ASX ANNOUNCEMENT **12 MAY 2016**

FÄBOLIDEN METALLURGICAL TEST WORK IMPROVES RECOVERY LEVELS

Dragon Mining Limited (ASX:DRA) ("Dragon Mining" or "the Company") is pleased to announce that the second phase of bench scale metallurgical test work for the Fäboliden Gold Project ("Fäboliden") in northern Sweden has successfully been completed. Material from Fäboliden returned gold recoveries of 83%, higher than that obtained in earlier test work programs, whilst the gravity regrind tests resulted in a further 3% increase in recovery to 86%.

The test work program was conducted to assess the possibility of increasing recovery from material at Fäboliden by producing a high-sulphur gravity concentrate for regrind and intensive leaching. The test work was undertaken at the SGS Australia's facility in Malaga, Western Australia, on representative samples from the planned southern open-pit area at Fäboliden. It follows on from extensive flotation test work undertaken by the previous owners and an initial phase of metallurgical bench scale test work and a 1,000 tonne production test by Dragon Mining in 2014.

In summary the new test work has shown that:

- Comminution results yielded moderate levels for abrasion and hardness with an Abrasions Index of 0.239 and Ball and Rod Mill Work Indices of 14.8kWh/t and 18.4 kWh/t, respectively. Values for abrasion and hardness are similar to levels obtained in previous test work;
- Diagnostic leaching returned values similar to those in previous test work, with the master composite showing approximately 80% of the gold available for cyanide leaching at a grind P_{80} of 75 µm;
- Whole ore leaching on variability samples returned overall gold extraction levels at 83%, higher than obtained in previous test work. Cyanide and lime consumption were moderate at approximately 0.7 kg/t and 0.4 kg/t, respectively; and
- Gravity regrind tests resulted in a 3% recovery increase to 86%, compared with the standard whole ore leach test.

The whole ore leach tests showed the material to be grind sensitive, with increasing recovery at decreasing grind size. The addition of lead nitrate was shown to improve leach kinetics and as such will be considered for inclusion in the Svartliden Plant reagent regime. In order to improve overall gold recovery a gravity (sulphide rich) concentrate was produced, reground and leached separately to the gravity tail.

Based on the results obtained a preliminary flow sheet has been developed for the Svartliden Plant, for the processing of Fäboliden material. Engineering evaluation is now being conducted to assess the economics for the inclusion of a gravity circuit, regrind and gravity leach facility, which could result in additional gold being recovered.

For and on behalf of
Dragon Mining Limited

Table 1 – Results from the Second Phase of Metallurgical Bench Scale Test Work.

Comminution		
Abrasion Index		0.239
Bond Rod Mill Index (RW)	(kWh/t)	18.4
Bond Ball Mill Index (BW)	(kWh/t)	14.8

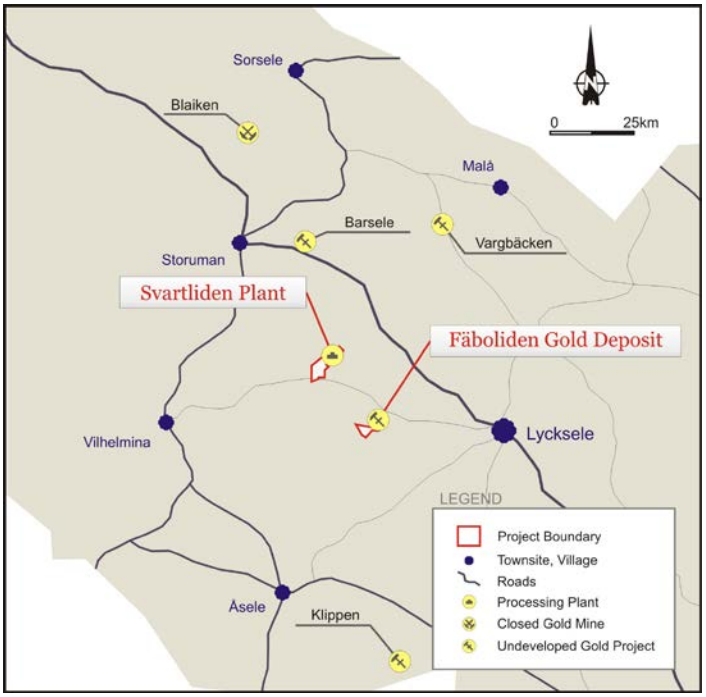
Diagnostic Leaching		
Test Work Program	**Gold Grade (g/t)**	**Gold Distribution (%)**
SGS – 2016	2.91	83.2

Whole Ore Leaching							
Test	**Grind Size**	**Head Grade**	**Residue**	**Gold Extraction**	**Consumption**		**Comments**
	P80 µm	**Gold g/t**	**Gold g/t**	**%**	**Lime**	**NaCN**	
Grind Baseline Tests							
FAB002	106	3.12	0.69	77.9	0.43	0.70	
FAB003	75	3.26	0.53	83.7	0.53	0.67	
FAB004	53	3.14	0.42	86.8	0.52	0.84	
Lead Nitrate Tests							
FAB005	75	3.20	0.57	82.3	0.42	0.59	100 g/t PbNO3
FAB006	75	3.30	0.55	83.3	0.41	0.56	250 g/t PbNO3
CIL Kinetic Tests (10 g/L carbon)							
FAB013	75	3.21	0.43	86.6	0.31	0.83	CIL Kinetic Test 250 g/t PbNO3
FAB014	75	3.23	0.49	84.8	0.31	0.71	Bulk CIL Kinetic Test 250 g/t PbNO3

Gravity Leach Tests			
Master Composite Tests (16hr leach at P80 = 75 µm)	**Gold Extraction (%)**		**Comments**
	Overall	**Gravity**	
Whole Ore Leach	83.2	-	
20 µm Regrind	86.1	3.0	
10 µm Regrind	86.2	3.1	

Background

The Fäboliden Gold Project ("Fäboliden") is an advanced gold project located 30 kilometres by road, southeast of Dragon Mining's wholly owned Svartliden Plant an operating 300,000 tonne per annum conventional comminution and carbon in leach (CIL) plant and 750 kilometres north of the Swedish capital Stockholm.



The project area comprises the Fäboliden K nr 1 Exploitation Concession that hosts the Fäboliden Gold Deposit and a series of Exploration Permits that encompass the strike extensions of the deposits host geological sequence.

The Fäboliden Gold Deposit represents an orogenic gold deposit, with mineralisation hosted by Paleoproterozoic meta-sediments and meta-volcanic rocks, surrounded by granitoids. The host sequence is cross-cut by a set of northwest-southeast striking, flat lying undeformed and unmineralised dolerites. The deposit has been is defined over a strike length of 1,295 metres and includes a 665 metre vertical extent from 485mRL to -180mRL. Gold displays a strong association with sulphides and most abundant gangue minerals.

Exploration at Fäboliden commenced in 1993 and has primarily involved drilling, with 333 holes (64,784.47 metres) completed prior to Dragon Mining's acquisition of the project. In addition to drilling, other activities undertaken by the previous owners include test mining and processing, resource estimation and compilation of a Definitive Feasibility Study for a large tonnage low grade mining and processing operation.

Dragon Mining completed the conditional acquisition of Fäboliden in December 2015 and have:

- carried out a 34 hole (2,941.50 metres) diamond core drilling program to evaluate the near surface, higher grade zone in the southern portion of the deposit, yielding a number of significant intercepts including highlights 4.00 metres @ 20.70 g/t gold, 7.00 metres @ 18.24 g/t gold, 14.00 metres @ 11.05 g/t gold, and 13.00 metres @ 8.37 g/t gold;
- undertaken the maiden Mineral Resource estimate for the higher grade zone of mineralisation returning 6,900,000 tonnes grading 3.3 g/t gold for 743,000 ounces (Appendix 1); and
- achieved a positive outcome for a Pre-Feasibility level study generating a maiden Ore Reserve of 1,067,000 tonnes grading 3.2 g/t gold for 110,000 ounces (Appendix 2).

Fäboliden drilling results were previously released to the ASX on the 29 July 2015 – High Grade Intercepts Received from the Fäboliden Gold Project and 15 September 2015 - Robust Results Highlight Potential at Fäboliden. Fäboliden Mineral Resources and Ore Reserves were previously released to the ASX on 31 December 2015 – Maiden Mineral Resource for Fäboliden Gold Deposit, 29 February 2016 – Dragon Group Mineral Resources Updated and 30 March 2016 – Ore Reserves for the Nordic Production Centres. These releases can be found at www.asx.com.au (Code:DRA).

Competent Persons Statements:

The information in this report that relates to Ore Reserves for the Fäboliden Gold Project were previously released to the ASX on the 30 March 2016 – Ore Reserves Updated for the Nordic Production Centres. This release can be found at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation compiled or supervised by Mr. Joe McDiarmid, who is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy and is an employee of RungePincockMinarco Limited. Mr. Joe McDiarmid 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. Joe McDiarmid for the 30 March 2016 release.

The information in this report that relates to Mineral Resources for the Fäboliden Gold Project was previously released to the ASX on the 31 December 2015 – Maiden Mineral Resource for Fäboliden Gold Deposit, which can be found at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation that was compiled or supervised by Mr. Jeremy Clark, who is a full time employee of RungePincockMinarco Limited and a Registered Member of the Australasian Institute of Mining and Metallurgy. Mr. Jeremy Clark has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that being undertaken to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Written consent was previously provided by Mr. Jeremy Clark for the 31 December 2015 - Maiden Mineral Resource for Fäboliden Gold Deposit release.

The information in this report that relates to Exploration Results for the Fäboliden Gold Project were previously released to the ASX on the 29 July 2015 – High Grade Intercepts Received from the Fäboliden Gold Project and 15 September 2015 - Robust Results Highlight Potential at Fäboliden, which can be found at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation that was compiled or supervised by Mr. Neale Edwards, 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 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. Neale Edwards for the 29 July 2015 and 15 September 2015 releases.

The Company confirms that it is not aware of any new information or data that materially affects the Ore Reserves for the Fäboliden Gold Project as reported on the 30 March 2016, is not aware of any new information or data that materially affects the Mineral Resources for the Fäboliden Gold Project as reported on the 31 December 2015 and is not aware of any new information or data that materially affects the Exploration Results for the Fäboliden Gold Project as reported on the 29 July 2015 and 15 September 2015. The assumptions and technical parameters underpinning the Ore Reserve and Mineral Resource estimates in the releases dated 30 March 2016 and 31 December 2015 and the Exploration Results in the releases dated 29 July 2015 and 15 September 2015 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 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 confirms that the form and context in which the Ore Reserves, Mineral Resources and Exploration Results are presented in this report have not been materially modified and are consistent with the 30 March 2016, 31 December 2015, 29 July 2015 and 15 September 2015 releases. Mr. Neale Edwards has provided written consent approving the statements of Ore Reserves, Mineral Resources and Exploration Results in this report in the form and context in which they appear.

The information in this report that relates to metallurgical test work results is based on and fairly represents information and supporting documentation 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 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. Mr. Neale Edwards has provided written consent for the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 1 - Mineral Resource estimate for the Fäboliden Gold Project as at 1 September 2015.

Measured			Indicated			Inferred			Total		
Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Above 350mRL - Reported on a dry in-situ basis at a 1.5 g/t gold cut-off											
-	-	-	3,500,000	2.9	325,000	800,000	2.5	67,000	4,300,000	2.8	392,000
Below 350mRL - Reported on a dry in-situ basis at a 2.9 g/t gold cut-off											
-	-	-	400,000	4.1	47,000	2,300,000	4.1	304,000	2,600,000	4.1	351,000
Total											
-	**-**	**-**	**3,800,000**	**3.0**	**372,000**	**3,100,000**	**3.7**	**370,000**	**6,900,000**	**3.3**	**743,000**

Note: Mineral Resources may not sum due to rounding. Mineral Resources reported on a dry tonne in-situ basis.

Appendix 2 - Ore Reserves for the Fäboliden Gold Project as at 1 September 2015.

	Proved			Probable			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Fäboliden Gold Project	-	-	-	1,067,000	3.2	110,000	**1,067,000**	**3.2**	**110,000**

Note: Ore Reserve estimates have been rounded to reflect accuracy. All the estimates are on dry tonne basis.
The in-situ ore cut-off grade is 1.63 g/t gold, which is based on a gold price of US$1,150 per ounce, mining factors, metallurgical factors (gold recovery factor of 74%) and costs.