

2005 September Quarterly Report

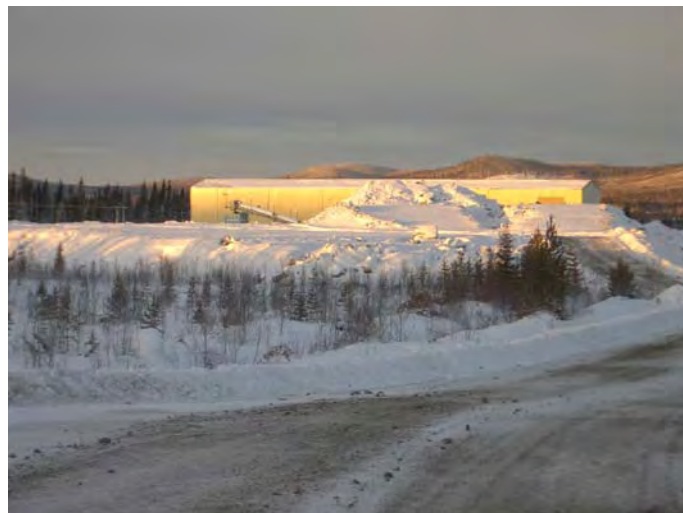


Highlights

Svartliden Gold Mine continues to set monthly production records.

Exploration commenced for satellite ore bodies in the Svartliden area with encouraging early results.

First drill hole from the Zara Project returns 5m at 5.9g/t Au including 1m at 25.7g/t Au



2005

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Operations

SWEDEN

Svartliden Gold Mine

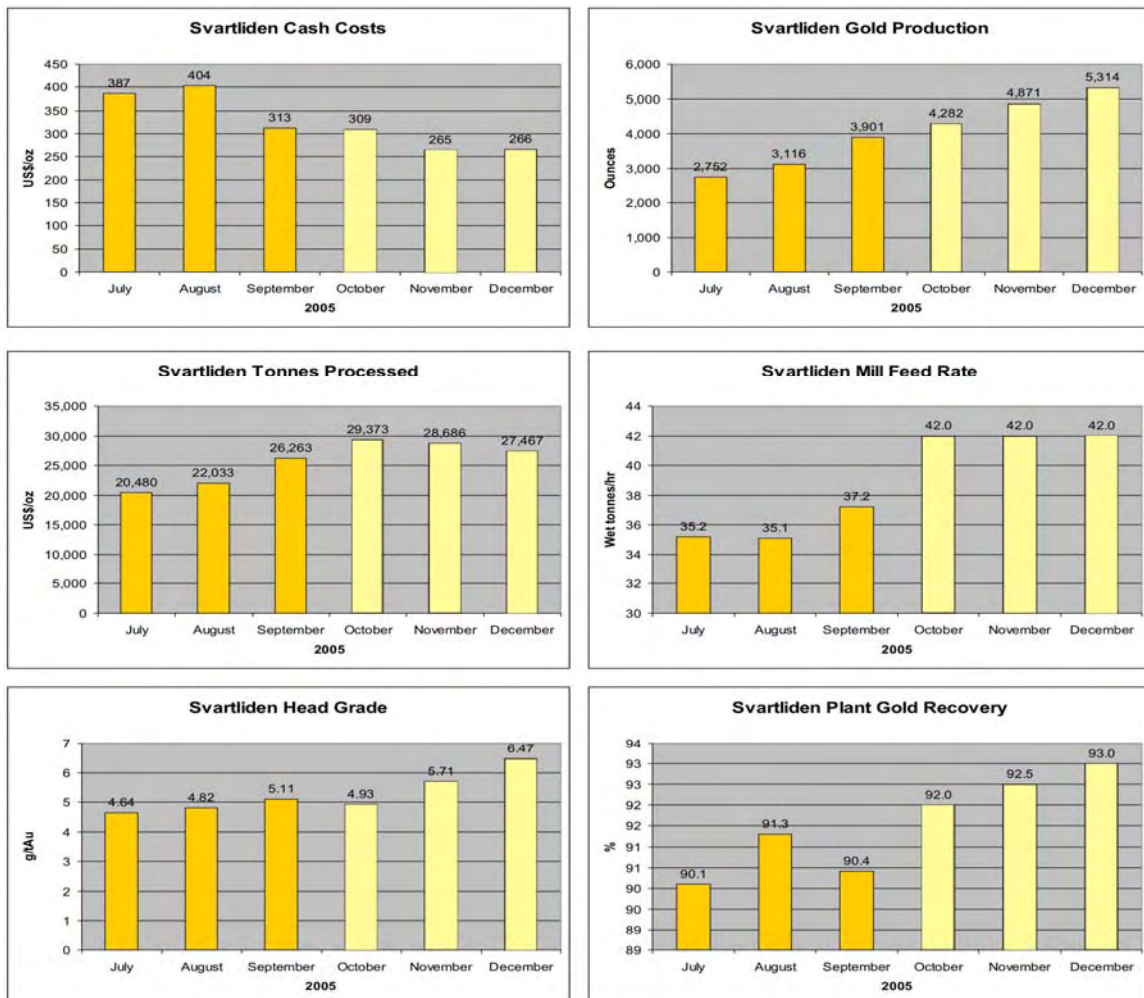
The Svartliden Gold Mine has continued to settle into production during the September Quarter, and performance improvements are expected to continue during the December Quarter (Table I and Figure I).

Table I Svartliden Mine Production

Production Detail	Unit	Actual			Forecast		
		July	August	September	October	November	December
Ore Processed	t	20,480	22,033	26,263	29,373	28,686	27,467
	g/t Au	4.64	4.82	5.11	4.93	5.71	6.47
Mill Throughput	t/h	35.2	35.1	37.2	42.0	42.0	42.0
Mill Utilisation	%	78.1	84.4	98.0	94.0	91.8	87.9
Recovery	%	90.1	91.3	90.4	92.0	92.5	93.0
Gold Produced	kg	85.6	96.9	121.3	133.2	151.5	165.3
	oz	2,752	3,116	3,901	4,282	4,871	5,314
Cash cost/oz		387	404	313	309	265	266



Operations



Projected
 Achieved

Figure 1 Svartliden Mine operational performance

Operations

Head grades trends are in response to the progression of mining, with higher grade ore zones being accessed during November and December. Reconciliation between the Svartliden resource model, grade control and production, indicate a very close correlation in the predicted and actual contained gold but with a higher tonnage of ore. As the open pit progresses the ore and host rock geology continue to correspond closely with the pre-mining geological model.

Ore processed increased consistently during the September Quarter as plant bottlenecks have been progressively eradicated, process parameters optimised and plant availability improved. With feed rates of 40 to 44tph being achieved with increasing consistency it is anticipated that the next December quarter should be able to achieve monthly tonnages of 28,000 to 30,000 tonnes. The minor decrease in mill availability and monthly tonnages projected for November and December are due to scheduled routine mill maintenance.

The metallurgical recovery rates reflect considerable fluctuation in the ore process requirements. With production throughput becoming increasingly stabilised it has become easier to optimise reagent delivery into the process resulting in both improving recoveries and decreasing reagent use. It is anticipated that stabilised production during the December Quarter will enable further improvements in the efficiency of the process.

Total costs for the operation on a monthly basis continue to remain at about budget and with increasing monthly gold production the site cash costs per ounce are projected to continue to decline in the December Quarter.

Sweden Exploration

Dragon's exploration focus in Sweden is on the Svartliden Project near mine environment and the surrounding region where the company holds 224km² of tenements. Near mine exploration will commence in

Operations

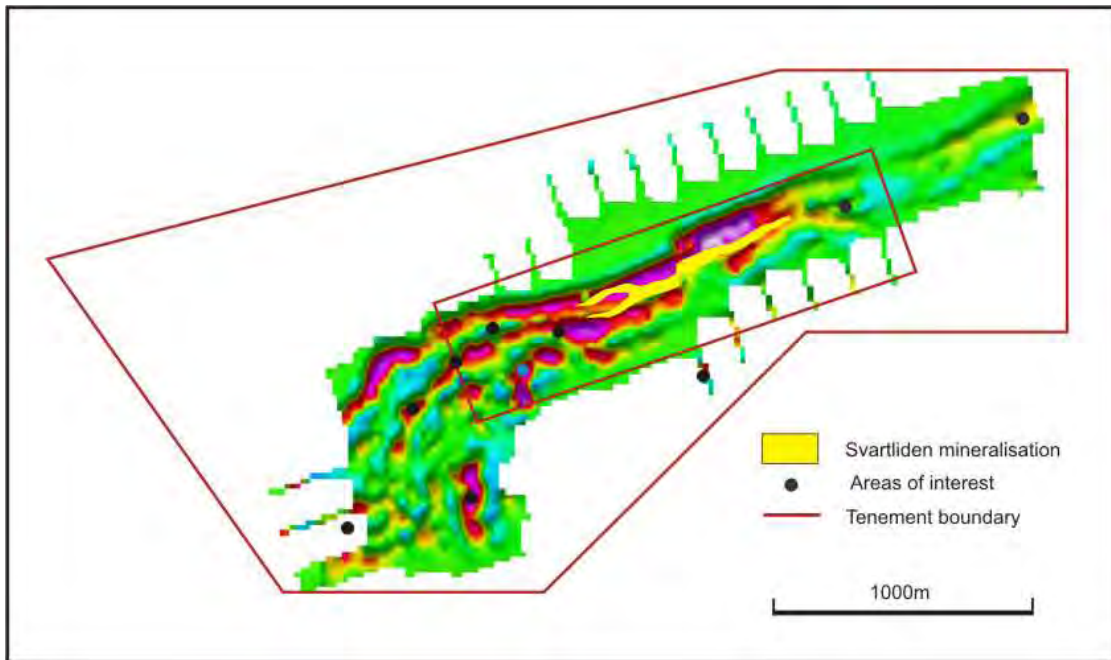


Figure 2 Svartliden near mine exploration

Outside the immediate mine environment Dragon is exploring for satellite deposits with a similar paragenesis to the epigenetic shear hosted lode style of the Svartliden gold mineralization. Within the broader tenement holding gold anomalies have been located in glacial till overlying about 15 target areas where aeromagnetic data indicates the potential for structures and host rocks similar to Svartliden.

During the September Quarter more detailed exploration work was commenced on the Orgsjön tenement located 40km south of Svartliden. Identified from a mineralised boulder train the Orgsjön area is covered by extensive till cover. Ground magnetic surveys completed during the quarter have delineated a greenstone sequence with a distinctive flexure and tensional zones. IP (Induced Polarisation) profiles across the sequence have returned significant anomalies coincident with the interpreted tensional flexure zones.

Operations

FINLAND

Vammala Production Centre

As reported previously Dragon intends to develop the Vammala Production Centre in progressive stages. The Vammala Project is based on the 500,000oz of resources defined at the Drivesi Mine and the Jokisivu Project and Dragon's nearby Vammala Plant.

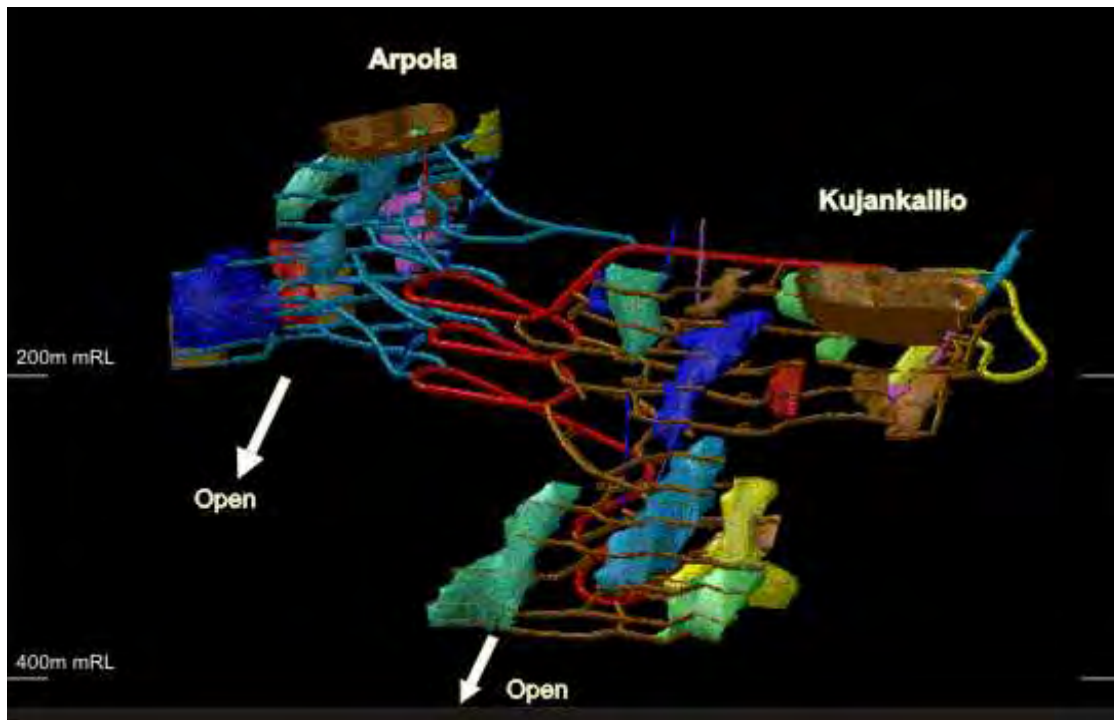
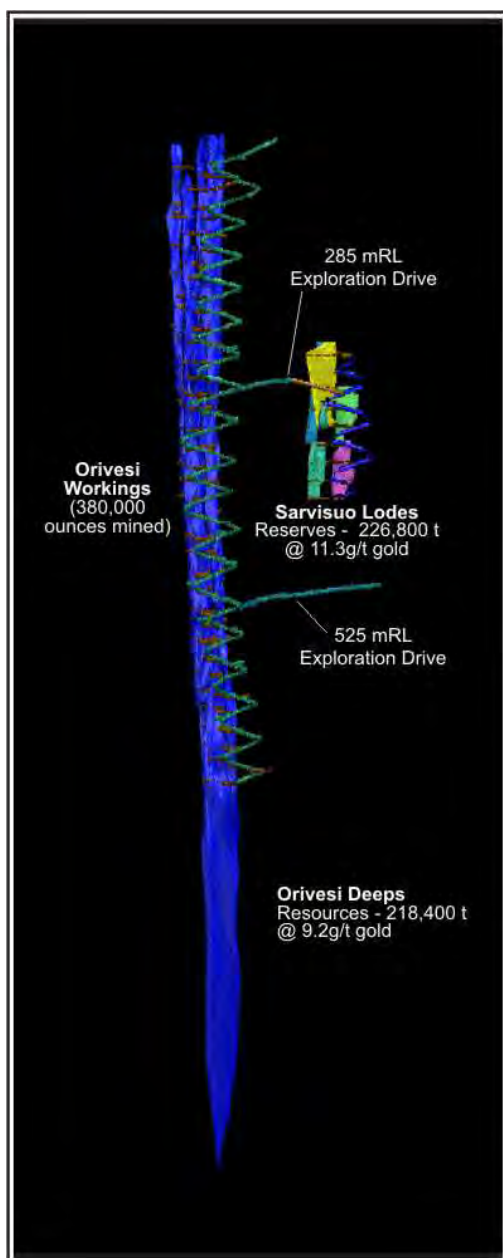


Figure 3 Planned development of Jokisivu

Preparation for commencement of the project was begun during September with minor underground works at the Drivesi Mine during the September Quarter. The project will begin with pillar and remnant ore mining in the accessible old stopes at Drivesi while access to the new Sarvisuo lode is established off the existing Drivesi decline. Mining at Jokisivu will commence later with a small open cut followed by underground development when there has been sufficient conversion of resources to mining reserves for 2 to 3 years of underground operation.

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The Vammala Plant will begin treating ore when a sufficient stockpile has been established to provide a satisfactory scale of operation until it can be sustained from increasing underground production. Ultimately Dragon expects the Vammala Project to have a life in excess of 6 years and at full production be capable of producing in excess of 80,0000ozs per annum.

Commencement of the Vammala Project will begin in earnest when financing for the project has been secured. The company is currently assessing several financing options.

Figure 4 Planned redevelopment of the Drivesi Mine



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OTHER PROJECTS

Zara Gold Project

Dragon Mining holds a 20% interest in the Zara Gold Project in Eritrea that is being explored by Sub-Sahara Resources NL. Dragon's interest is being free carried until a decision to mine is made. Sub-Sahara is currently conducting a diamond core drilling program at Zara that is expected to continue until January 2006. The results of the first drill hole ZARD-001 have been received returning 5m at 5.59g/tAu from 122m down hole and including 1m at 25.66g/tAu.

ZARD-001 is located at the northern end of the narrowing, steeply east dipping, north trending mineralised shear zone that extends for over 500 metres. The hole was drilled to intersect mineralisation below the known artisanal workings that have been estimated to extend to 60 metres vertical depth. These results are consistent with the previously reported rock chip sample results of up to 1,000g/t Au and the anecdotal results of artisanal miners operating at Koka. The Koka prospect is one of three known +300 metre pods of mineralisation that occur along strike from each other and further mineralised zones are possible given the under explored nature of the area.

Subsequent drill holes ZARD-002 and ZARD-003 drilled the heart of the Koka prospect at approximately 150 metres intervals along the structure from ZARD-001. Both holes have intersected, from east to west, alteration comprising carbonate, sericite, chlorite, silica and sulphides for up to 100m. Assay results from ZARD-002 and ZARD-003 are expected in approximately 3 to 4 weeks.



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Expenditure & Working Capital

At the end of the September Quarter, Dragon had cash of \$2.77 million. During the September Quarter, an equity placement at 16.5 cents raised \$5.2 million in working capital of this \$1.8m was spent on assisting the Svartliden Project complete capital upgrades to the plant.

Hedging

All production during the quarter was delivered into hedge positions realising a price of US\$402.25 oz. During the December Quarter Dragon anticipates being able to commence delivering some of its production into the spot gold market as well as continuing to deliver into its scheduled forward position. For the 2005/2006 financial year Dragon is scheduled to deliver 41,451ozs into its hedging program, of which 13,701ozs have been delivered at the date of this report. Dragon's current gold hedge delivery commitments scheduled over a 45 month period are 130,712ozs.

Dr JAMES SEARLE

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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 Dr James Searle, a full time employee and Director 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 Australasian Institute of Mining and Metallurgy and registered by the Svenska Gruvföreningens (Swedish Mining Association-Registration Number 24) as a 'qualified person'.*

***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.*