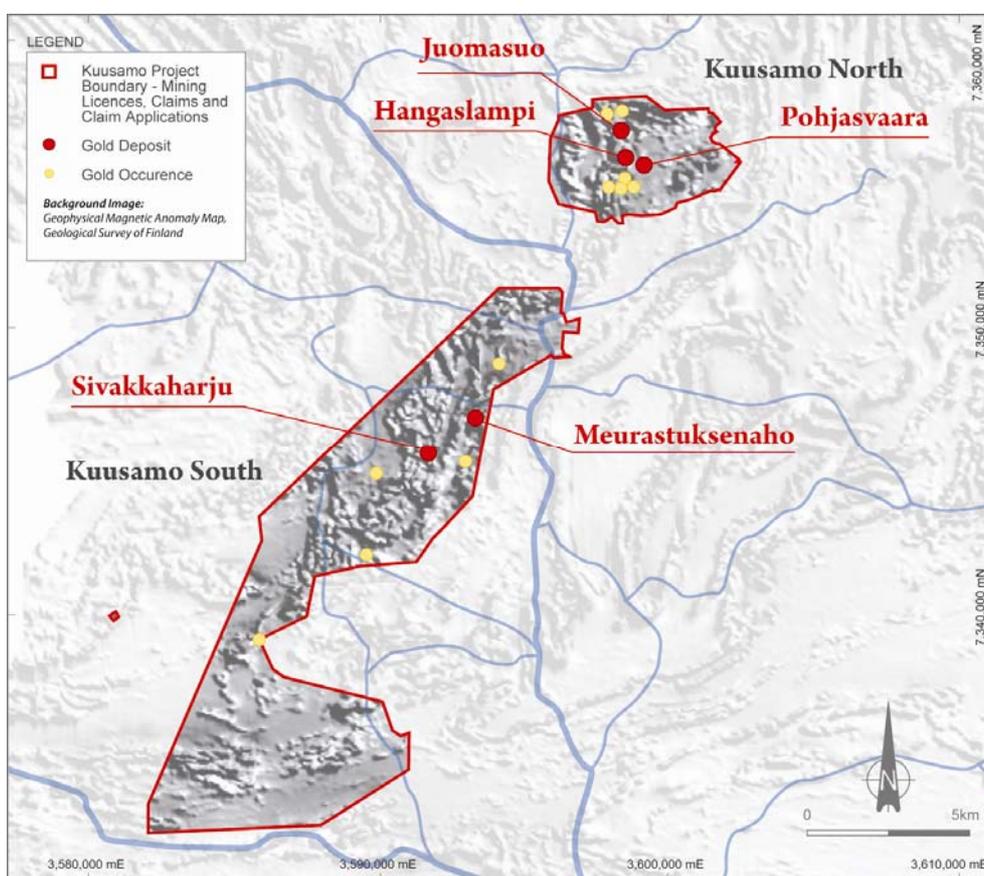
Background

Dragon Mining's key exploration project, Kuusamo is located approximately 700 kilometres northeast of Helsinki in northern Finland. It comprises five known gold deposits with a combined Indicated and Inferred Resource of 460,700 ounces grading 4.2 g/t gold.

Numerous indications of gold mineralisation have also been identified within the 117km² core holding, which provides the company with a pipeline of prospects to advance and serves to highlight the overall potential of the largely underexplored Kuusamo region.



Location of Projects



Kuusamo Gold Project – Mining Licences, Claims and Claim Applications

Kuusamo Gold Project Mineral Resource - Gold. Reported at a 1 g/t gold cut-off.

	Tonnes	Gold (g/t)	Gold (ozs)
Measured	-	-	-
Indicated	1,820,000	5.3	308,500
Inferred	1,576,000	3.0	152,200
Total	3,396,000	4.2	460,700