ASX ANNOUNCEMENT **01 NOVEMBER 2011**

DISCOVERY OF NEW ZONE OF MINERALISATION EAST OF THE SVARTLIDEN GOLD MINE, SWEDEN

Dragon Mining is pleased to announce the discovery of a new zone of mineralisation at the Svartliden Gold Mine, with the first three diamond drill holes at the Far East target, located approximately 800 metres east of the open pit, intersecting gold mineralisation.

Assays have been received from 3 holes of a 6 hole program designed to follow-up promising geology identified from earlier drilling in the Far East area. Each hole intersected material characteristic of the Svartliden host sequence, returning a best intercept of **6.0 metres @ 6.69 g/t gold** at a vertical depth of approximately 350 metres below surface (Table 1). Results for the other holes are pending.

The Far East target was identified through an ongoing program of geological and geophysical modelling of the near mine area. Upon completion of the current campaign, planning of the next phase of drilling will commence with the objective to better define the extent and geometry of the identified mineralisation.

Executive Chairman, Peter Cordin stated, "The discovery of mineralisation and the strong intercept at the Far East target is extremely encouraging for the Company. The Far East target is just one of a number of near mine areas to be evaluated over the coming months, as the company strives to extend the life of the Svartliden mine."

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Notation
The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of the company 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 a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Table 1 – Assay Results from the Far East target.

Hole	North	East	RL (m)	Azimuth (°)	Dip (°)	Length (m)	From (m)	Interval (m)	Gold (g/t)
Profile 3125									
SV11551	7187521.65	1589876.16	473.54	329	-67	326.4	282.0	1.00	7.48
SV11552	7187459.34	1589896.29	477.82	330	-69	421.8	347.0	1.00	22.40
Profile 3200									
SV11554	7187541.73	1589940.64	474.75	341	-68	362.4	Results pending		
SV11555	7187489.33	1589965.85	477.86	341	-70	419.3	376.0	6.00	6.69
Profile 3300									
SV11556	7187574.27	1590041.24	475.54	341	-68	248.1	Hole abandoned due to technical reasons		
SV11557	7187521.64	1590057.53	478.10	341	-70	433.9	Results pending		

Analysis of half core was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using method Au-AA25, following sample preparation at the ALS Chemex facility in Piteå, Sweden. Reported at a cut-off grade of 1.0 g/t gold.

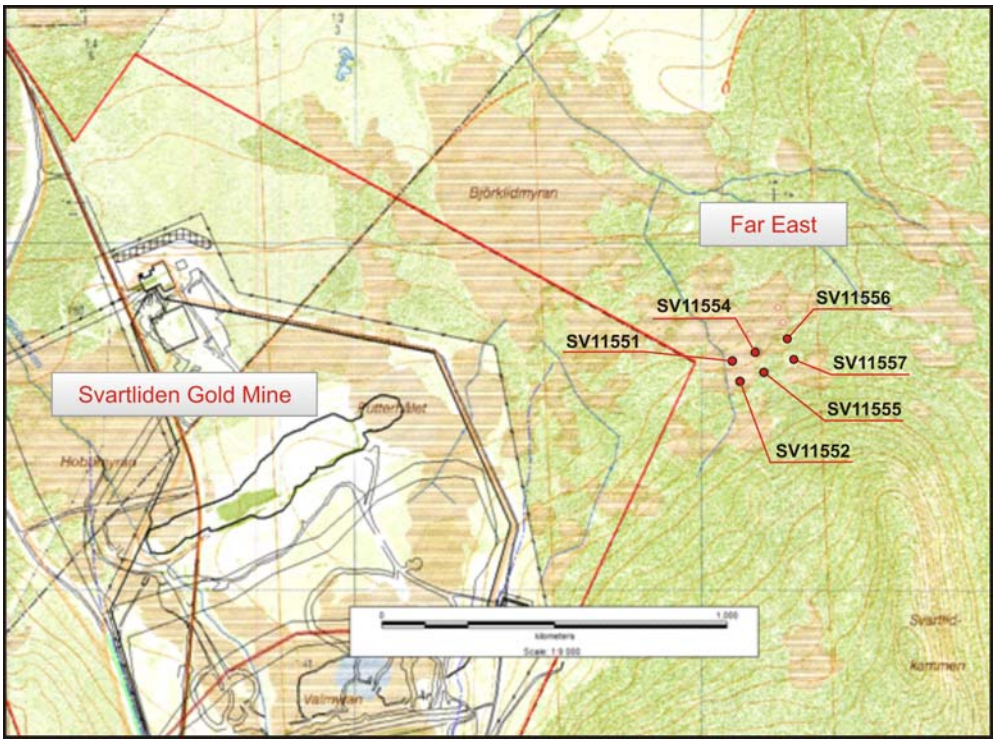


Figure 1 - Location of the Far East.

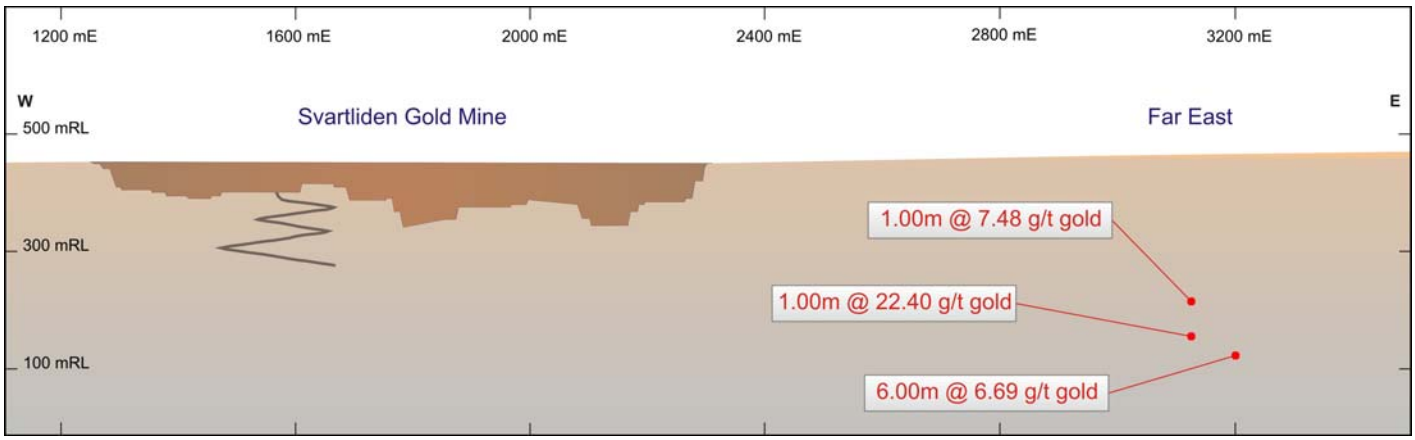
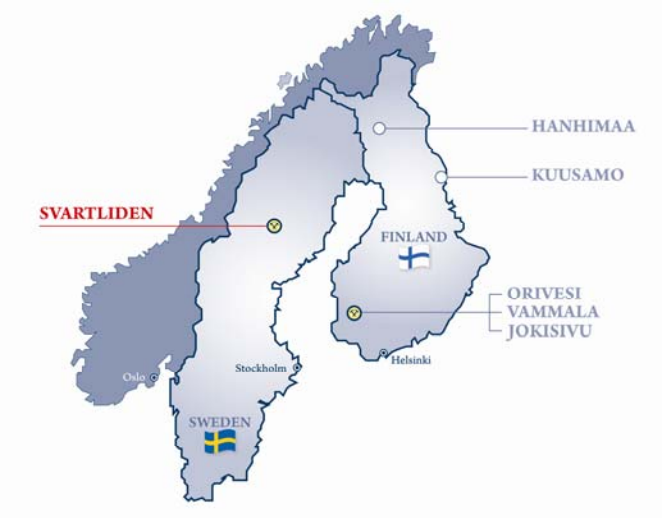


Figure 2 - Far East intercepts.

Background

The Svartliden Gold Mine is located in northern Sweden, 700 kilometres north of Stockholm in an area that is developing into a gold-rich province. It was developed by Dragon Mining as an open pit mining operation with ore processed on site through a carbon in leach (CIL) plant, the first production in March 2005. At 30 September 2011 the operation had processed 2.65Mt at 4.55 g/t gold for 273,674 ounces of gold.

Mineralisation at Svartliden is structurally controlled and hosted within a series of meta-sediment and volcanic sequences. Higher grade concentrations of gold occur within well defined structures. These zones have been the target of resource drilling since mid-2006, designed to delineate mineralisation with the potential to extend the open pit and to sustain underground mining operations.



Location of Projects