

RESOURCE INCREASE FOR THE KUUSAMO GOLD PROJECT, FINLAND

Dragon Mining is pleased to announce an update of the Mineral Resource for the Juomasuo gold deposit, to **1,574,000 tonnes @ 5.7 g/t gold for 285,800 ounces** at a 2 g/t gold cut-off, which has been completed by independent consultants Runge Limited. (Table 1)

The updated resource returned an increase in tonnes and contained ounces and closer spaced drilling has resulted in the number of ounces in the Indicated category rising to 82% (up from 46% of total ounces in the December 2010 resource estimate). (Table 2).

The increase results from the inclusion of 35 drill holes (10,736.7 metres) completed since November 2010, which were directed at confirming the geological model and testing the immediate extensions of identified zones of gold mineralisation both along strike and with depth. Whilst programs of bulk density determination, re-logging of historic core, check assaying and data validation have significantly improved the quality of the resource model.

Juomasuo is the largest of the five gold deposits identified to date on the Kuusamo Gold Project. It comprises a set of closely spaced sub-parallel lodes, which remain open along strike towards the north and south, as well as down plunge.

Table 1 – Juomasuo Mineral Resource – Reported at a 2 g/t gold cut-off – November 2011. (Notation 1)

	Tonnes	Gold (g/t)	Cobalt (%)	Gold (ozs)	Cobalt (t)
Measured	-	-	-	-	-
Indicated	1,189,000	6.1	0.15	233,500	1,700
Inferred	385,000	4.2	0.15	52,300	600
Total	1,574,000	5.7	0.15	285,800	2,300

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. 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 a high grade cut of 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).

Table 2 – Juomasuo Mineral Resource – Reported at a 2 g/t gold cut-off – December 2010. (Notation 2)

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

The robustness of the gold mineralisation near surface for each of the five deposits has provided confidence to lower the reporting cut-off grade from 2 g/t to 1 g/t gold for the Kuusamo Gold Project. At the revised cut-off grade the Juomasuo Mineral Resource totals **1,955,000 tonnes @ 4.9 g/t gold for 305,600 ounces**. This lifts the total gold resource inventory of the Kuusamo Gold Project to 460,700 ounces grading 4.2 g/t (Appendix 1).

The Kuusamo Gold Project is the highlight of Dragon Mining's growth strategy. Three diamond core drill rigs continue to progress programs at both Juomasuo and Hangaslampi at Kuusamo North, targeting depth and strike extensions. Results for the 26 completed holes not included in the Juomasuo resource update and new drilling will be incorporated into the next resource update, which will be undertaken in early 2012.

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Appendix 1 – Kuusamo Gold Project Total Gold Resource Inventory as at 1 November 2011. Reported at a 1 g/t gold cut-off. (Notation 2 and 3)

	Tonnes	Gold (g/t)	Cobalt (%)	Gold (ozs)	Cobalt (t)
Juomasuo					
Measured	-	-	-	-	-
Indicated	1,424,000	5.4	0.14	245,600	2,000
Inferred	531,000	3.5	0.15	60,000	800
Total	1,955,000	4.9	0.14	305,600	2,800
Hangaslampi					
Measured	-	-	-	-	-
Indicated	254,000	6.1	0.08	49,600	190
Inferred	115,000	2.9	0.05	10,900	50
Total	369,000	5.1	0.07	60,500	240
Pohjasvaara					
Measured	-	-	-	-	-
Indicated	81,000	3.3	0.08	8,600	70
Inferred	49,000	5.0	0.10	8,000	50
Total	130,000	4.0	0.09	16,600	120
Meurastuksenaho					
Measured	-	-	-	-	-
Indicated	61,000	2.4	0.10	4,700	60
Inferred	831,000	2.3	0.21	61,800	1770
Total	892,000	2.3	0.20	66,500	1830
Sivakkaharju					
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	50,000	7.2	0.03	11,500	10
Total	50,000	7.2	0.03	11,500	10
Total					
Measured	-	-	-	-	-
Indicated	1,820,000	5.3	0.13	308,500	2,320
Inferred	1,576,000	3.0	0.17	152,200	2,680
Total	3,396,000	4.2	0.15	460,700	5,000

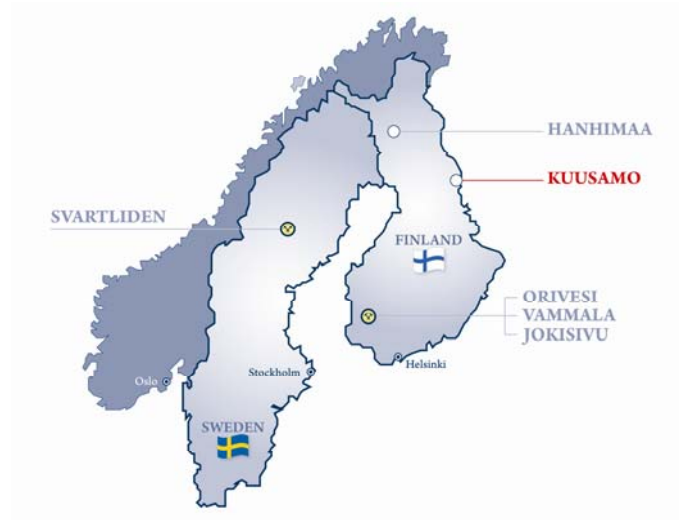
Notations:

1. The information in this report that relates to Mineral Resources is based on information compiled by Mr Craig Allison, a Member of the Australian Institute of Mining and Metallurgy, 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 Craig Allison consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
2. 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 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.
3. 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 Matti Talikka 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 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.

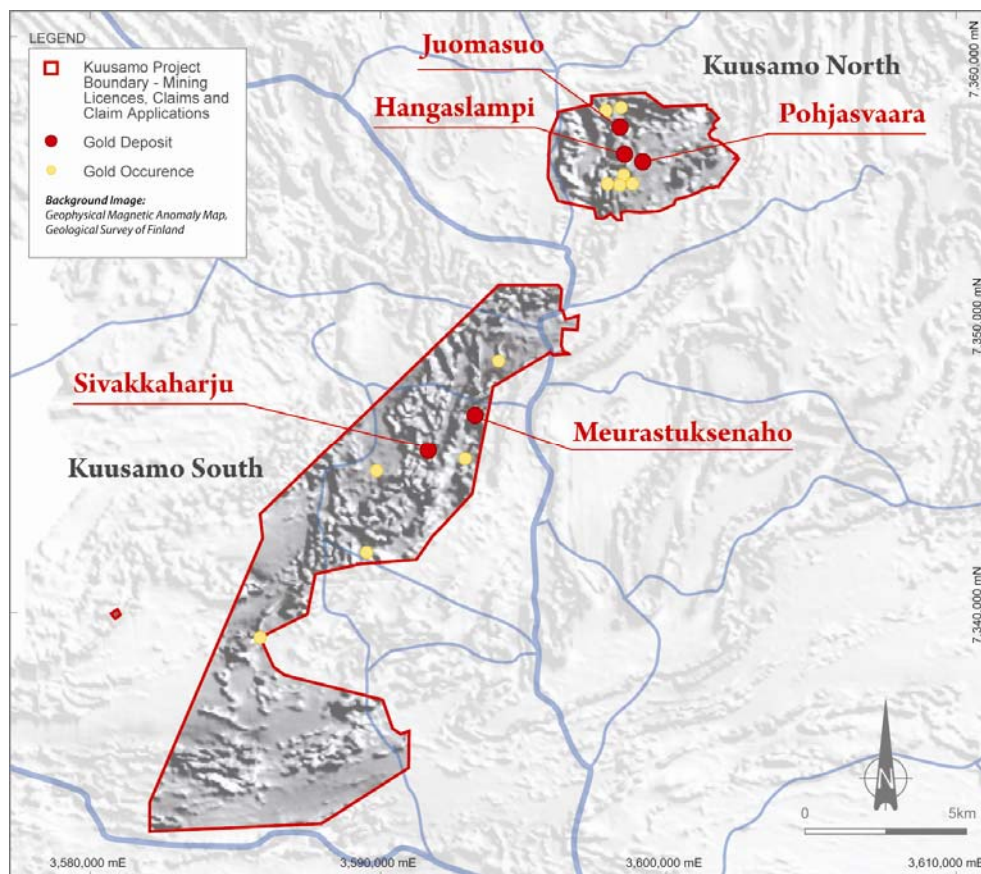
Background

The Kuusamo Gold Project is located approximately 700 kilometres northeast of Helsinki. It comprises five known gold deposits with a combined Indicated and Inferred Resource of 460,700 ounces grading 4.2 g/t gold. All deposits remain open along strike and with depth.

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



Location of Projects



Kuusamo Gold Project – Mining Licences, Claims and Claim Applications