

ASX ANNOUNCEMENT

7 OCTOBER 2016

MUNICIPALITY DRAFTS KUUSAMO LAND USE PLAN

Dragon Mining Limited (ASX:DRA) ("Dragon Mining" or "the Company") wish to advise that the Municipality of Kuusamo has proposed a draft Local Master Plan ("Plan"), which, if gaining legal force would result in Dragon Mining's Kuusamo Gold Project in northeastern Finland falling within an area deemed by the Municipality of Kuusamo as the Core Area for Tourism.

The Municipality of Kuusamo defines the Core Area for Tourism as an area that has national and international significance as a recreation and tourism site. Agriculture, reindeer husbandry, and other specified land use is permitted in the Core Area for Tourism. Whilst quarrying and crushing of soil material and forestry is permitted, mining, processing and refining are not permitted in the Core Area for Tourism.

Dragon Mining as landowners and holders of mining rights in the Municipality of Kuusamo has throughout the drafting process strongly expressed its reservations on the proposed Plan and will vigorously oppose the Plan through the Finnish Courts, if and when it is published.



The Company, based on legal advice, believes that the proposed Plan:

- *unnecessarily restricts the rights of a specific business activity;*
- *restricts freedom to conduct business activity on the granted Mining Concessions as permitted in the (repealed) Mining Act (503/1965) and the current Finnish Mining Act (621/2011);*
- *is against the protection of one's property based on Constitutional Law;*
- *is excessive and has been arbitrarily defined to encompass the Kuusamo Gold Project;*
- *does not correlate with the areas to be used for tourism; and*
- *is against the rules in the Land Use and Building Act (132/1999) laying down the rules for planning.*

Publication of the Plan is anticipated in late 2016, following which a 30-day period to lodge appeals to the regional Administrative Court is permitted.

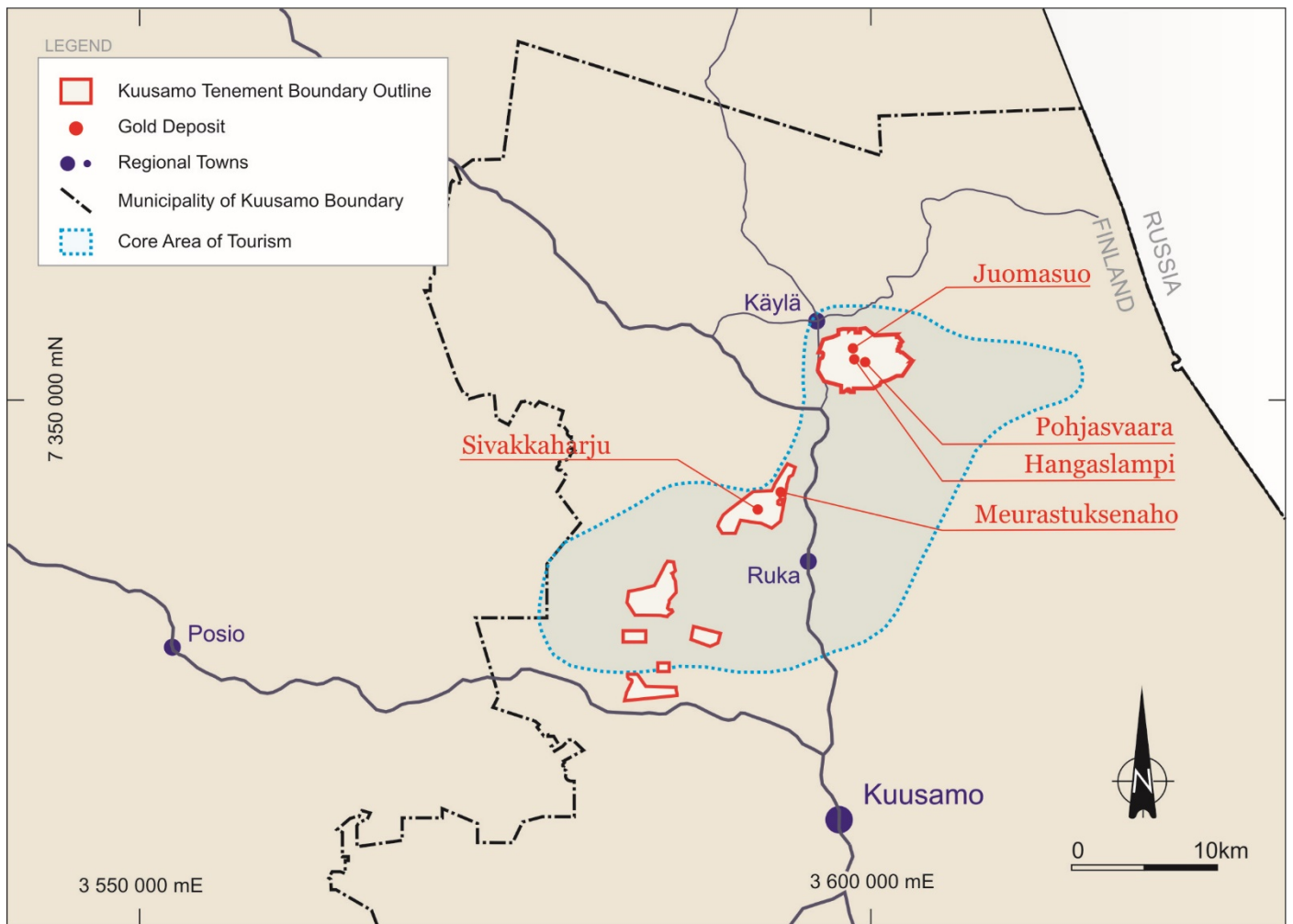


Figure 1 – Kuusamo Gold Project displaying the proposed Core Area for Tourism.

BACKGROUND

The Kuusamo Gold Project is located 700 kilometres northeast of Helsinki in northeastern Finland. The 4,646.27ha project area encompasses portion of the highly prospective Palaeoproterozoic Kuusamo Schist Belt, a metamorphosed volcanic and sedimentary sequence.

Five gold deposits have been identified on the Kuusamo Gold Project with a total Mineral Resource of 507,200 ounces grading 4.1 g/t gold as at 31 December 2013. The Mineral Resources for these deposits were reported to the ASX on the 18 March 2014 - Resource Updates Lift Kuusamo Ounces, which can be located at www.asx.com.au (Code:DRA). The Company confirms that it is not aware of any new information or data that materially affects the Kuusamo Gold Project Mineral Resources and the assumptions and technical parameters underpinning the estimates in the 18 March 2014 report continue to apply and have not materially changed.

A number of indications of gold mineralisation and the occurrence of a series of either untested or poorly tested geophysical, geochemical and geological targets, provides the project with a pipeline of prospects to advance and serve to highlight the overall potential of the Kuusamo region.

Table 1 - Kuusamo Gold Project Mineral Resource as at 31 December 2013. Reported at a 1 g/t gold cut-off.

| | Measured | | | Indicated | | | Inferred | | | Total | | |
|-----------------------------|----------------|------------|---------------|------------------|------------|----------------|------------------|------------|----------------|------------------|------------|----------------|
| | Tonnes | Gold (g/t) | Ounces | Tonnes | Gold (g/t) | Ounces | Tonnes | Gold (g/t) | Ounces | Tonnes | Gold (g/t) | Ounces |
| Kuusamo Gold Project | | | | | | | | | | | | |
| Juomasuo | 160,000 | 7.4 | 38,000 | 1,389,000 | 4.6 | 206,100 | 822,000 | 3.9 | 103,000 | 2,371,000 | 4.6 | 347,000 |
| Hangaslampi | - | - | - | 341,000 | 5.3 | 57,500 | 62,000 | 4.3 | 8,600 | 403,000 | 5.1 | 66,100 |
| Pohjasvaara | - | - | - | 82,000 | 3.2 | 8,400 | 51,000 | 4.7 | 7,700 | 133,000 | 3.8 | 16,100 |
| Meurastuksenaho | - | - | - | 61,000 | 2.4 | 4,700 | 831,000 | 2.3 | 61,800 | 892,000 | 2.3 | 66,500 |
| Sivakkaharju | - | - | - | - | - | - | 50,000 | 7.2 | 11,500 | 50,000 | 7.2 | 11,500 |
| Total | 160,000 | 7.4 | 38,000 | 1,873,000 | 4.6 | 276,700 | 1,816,000 | 3.3 | 192,600 | 3,849,000 | 4.1 | 507,200 |

Note: Resources may not sum to equal totals due to rounding

Competent Persons Statement

The information in this report that relates to Mineral Resources for the Kuusamo Gold Project were previously released to the ASX on 18 March 2014 – Resource Updates Lift Kuusamo Ounces. This release can be found at www.asx.com.au (Code:DRA). It fairly represents, information and supporting documentation that was prepared by Mr. Trevor Stevenson, a Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional (Geology), who is a former employee of RungePincockMinarco Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was previously provided by Mr. Trevor Stevenson for the 18 March 2014 – Resource Updates Lift Kuusamo Ounces release.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Kuusamo Gold Project as reported on the 18 March 2014, and the assumptions and technical parameters underpinning the estimates in the 18 March 2014 release continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of Dragon Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirms that the form and context in which the Mineral Resources are presented in this report have not been materially modified and are consistent with the 18 March 2014 release. Mr. Neale Edwards has provided written consent approving the statement of Mineral Resources in this release in the form and context in which it appears.