

ASX ANNOUNCEMENT

12 JANUARY 2011

**SIGNIFICANT INCREASE IN RESOURCE OF THE JUOMASUO GOLD DEPOSIT AT KUUSAMO GOLD PROJECT**

Dragon Mining is pleased to announce that independent consultants Runge Limited (“Runge”) have completed an update of the Mineral Resource of the Juomasuo gold deposit at Kuusamo in north eastern Finland. The updated Mineral Resource totals **1.40 million tonnes @ 5.7 g/t gold for 259,300 ounces** (Table 1), an increase of 146% in contained gold ounces to the previous resource of 0.78 million tonnes @ 4.2 g/t gold (105,200 ounces).

The Juomasuo gold deposit is a medium to high grade body of gold mineralisation and is one of five gold deposits that comprise the Kuusamo Gold Project. The increase in tonnes and grade is the result of the establishment of a revised 3D-model for the deposit and the incorporation of additional drill hole data that has allowed the updated Mineral Resource to be estimated to greater depths. The deposit has excellent potential for exploitation, initially by open pit and subsequently underground mining and remains open both along strike as well as down plunge.

Executive Chairman Peter Cordin stated, “The Juomasuo resource update highlights the significant potential of both the deposit and the Kuusamo region and provides a considerable gold inventory to grow the Kuusamo project. Exploration drilling and other activities including an environmental base line study and review of geophysical data will ramp-up in early 2011.”

**Table 1 – Juomasuo Mineral Resource. Reported at a 2 g/t gold cut-off. (Note 1)**

	<b>Tonnes</b>	<b>Gold (g/t)</b>	<b>Cobalt (%)</b>	<b>Gold (Ozs)</b>	<b>Cobalt (t)</b>
<b>Measured</b>	-	-	-	-	-
<b>Indicated</b>	491,000	7.5	0.14	119,100	700
<b>Inferred</b>	912,000	4.8	0.16	140,200	1,400
<b>Total</b>	<b>1,403,000</b>	<b>5.7</b>	<b>0.15</b>	<b>259,300</b>	<b>2,100</b>

*The resource update 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. The deposit currently comprises 22 objects, with statistically derived high grade cuts of 120 g/t gold applied to the two main lodes that contain the bulk of the high grades, 50 g/t gold to another large lode that contained a substantial distribution of high grades and 30 g/t to all other smaller peripheral lodes. 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 drilling of the initial 1,700 metre campaign of diamond coring targeting the depth extensions continues at Juomasuo. This represents the first phase of a 20,000 metre drilling program to be completed over the next twelve months. Five holes were completed prior to the end of 2010 and the initial results from this drilling are expected in early 2011. Upon completion of this campaign, drilling will continue at Juomasuo further targeting extensions of the deposit. Runge are also in the process of updating the Mineral Resources for the other deposits - Hangaslampi, Pohjasvaara, Meurastuksenaho and Sivakkaharju, the results of these updates are expected shortly.

For and on behalf of  
**Dragon Mining Limited**

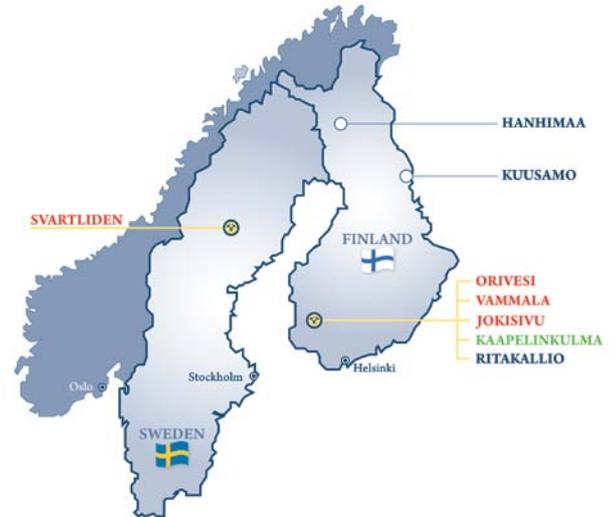
**Peter G Cordin**  
Executive Chairman

## Background

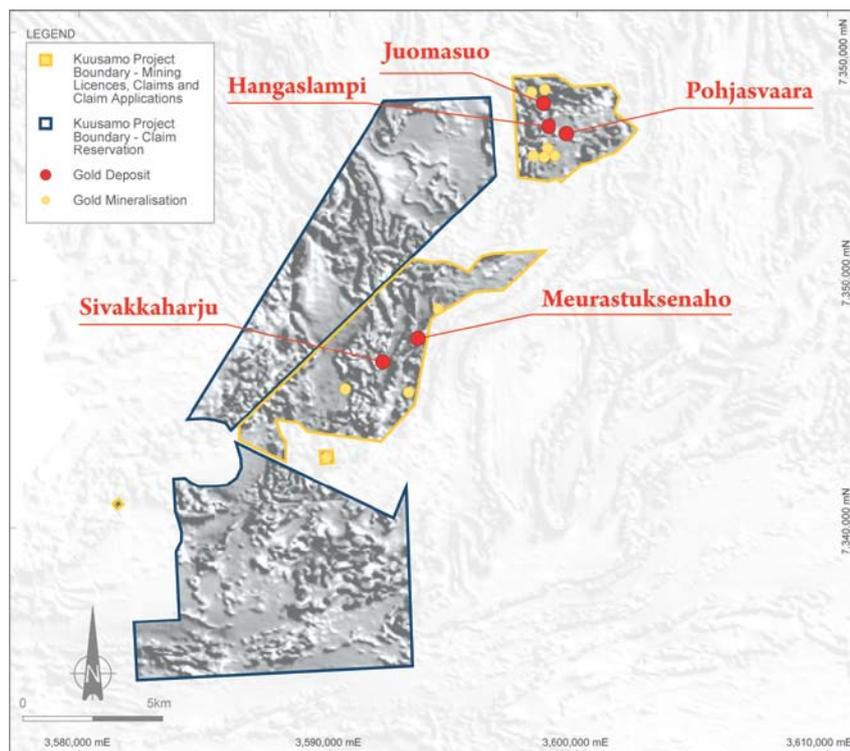
The Kuusamo Gold Project is located approximately 700 kilometres north-northeast of Helsinki. It comprises of a series of tenements that encompass five known gold deposits that remain open, both along strike and at depth.

Numerous indications of gold mineralisation have also been identified within the surrounding areas. These indications provide Dragon with a pipeline of prospects to advance and serve to highlight the overall potential of the Kuusamo region.

The Kuusamo Gold Project was acquired in 2003 as part of the purchase of the precious metal assets of Outokumpu Mining Oy.



Location of Projects



Kuusamo Gold Project – Mining Licences, Claims and Claim Reservations

### Notations:

(1) The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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 Runge 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.

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