

ASX ANNOUNCEMENT

16 NOVEMBER 2010

DRILLING COMMENCES AT THE KUUSAMO GOLD PROJECT

Dragon Mining is pleased to announce that drilling has commenced at the Kuusamo Gold Project in north-eastern Finland. This initial campaign of 1,700 metres of diamond core drilling will target the extensions of the "B" lode at the Juomasuo deposit. It represents the first phase of a 20,000 metre drilling program that will be completed over the next twelve months.

At the Juomasuo deposit a total of 298 holes have previously been drilled between 1985 and 2003 for an advance of 17,191 metres. The more recent drilling was completed by a subsidiary of Outokumpu Mining Oy, which returned a number of bonanza drill intercepts including **19.20m @ 179.52 g/t gold, 3.70m @ 426.98 g/t gold, 19.60m @ 63.70 g/t gold, 4.12m @ 265.50 g/t gold and 8.00m @ 48.85 g/t gold.**

Dragon Mining has also recently instigated an update of the Mineral Resources for the five known gold deposits within the Kuusamo project area and lodged application for additional ground, increasing the Kuusamo holding to 247.65km².

Executive Chairman Peter Cordin stated "We have been able to mobilise a drill rig to the Kuusamo project area on short notice and are eagerly awaiting the results from the extensive program that will be undertaken over the next twelve months. This project is an integral part of Dragon's longer term growth strategy, as we seek to significantly increase production in the coming years."

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

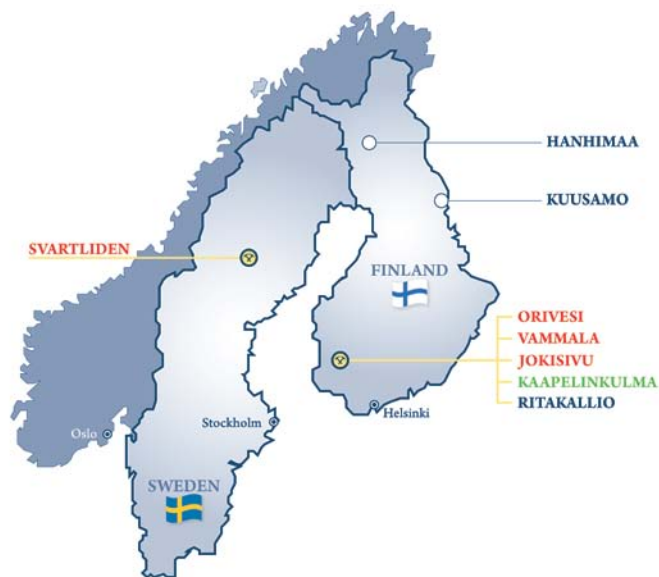
The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Neale Edwards BSc (Hons), a Member of the Australian Institute of Geoscientists and Mr Urpo Kuronen MSc (Geology), a Member of the Australian Institute of Mining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

Background

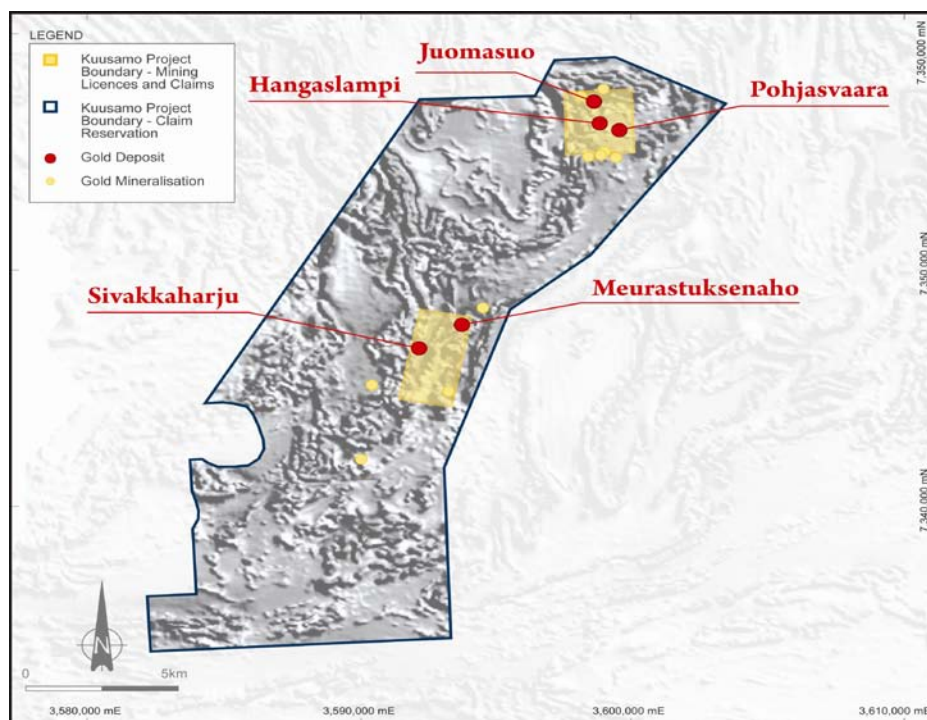
The Kuusamo Gold Project is located approximately 700 kilometres north-northeast of Helsinki. It comprises of a series of contiguous tenements that encompass five known gold deposits, which host a combined Inferred Mineral Resource of 1.35Mt grading 4.1 g/t gold (178,800 ounces). Each of the deposits remains 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. Due to Dragon investing both funds and time in establishing its two existing production centres in Sweden and southern Finland, limited attention has been given to the Kuusamo Gold Project over recent years.



Location of Projects



Kuusamo project outline, displaying the location of the five gold deposits