



Quarterly Activities Report For the Quarter Ended 31 December 2005

HIGHLIGHTS

- Total gold production of 12,844 ounces from Svartliden
- Mill throughput averaged 38.5 tph at 97.2% utilisation and 93.6% recovery
- A resource model review has been commissioned, a drill and blast consultant engaged and an experienced grade control geologist contracted to improve mining practices at Svartliden
- \$35 million convertible note issue announced, with \$11.2 million completed on 4 January 2006. Balance of notes subject to shareholder approval at meeting on 2 February 2006
- Funds from note issue to be used to recommence production in Finland, undertake incremental plant improvements in Sweden and commence an active exploration program

OPERATIONS

**SWEDEN
 Svartliden**

Gold production of 12,844 ounces, the result of good mill availability and utilisation and improved head grades especially from the western pit.

With the near completion of mining from the two "starter" pits mining production will be increased for the stripping or waste rock removal to enable the ultimate pit to be developed. The mine contractor has increased the equipment fleet and has commenced a roster system to be able to achieve the production capacity required.

A review of the resource model has been commenced. The work is being carried out by RSG Global and a site visit was undertaken in January. The review will be completed by mid February.

A consultant has been engaged to assess the drill and blast techniques currently utilised. It is anticipated the work will result in better blasting of both ore and waste and improved ore recovery. An experienced grade control geologist has been contracted to develop a detailed plan to lower mining dilution and train junior geologists.

Continuing mechanical problems with the grade control reverse circulation drilling rig has caused limitations with mine planning and scheduling. With completion of engine re-builds to the rig and the engagement of a second contracted rig, it is expected that the difficulties experienced will be overcome and better planning and scheduling achieved.

Mill production improved due to higher throughput rates and better plant utilisation. A ball mill liner inspection was undertaken in November and a partial mill reline completed in December. Improvements in recovery were achieved.

A new administration office and change room was completed, a tailings dam wall lift undertaken and work commenced on the road diversion to allow the pit to be expanded to the west.

PRODUCTION DETAIL	UNIT	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Total Material Mined	bcm	47,628	80,397	65,585	193,610
	t	132,904	221,493	186,080	540,477
Ore Mined	t	27,885	21,707	28,325	77,917
Ore Processed	t	28,097	27,623	26,865	82,585
	g/t Au	4.82	4.04	6.70	ave 5.17
Mill Throughput	t/h	38.1	40.1	37.4	ave 38.5
Mill Utilisation	%	99.1	95.8	96.6	ave 97.2
Recovery	%	92.9	94.2	93.8	ave 93.6
Gold Produced	ounces	4,041	3,377	5,426	12,844

FINLAND

Vammala

The start up of Vammala was deferred until the convertible note issue is completed.

Orivesi Mine

The mine remains on care and maintenance.

One miner has been employed for care and maintenance and three new miners were hired to carry out reinforcement work and servicing equipment.

Underground work to prepare the mine for start up has continued during the quarter. Mechanised scaling, rock bolting, installation of wire mesh and cable bolting were carried out to rehabilitate and reinforce the decline and the old Orivesi mine drifts. Shotcreting commenced in the beginning of December and a total of 143 cubic metres of shotcreting was sprayed in the decline and access drifts. In all, over 3,000 metres of cable bolting has been installed during the quarter. Rehabilitation work on the decline, the +470, +570, +625, +645, +665 metre access levels and production drifts were completed as well as all road maintenance to the decline and access levels. Most of the underground mine equipment has been tested, serviced and/or repaired.

A new pipeline was constructed to connect the sedimentation ponds, located next to the portal, to the precipitation ponds on the other side of the waste rock storage area. The line is required for pumping the precipitate (after neutralisation of discharge water) to the discharge pond during the winter.

Three-dimensional computer modelling of the old stopes at Orivesi has been completed. For modelling purposes, all underground geological work and mapped drifts at Kutema were scanned into PDF format. All old drill patterns and the outlines of mined out stopes have also been scanned. These will be transferred into Surpac format to assist in future geological ore modelling and mine planning.

Jokisivu Project

An application for a new environmental permit for Jokisivu has been lodged. During the public review period, five claims were lodged against the application. Most of the issues are the same as previous permit proceedings, but some new issues relate to noise levels during open pit mining. All claims were responded to and no delays are anticipated in the proceedings and the decision is still expected by early February 2006.

In early November, the Land Court in Turku made its final ruling on the demands for higher compensation by land owners regarding the Jokisivu Mining License. The total compensation to all land owners will now be €169,000 instead of €145,000. As no further appeals were filed this issue is now finally resolved.

The National Land Survey of Finland (NLSF) completed the proceedings for the construction of passing places for the Uudenniitty road and all issues regarding the Jokisivu ore transportation road have now been resolved.

Kaapelinkulma Project

The first phase of an environmental baseline study, i.e. water sampling, flora and fauna studies has been completed in preparation for a mining license application to be lodged later in 2006. There are no reasons to expect problems within the Kaapelinkulma claim area, but a "Natura 2000" preservation area located immediately to the east of the Kaapelinkulma claims may cause some concerns due to its close proximity to Kaapelinkulma. The protected area is classified as "old forest" and three rare bird species have been spotted in the area. No rare vegetation has been found.

Vammala Processing Facility

The mill is on care and maintenance.

EXPLORATION

SWEDEN

Svartliden Project

No exploration work was undertaken during the December Quarter.

A program of drilling will commence at Svartliden during the next quarter, focusing on the immediate minesite area. Proposed drill holes will target depth and strike extensions of the current mineralised system.

Orgsjön Project (Earning 80% interest)

The ground geophysical surveys undertaken during the previous quarter on the Orgsjön Project returned encouraging results that warrant further work. Subject to drill rig availability it is proposed to complete an initial phase of drilling in the first half of 2006 across the identified target area.

ERITREA

Zara Project (Diluting to 20% interest)

During the December Quarter diamond core drilling continued at the Zara Project in Eritrea. Three holes (ZARD002-ZARD004) were completed for a total advance of 520.9 metres at the Koka prospect and a further 376.2 metres in three holes (ZARD005-ZARD007) at the Konate prospect. Dragon have been advised by their Joint Venture partner Sub Sahara Resources NL that encouraging gold intercepts were obtained from holes ZARD002 and ZARD003, and results are pending for holes ZARD004-ZARD007.

Hole ZARD002 was drilled approximately 140 metres south of ZARD001 (results reported in September Quarter) and returned multiple intercepts, including an intersection grading 7.81g/t gold from 173 metres within a broader 33 metre zone grading 4.17g/t gold. Hole ZARD003 was drilled a further 160 metres south of ZARD002 and also returned multiple intercepts, including 4 metres at a grade of 34.7g/t gold from 75 metres.

Hole	North (UTM)	East (UTM)	Azimuth (°)	Dip (°)	From (m)	To (m)	Intercept (m)	Au (g/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)	
ZARD002	1,824,405	390,337	275	-60	57	59	2	5.60				
					87	88	1	11.06				
					107	108	1	7.43				
					111	116	5	4.94				
					135	141	6	2.40				
					156	189	33	4.17				
					Including		173	187	14	7.81		
ZARD003	1,824,243	390,309	275	-60	75	79	4	34.74	377	7,585	10,441	
					89	94	5	9.30	362	997	100	
					99	104	5	13.95	1,092	1,314	15,275	
					109	117	8	6.62	29	221	188	
					121	129	8	11.49	643	547	1,703	
					131	132	1	30.09	16	60	73	

Both holes intersected similar rock types and zones of hydrothermal alteration, characterised by carbonate-sericite-chlorite alteration, silicification and sulphidisation.

Sub Sahara has also advised Dragon that in accordance with the Zara Agreement that they have completed Stage 2 of the earn-in and now hold 51% of Dragon's 66.6% interest in the Zara Project. Sub Sahara has the right to earn a further 19% of Dragon's interest in the project by producing a Bankable Feasibility Study (BFS) or by having spent US\$3.3 million on

exploration. If Sub Sahara has not completed a BFS after spending US\$3.3 million, Sub Sahara will free carry Dragon to completion of a BFS.

FINLAND
Jokisivu Project

During this quarter, the Arpola trench was extended to the southwest to encompass an area of intense quartz veining within a “fold-nose” type structure. Detailed mapping and channel sampling of this trench has been completed. Assays have been received and significant results are listed in the table below.

Channel	Width (m)	Grade (g/t gold)	From (m)
HU/JS-SC 30	4.45	11.74	1.20
HU/JS-SC 32D	4.60	15.36	2.95
HU/JS-SC 31	1.65	4.69	1.30
HU/JS-SC 32C	0.75	1.66	0.00
HU/JS-SC 32C	1.85	1.09	2.40
HU/JS-SC 32J	4.45	2.97	2.95
HU/JS-SC 33C	2.40	3.81	3.70
HU/JS-SC 38D	4.48	25.46	0.00
HU/JS-SC 38E	2.00	1.22	0.00

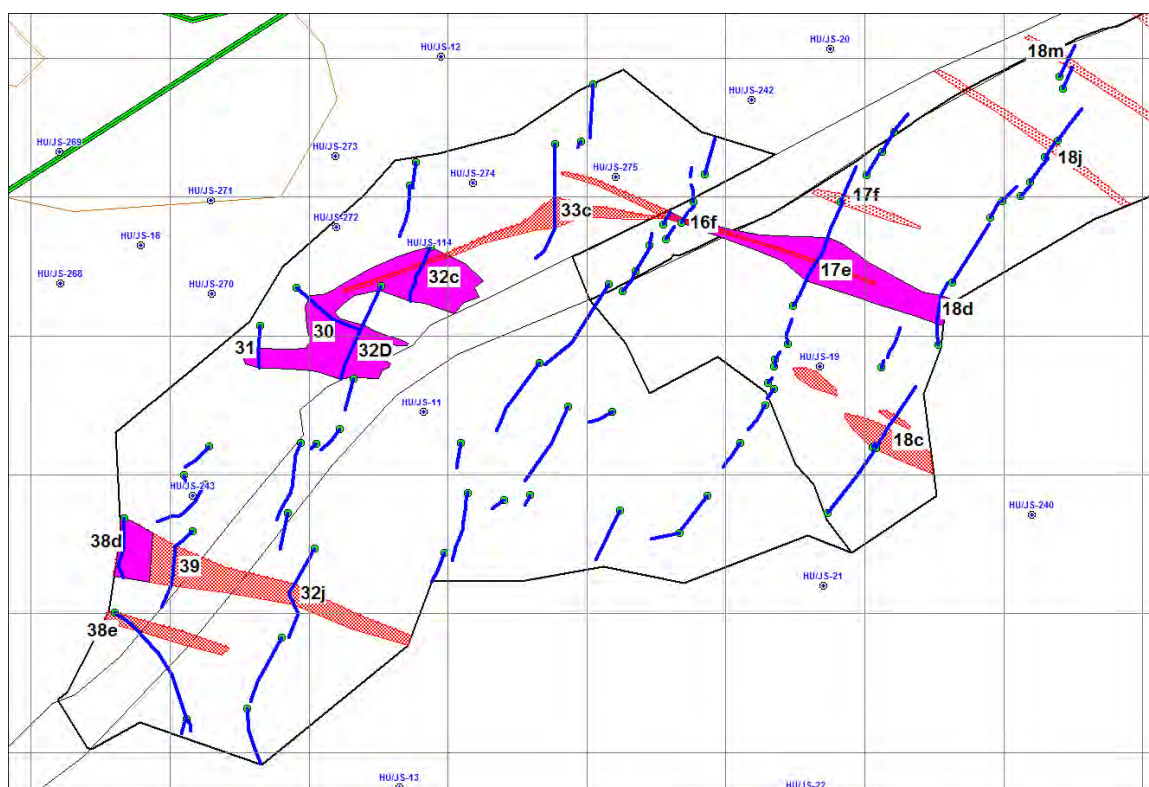


Figure 1. Arpola Trench & Channel Sample Locations

Sheared, quartz-veined and mineralised zones are shown in red or magenta. Sample channels, sampled in July and October 2005, are shown as blue lines. Drill holes collars are shown as blue dots and hole-ID text. The dark green line in the upper left corner is a local road. The grid 10 m by 10 m.

Diamond core drilling will recommence at the Kujankallio occurrence on the Jokisivu Project in early 2006. This infill program is designed to upgrade inferred portions of the current

Kujankallio resource to an indicated category as part of the feasibility underground mining at Jokisivu.

Pampalo Project

The Pampalo Project remains on care and maintenance. During the quarter several interested parties carried out site visits and data reviews of the project as sales efforts intensified.

Kuusamo Project

No exploration work was completed during the December Quarter.

Hanhimaa Project

During the quarter discussions continued with interested parties regarding possible Joint Venture of the Hanhimaa Project in the Central Lapland Region of northern Finland.

Inco Alliance

During the Quarter project generation work for the Inco Alliance continued. Two areas of note in northern and eastern Finland were identified and subjected to field checks. Proposals pertaining to these areas will be presented to the Management Committee in early February 2006.

SPAIN

Lugo Project

AIM listed Ormonde Mining plc is currently earning a 50% interest in the Vălina Permit, which forms part of the Lugo Project in northwest Spain. Ormonde has advised Dragon that they have completed a four hole drill program during the December Quarter, which returned disappointing results.

AUSTRALIA

Weld Range Joint Venture

No exploration work was completed during the December Quarter.

CORPORATE

Convertible Note

The company issued a prospectus on 19 December 2005 for the issue of 33,500,000 convertible notes at an issue price of A\$1.05 each to raise A\$35 million. Patersons Securities, as lead manager to the raising, has secured firm commitments from institutional and overseas investors for a total of \$22 million.

A priority pool of 4.8 million convertible notes are being offered to small shareholders of the company (those holding less than 100,000 shares). On 4 January 2006 the company announced achieving the minimum subscription for the convertible note issue, the first tranche of 10,640,012 convertible notes for A\$11.2 million.

The balance of the issue is subject to shareholder approval at a meeting of members scheduled for 2 February 2006.

Hedging

All production in the quarter was delivered into hedge positions at US\$402.20 per ounce. The company is scheduled to deliver in the March Quarter, 9,200 ounces (plus an additional catch up of 3,364 ounces from the outstanding hedging obligations) and then a further 8,000 ounces for the balance of the 2006 financial year.

EXPENDITURE AND WORKING CAPITAL

At the end of the December Quarter, Dragon had cash of \$11.7 million.

PETER G CORDIN
Chief Executive Officer

Note 1: *It is advised that in accordance with the Australian Stock Exchange Limited Listing Rule 5.6, that the technical information unless otherwise indicated, contained in this report is based on information compiled by Neale Edwards, a full time employee of the company. He fulfils the requirements of a 'competent person' for the type of mineral deposits reported on and is a member of the Australian Institute of Geoscientists.*

Note 2: *All statements in this report, other than statements of historical facts that address future timings, activities, events and developments that the Company expects, are forward looking statements. Although Dragon Mining NL, its subsidiaries, officers and consultants believe the expectations expressed in such forward looking statements are based on reasonable expectations, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements. Factors that could cause actual results to differ materially from forward looking statements include, amongst other things commodity prices, continued availability of capital and financing, timing and receipt of environmental and other regulatory approvals, and general economic, market or business conditions.*