

ASX ANNOUNCEMENT

25 MAY 2012

AGREEMENT WITH AGNICO-EAGLE TO JOINT VENTURE INTO THE HANHIMAA GOLD PROJECT IN NORTHERN FINLAND

Dragon Mining is pleased to announce that it has signed a Letter of Intent with Agnico-Eagle Mines Limited (NYSE:AEM)(TSX:AEM) (Agnico-Eagle), whereby Agnico-Eagle can earn up to a 70% interest in the Hanhima Gold Project with the staged expenditure of €9 million over 6 years.

The Hanhima Gold Project is located in northern Finland and covers portion of the highly prospective Central Lapland Greenstone Belt. The 360.2 km² near contiguous holding encompasses the north-south trending Hanhima Shear Zone, 10 kilometres west of Agnico's Kittila Gold Mine.

The potential of the Hanhima area was first identified in 2002 when indications of gold mineralisation were found through geochemical sampling and trenching. Since then, three gold prospects, Kiimalaki, Kellolaki and Kiimakuusikko have been identified within the northern portion of the Hanhima Shear Zone.

Dragon completed 6,684 metres of diamond core drilling on the Hanhima returning a number of encouraging intercepts including 11.70m @ 4.48 g/t gold, 7.50m @ 5.88 g/t gold and 5.00m @ 5.96 g/t gold at Kiimalaki, intercepts of 8.00m @ 1.95 g/t gold and 8.55m @ 1.51 g/t gold from Kellolaki and identified gold bearing zones at Kiimakuusikko from drilling and rock sampling.

A series of other targets have also been identified by extensive till and bedrock geochemical sampling and geophysical surveys throughout the project area, the central and northern areas the focus of earlier exploration, the southern portion subjected to only limited regional style testing.

Under the agreed terms, Agnico-Eagle will expend €5 million within 3 years of the commencement date to earn a 51% interest in the Hanhima Gold Project. Upon earning the 51% interest Agnico can then elect to earn an additional 19% by expending a further €4 million within 3 years of completion of the initial earn-in phase. Agnico-Eagle will be the manager during the earn-in and can withdraw at any time following expenditure of €1.5 million.

Dragon's Executive Chairman Peter Cordin stated, "Given the Company's commitment to advancing exploration and development at the Kuusamo Gold Project in north eastern Finland, the Joint Venture with Agnico-Eagle will provide a concentrated exploration effort on the highly prospective Hanhima property by the Agnico-Eagle team that has been so successful at Kittila."

For and on behalf of
Dragon Mining Limited

Peter G Cordin
Executive Chairman

Background to Agnico-Eagle

Agnico-Eagle is a Canadian based gold producer with mines and exploration properties in Canada, Finland, Mexico and the United States. In 2011 Agnico-Eagle produced a total of 985,460 ounces of gold at a cash cost of US\$580 per ounce.

At Kittila, Agnico-Eagle mines one of the largest known gold deposits in Europe. The mine is located in the Lapland region of northern Finland, approximately 900 kilometres north of Helsinki and 150 kilometres north of the Arctic Circle.

Kittila poured its first gold on January 14, 2009, and achieved commercial production four months later. The 3,000-tonne-per-day operation is expected to produce about 150,000 ounces of gold in 2012 and average 173,000 ounces of gold a year from 2013 through to 2015. At current production levels Kittila's mine life is expected to last until 2044.

The information in this announcement that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists and Mr Matti Talikka MSc (Geology), a Member of the Australasian 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.