



## Quarterly Activities Report For the Quarter Ended 31 December 2006

### HIGHLIGHTS

#### OPERATIONS

- Gold production for the quarter of 10,854 ounces.
- Average cash cost for the quarter of US \$479 per ounce.
- Prestripping of the western extension at the Svartliden open pit completed.

#### DEVELOPMENT

- Development work at Sarvisuo, Finland continued with a total development advance of 560m.
- The Sarvisuo decline advanced 235m and has reached the 340m level.
- The second round of verification drilling at the 340m level to commence in the first quarter of 2007.
- Commencement of the installation of the ventilation shaft at Sarvisuo.

#### EXPLORATION

- Results from the RC drilling at Svartliden were received which returned some encouraging results and extended gold mineralisation 50m beyond the previous known limit and 150m beyond the previous limit of detailed drilling. Results included **12m @ 2.27 g/t Au** from 37m, **15m @ 2.70 g/t Au** from 7m and **11m @ 2.28 g/t Au** from 19m.
- Underground verification drilling from the 300m level was completed at Sarvisuo returning good gold indications including **4.4m @ 18.17 g/t Au** from 51.95m, **7.40m @ 8.53 g/t Au** from 71.85m including **2.90m @ 16.42 g/t Au**, **6.35m @ 8.23 g/t Au** from 84.30m including **3m @ 16.40 g/t Au** and **8.15m @ 21.72 g/t Au** from 71.85m including **5m @ 33.92 g/t Au**

#### CORPORATE

- Group cash and bullion at the end of the quarter was A \$11.5m.
- Delivered 8,150 oz of total gold production into the forward book. The average cash price received per ounce of gold sold was US \$447.
- The Company completed the sale of the Pampalo Gold Project with receipt of the outstanding balance of €5.4 million from Endomines AB.
- Dragon entered into a Sale and Purchase Agreement to purchase the Saulyak Gold Project in Ukraine.



## OPERATION

### SWEDEN

#### Svartliden

#### PRODUCTION SUMMARY

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Availability (%)	Total Gold Production (Ounces)
December Quarter	65,441	84,825	4.33	92.0	94.4	10,854
September Quarter	90,850	88,045	4.80	90.6	94.2	11,960

The operation had one lost time injury for the quarter. As at 31 December 2006 the lost time injury free hours totalled 17,288 hours.

Svartliden produced 10,854 ounces of gold from 84,825 tonnes of ore milled at a head grade of 4.33 g/t at a cash cost of US \$479 per ounce. Identification of the areas of cost overruns for the quarter, which were predominantly in the process plant, have been interrogated to optimise the plant operation in future quarters.

Ore production was predominantly sourced from the eastern pit and the western extension. Due to the low availability of grade control rigs, ore mined for the quarter was below what was planned and a shift in focus to pre-stripping the western extension was commenced. In December the pre-strip of the western extension was completed. In late December ore production from the area under the old Pautrask road (high grade) was mined and the benefits of the high grade mill feed have been reflected in January 2007 production.

Problems with the treatment plant once again hindered production, which resulted in lower throughput and recoveries. In addition to a number of planned maintenance stops, problems included back spilling at the mill inlet and blockage by iced ore in the feeder bin. Solutions to these problems are currently being worked through.

A thorough review of the process plant was completed by an experienced Australian consultant during the quarter and a report was submitted to the Company which identified effective ways to improve availability, recoveries and reduce operating costs. The recommendations have been reviewed and the Company is committed to implementing them over the coming 12 months. Capital expenditure will be required.

The application to increase throughput to 500,000 tonnes per year is still being processed by the environmental court.

## DEVELOPMENT

### FINLAND

#### Orivesi

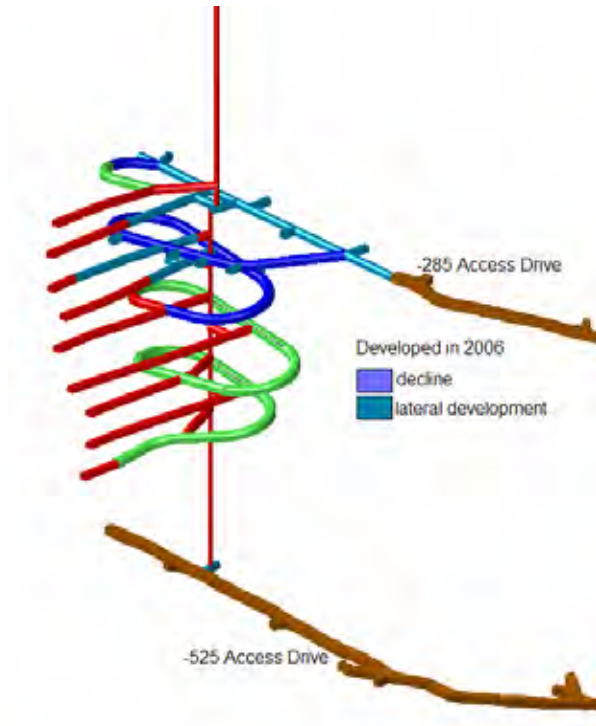
With positive results from the first round of verification drilling at the 300m level at Sarvisuo (refer exploration section below), development work for the project continued during the quarter with a total development advance of 560m. The Sarvisuo decline advanced 235m and reached the 340m level (refer dark blue in figure 1 below), which will enable the second round of verification drilling to commence in the first quarter of 2007.



Access drifts to the main Sarvisuo ore continued during the quarter with the 285 access level completed and the 300 and 320 level commencing.

The Company has also commenced the installation of the ventilation shaft with a pilot hole for reaming being completed in less than 2 weeks.

**Figure 1 – Sarvisuo Development**



The detailed timetable for the reopening of the Orivesi Mine and the recommissioning of the Vammala Process Facility is being finalised.

### **Vammala Process Facility**

The mill remains on care and maintenance.

A consultant has continued reviewing the tailings pond area to prepare a plan to increase the tailings capacity.

## **EXPLORATION**

### **SWEDEN**

#### **Svartliden**

Final analytical results were received from the September 2006 drilling, testing the potential of the eastern strike extensions of the Svartliden deposit. Encouraging results were obtained from each of the three profiles drilled, extending gold mineralisation 50m beyond the previous known limit and 150m beyond the previous limit of detailed drilling.

Down hole intercepts greater than 1g/t gold are provided in Table 1.



Table 1 – Down hole intercepts greater than 1g/t gold

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Intercept (m)	Au (g/t)
SVC111	7187418	1588985	341.4	-55.0	11.00	2.00	2.79
					37.00	8.00	2.53
SVC113	7187389	1588994	341.4	-55.0	67.00	6.00	1.81
SVC114	7187403	1588937	341.4	-55.0	28.00	6.00	2.65
					39.00	7.00	2.72
SVC115	7187388	1588942	341.4	-55.0	5.00	7.00	1.82
SVC116	7187379	1588945	341.4	-55.0	19.00	11.00	2.28
					72.00	2.00	1.54
SVC117	7187386	1588891	341.4	-55.0	7.00	15.00	2.70
					26.00	3.00	1.67
SVC118	7187372	1588895	341.4	-55.0	29.00	5.00	2.14
					41.00	1.00	1.38
					45.00	1.00	2.40
					49.00	2.00	1.52
					57.00	1.00	4.38
SVC119	7187358	1588900	341.4	-55.0	59.00	1.00	1.08
					64.00	4.00	2.98
					72.00	1.00	1.05
SVC120	7187343	1588904	341.4	-55.0	37.00	12.00	2.27
SVC121	7187393	1588941	341.4	-55.0	42.00	1.00	4.70

Diamond drill contractors, Suomen Malmi Oy (SMOY) have been engaged to complete the program to again extend drilling further east.

Drilling commenced on 2 January 2007. A program of up to 1,000 metres is planned to test the potential eastern extensions over a further strike length of 150 metres.

Three reverse circulation drill holes were completed during the quarter on a magnetic feature southwest of the Svartliden open pit. A total advance of 125 metres was completed during this short program, which returned no significant result from analysis.

Interpretation of the new ground magnetic images continued, in preparation for planning of the next series of programs on the Exploration Permit holding immediately surrounding the mine site area.

Assay results of rock samples collected during the summers of 2005 and 2006 from the regional Permit holding in the Svartliden region were received during the quarter. Results from low-level gold analysis ranged up to 144ppb gold.

#### **Orgsjön Joint Venture (Earning 80% Interest)**

No field activities were completed.

A diamond drill core program will be conducted immediately following the diamond core drilling program at Svartliden.



## FINLAND

### Orivesi

Underground exploration drilling to test targets in the Kutema area continued during the December quarter, when a further eight holes (1,453.05m) of diamond core drilling completed from the +665 and +570m levels. Verification drilling of the Sarvisuo Lodes also continued with a total on nine diamond core drill holes (1,127.40m) being completed before the end of the quarter.

At Kutema, drill holes were designed to follow-up intercepts obtained from the +665m level and to locate new pipes in close proximity to the existing Orivesi Mine infrastructure. When planned drilling is completed, results will be reviewed and further drilling proposed, if warranted. Encouraging results received from drilling in the Kutema area during the quarter are listed in Table 2.

Table 2 – Encouraging Intersections from the Kutema area

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Intercept (m)	Au (g/t)
KU-855	6838507.54	2508524.42	291.8	13.5	13.20	1.80	10.27
					131.20	0.60	8.88
KU-866	6838509.38	2508532.46	053.9	20.6	53.00	1.00	4.99
					65.90	2.90	2.73

Diamond core drilling in the Sarvisuo area has focused on verification drilling from the +300m level. As anticipated, this work has shown that the previous Sarvisuo tabular body is split into several vertical pipe-like bodies, similar to that successfully mined in the Kutema area 300m to the east.

Encouraging indications of gold have also been received in areas south and north of the Sarvisuo area from this drilling. These indications of gold have been narrow, but they are associated with a strongly altered lithological sequence up to 80m thick.

The best intercepts from Sarvisuo received during the quarter are listed in Table 3.

Table 3 – Encouraging Intersections from Verification drilling in the Sarvisuo Area

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Intercept (m)	Au (g/t)
KU-851	6838493.98	2508798.31	331.9	-14.7	87.15	0.90	3.76
KU-852	6838494.23	2508799.11	345.7	-15.7	10.50	0.25	9.32
KU-853	6838494.27	2508799.51	355.9	-15.7	51.95	4.40	18.17
					65.30	0.55	1.09
KU-854	6838494.44	2508799.85	3.2	-15.8	50.25	3.95	4.73
					59.70	1.00	1.42
<i>includes 1.55 metres @ 9.04g/t gold from 52.65 metres</i>							
KU-857	6838494.44	2508799.85	359.9	-8.7	59.15	1.00	2.84
					62.15	1.00	2.41
					71.85	7.40	8.53
					<i>includes 2.90 metres @ 16.42g/t gold from 71.85 metres</i>		
KU-858	6838496.96	2508824.50	347.8	-9.4	51.10	1.90	4.90
					87.75	0.95	1.21
					114.15	1.45	3.54



Table 3 – Encouraging Intersections from Verification drilling in the Sarvisuo area (continued)

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Intercept (m)	Au (g/t)
KU-859	6838497.04	2508825.25	358.8	-9.8	34.20	1.00	4.64
					55.15	0.65	1.74
					72.40	0.90	4.16
					84.30	6.35	8.23
<i>includes 3.00 metres @ 16.40g/t gold from 87.65 metres</i>							
KU-860	6838497.10	2508825.86	11.5	-9.9	34.35	0.85	34.35
					61.40	3.45	1.42
					68.45	1.80	1.35
					71.85	8.15	21.72
<i>includes 5.00 metres @ 33.92g/t gold from 74.50 metres</i>							
KU-861	6838512.11	2508866.69	357.2	-4.1	41.40	1.25	1.73
					50.65	1.10	5.31
KU-862	6838512.06	2508868.06	16.6	-5.0	51.65	0.75	2.59

### Jokisivu

No field activities were completed during the quarter.

### Ritakallio Gold Prospect

The first three trenches were excavated and the first four short channel sampling profiles were completed during the December quarter at the Ritakallio prospect. A total of 30 samples including replicate and standards were collected and submitted for analysis. Results are expected in early 2007.

The first observations from the new trenches were encouraging. On the stripped area a sheared diorite containing quartz veins (1-30 centimetres in width), pegmatite veins and indicative ore minerals such as arsenopyrite, pyrrhotite, pyrite and scheelite was identified.

Some of the discovered quartz veins are also rich in scheelite, this vein type typically contains high-grade gold values similar to the nearby Jokisivu prospect. Assay results from the first vein sample submitted returned an encouraging 4.8 g/t Au.

### Kaapelinkulma

The final results from channel sampling undertaken at Kaapelinkulma were received. Results obtained are provided in Table 4, the higher-grade results indicative of material that is closely associated with sheared and quartz veined zones.

Table 4 - Intercepts from channel samples at Kaapelinkulma.

Channel ID	Intercept (m)	From (m)	Au (g/t)	Trench ID
VK/KKU-SC-5	2.65	0.95	9.51	M2
VK/KKU-SC-6	2.05	0.45	7.60	M2

### Liesjärvi

No field activities were completed during the quarter.

### Tammijärvi

No field activities were completed during the quarter.



## **Kuusamo**

No field activities were completed during the quarter.

## **Hanhimaa**

Excavation of five trenches (443m) was completed at the Kellolaki prospect and one trench (72m) at the Luomalaki prospect. Due to the prevailing weather conditions, washing of the trenches was not possible and only preliminary geological mapping was conducted.

Trench excavation was immediately followed by light percussion drill sampling. A total of 800 samples were collected, with preliminary analytical results received from two of the six batches submitted.

Diamond drilling commenced and was completed during the first days of 2007. This small drilling program tested the down-dip extensions of the gold intercepts obtained from earlier trenching in the Kellolaki area. Drill holes intersected several shear zones with strong alteration and variable amounts of sulphide mineralisation. Analytical results are pending.

## **Inco Nickel Alliance**

Field activities at the Sarvisoaivi and Ruossakero projects were completed. A total of 141 outcrop samples collected mainly from the Sarvisoaivi area were sent for multi-element analysis. Results remain pending.

Drilling was undertaken at Ruossakero following programs of geological mapping and sampling during the 2006 northern hemisphere summer. A total of six diamond core holes were completed for a total advance of 917.70m. All ultramafic and BIF units intersected with the drilling were sent to ALS Chemex and SGS Minerals for analysis. In total, 364 samples will be analysed for multi-elements.

Results from the MMI sampling program carried out at Sarvisoaivi and Ruossakero were received. A number of nickel anomalies of interest were identified on the northwestern slope of the Sarvisoaivi hill and the south western slope of the Ruossakero hill.

## **Kuhmo Nickel Joint Venture (5% Free Carried Interest)**

Joint Venture partners, ASX listed Vulcan Resources Limited (Vulcan) have advised Dragon that during the quarter activities were undertaken on the Kuhmo Nickel Joint Venture.

The final version of Vaara, Hietaharju, Peura-aho prospects scoping study was received from Snowden Mining Industry Consultant's. The results of the study, recent metallurgical test work and environmental baseline work will be combined so as to prepare a document that will allow Vulcan to apply for mining concessions over the resources in 2007.

A draft report on the metallurgical test work to establish the conditions of satisfactory flotation performance on the prospect nickel ore samples was received from Ammtec (Perth) during November. A review of its content is in progress.

3D Modelling of the Arola nickel deposit started in December. To assist continuity of the modelled lenses a nickel grade cut-off of 0.25% has been adopted. Initial modelling of the three main lenses indicates a total volume of approximately 1,300,000m<sup>3</sup>. The Arola modelling will be completed in January.



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## **RUSSIA**

### **OAo Kivijarvi (84.98% interest)**

No field activities were conducted during the quarter.

## **SCANDANAVIAN EXPLORATION AND MINING DATABASE REVIEW**

A review, inspection and assessment of the Outokumpu exploration and mining database for which Dragon retains exclusive rights for a further twelve months prior to transfer to the Finland Geological Survey, was conducted by an experienced geological consultant. As a consequence the company has now engaged a retired, former Outokumpu Exploration Manager, Finland to work with the data to identify opportunities and increase the exploration asset register of the company.

## **VAMMALA COPPER - NICKEL POTENTIAL**

The Vammala Plant was originally constructed by Outokumpu to process copper - nickel ore mined at Vammala. A former Outokumpu geologist with extensive knowledge of the previous mining and workings has been contracted to collate all geological information and to assess the potential for remnant ore and extensions to previously mined nickel resources.

## **SPAIN**

### **Valiña Joint Venture (Diluting to 50% Interest)**

Joint Venture partners AIM listed Ormonde Mining plc conducted no field activities during the December quarter and have advised that they intend to withdraw from the Joint Venture to focus on their other exploration properties.

## **AUSTRALIA**

### **Weld Range Joint Ventures**

Joint Venture partners ASX listed Minara Resources Limited advised Dragon that during the December quarter that targets were assessed for follow-up drilling on the Parkes PGM reef. It is envisaged that these targets will be drilled in the same program as the conductive anomalies previously defined.

## **ERITREA**

### **Zara Joint Venture (Diluting to 20% Interest)**

ASX Sub Sahara Resources NL advised Dragon that during the December quarter, exploration activity at Zara included diamond drilling at the Koka prospect, a regional geological study and soil, stream sediment and rock chip sampling. Logging of all relevant core information is ongoing in preparation for a possible scoping study in 2008. Construction of roads, camp expansion and development of water bores was also carried out.

### **Koka**

The Koka Prospect has been tested to a 200 metre vertical depth at 80 metre intervals along strike, over a distance of 450 metres and continues to return very positive gold results. Two off-set parallel zones striking north-south have been intersected and mineralisation is open in both directions and at depth. On-going drilling will test this model of mineralisation over coming weeks.

A total of eleven (11) Diamond drill holes (ZARD015 - ZARD023 and ZARD025 - ZARD026) were completed at the Koka prospect for a total of 2,040.25 metres. Drill holes ZARD027 and



ZARD028 are currently in progress. Assay results have been received from Genalysis Laboratories (Perth, Western Australia) for ZARD012 & ZARD014 - ZARD022. Assay results for ZARD023 and ZARD025 - ZARD026 are pending. A table listing significant drill intersections is provided below.

By the end of the reporting period, two man-portable diamond drills were in operation on a double shift basis and a third diamond rig had commenced drilling. A fourth small diamond drill rig arrived at site in late December and commenced drilling, however the rig suffered a breakdown and has yet to recommence operation.

A programme of prospect geological mapping and surface sampling (channel and rock chip) that commenced earlier in the year was completed by the end of December and a report detailing the findings is being compiled. Detailed mapping of the surface exposures and artisanal workings is on-going and will assist in resource modelling over the coming months.

Sub Sahara expects to be able to announce an inferred gold resource, based on the current drilling for Koka prospect, in the second quarter of 2007.

### Konate

Two Diamond drill holes, ZRD011 (previously reported) and ZAR013 were drilled through the projected alteration zone in the opposite direction to the previously reported (ZARD005 – ZARD007). Surface mapping suggested that the first 3 drill holes (ZARD005 – ZARD007) were drilled sub-parallel to mineralisation. However, the assay results for ZARD013 did not improve on those received for ZARD011 last quarter and there is still some doubt that the target mineralisation has been intercepted.

### Regional

A programme of geological mapping, rock chip sampling and stream sediment sampling that commenced earlier in the year was completed. The programme of mapping was completed by the end of the quarter and a report detailing the results is nearing completion. The programme of rock chip sampling and stream sediment sampling is on-going.

Table 5 - Significant Diamond Drill Assay Intersections (Koka Prospect)

Hole	Depth (m)	Prospect	From (m)	To (m)	Interval (m)	Au (ppm)
ZARD012	226.40	Koka	74	76	2.00	4.69
			79	81	2.00	1.48
			88	91	3.00	3.63
			100	101	1.00	1.33
			106	111	5.00	3.53
			115	116	1.00	2.51
			128	129	1.00	4.21
			137	138	1.00	1.98
			152	153	1.00	6.12
			162	163	1.00	1.12
			167	170	3.00	4.49
ZARD014	231.00	Koka	134	135	1.00	4.43
			195	196	1.00	13.01
ZARD015	171.15	Koka	88	101	13.00	24.75
ZARD016	200.00	Koka	89	91	2.00	1.57
ZARD017	190.75	Koka	117	118	1.00	2.39
			133	144	11.00	14.72
			147	153	6.00	42.36
			160	167	7.00	9.20



Table 5 - Continued

Hole	Depth (m)	Prospect	From (m)	To (m)	Interval (m)	Au (ppm)
ZARD018	210.10	Koka	108	114	6.00	3.19
			121	123	2.00	2.71
			127	128	1.00	1.34
			143	144	1.00	1.48
			156	160	4.00	3.75
			169	170	1.00	1.97
			188	190	2.00	1.35
			200	201	1.00	6.86
ZARD019	181.00	Koka	106	107	1	1.10
			121	123	2	1.94
			137	138	1	1.55
			141	144	3	2.78
			167	169	2	15.10
ZARD020	225.70	Koka	182	183	1	12.57
			206	207	1	1.95
ZARD021	183.30	Koka	96	98	2	1.37
ZARD022	191.6	Koka	98	99	1	1.09
			105	109	4	4.37
			134	136	2	1.19
			160	161	1	2.17
			163	164	1	1.31
			169	171	2	2.62
			176	178	2	1.06

*Note: The metres quoted are down-hole metres and the gold grades are uncut.*

Table 6 - Significant Diamond Drill Assay Intersections (Konate Prospect)

Hole	Depth (m)	Prospect	From (m)	To (m)	Interval (m)	Au (ppm)
ZARD013	175.50	Konate	90	91	1.00	2.51

*Note: The metres quoted are down-hole metres and the gold grades are uncut.*

Sub Sahara 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.



## CORPORATE

### Cash Balances and Movements

As at 31 December 2006, Dragon held A \$11.5m in cash. Refer to Appendix 5B for principle movements in cash for the quarter.

In addition to the cash and bullion balances, Dragon has liquid investments (Vulcan Resources Limited) with a market value of A \$2.6m.

### Hedging

Table 7 - Group Hedging Profile as at 31 December 2006

Gold hedging	Ounces	Price – US \$
Y/E 31/12/07	37,700	403
Y/E 31/12/08	39,650	402
Y/E 31/12/09	19,099	405
<b>Total</b>	<b>96,449</b>	<b>403</b>

Using the 31 December 2006 spot gold price of US \$636.60, the mark to market of the hedge book was a negative amount of US \$24.96m.

During the quarter, 7,750 oz of gold forwards were rolled out 1 month on a spot deferred basis at a price of US \$405.83. Further restructuring of Dragon's forward sales is expected in the coming quarter.

Dragon delivered 8,150 oz of gold into its gold forward book and the remaining production into the spot market. The average cash price received per ounce of gold for the quarter was US \$447.

### Borrowings

Dragon has a total of 23,645,289 A \$1.05 convertible notes on issue with an associated liability of A \$24.9m. No convertible notes were converted to ordinary shares during the quarter.

### Unmarketable Parcels

Dragon announced in December that it has received, and accepted, an offer to purchase all of the unmarketable parcels of shares pursuant to clause 9.11 of the Constitution.

An initial notice to 1,323 shareholders of unmarketable share parcels was dispatched on 7 December 2006 with responses due by 8 February 2007. To date 76 shareholders have responded to the Company.

### Pampalo Project

The sale of the Pampalo Gold Project was completed on 16 October 2006 following the receipt of the outstanding balance of the purchase price of €5.4 million from Endomines AB.

### Change of Reporting Period

An order for the relief of a change to calendar year financial reporting was obtained from the Australian Securities and Investments Commission on 21 November 2006. These changes ensure that parent Company reporting is consistent with the reporting requirements of its main subsidiaries in Sweden and Finland where the Group's main assets are located.



Consequently, the financial report for the six months ended 31 December 2006 will be lodged with ASX on or before 31 March 2007.

### **Name Change – Dragon Mining Limited**

A notice to change to a public company limited by shares and hence adopt the new name of Dragon Mining Limited was published in ASIC Gazette on 16 January 2007. The change of name will be effective from 16 February 2007.

### **Purchase of Saulyak Gold Project**

On 21 December 2006, Dragon announced entering into a Sale and Purchase Agreement with Eurogold Limited (“Eurogold”) for the purchase of the Saulyak Gold Project in Ukraine. The all script transaction will involve 79,919,874 Dragon shares being issued to Eurogold.

The transaction will be effected by the purchase of Eurogold’s wholly owned Bermudan subsidiary, Eurogold (Bermuda) Ltd, which holds the Saulyak Gold Project. The purchase is subject to Dragon completing due diligence, the approval of shareholders of both companies and any necessary regulatory approvals.

Eurogold has agreed to hold the Dragon shares for a minimum of six months prior to being distributed *in specie* to Eurogold shareholders.

As part of the transaction Dragon has provided limited recourse working capital loans of up to A \$0.6m to Eurogold to cover corporate overheads and a further US \$1m to enable the work programme at the Saulyak Gold Project to be progressed without interruption until the acquisition can be completed. The loan will be secured against, and repayable out of Eurogold receivables.

Dragon has also committed to fund, if necessary, a further US \$0.325m for the loan facility provided by Eurogold via a 100% owned subsidiary Saulyak Resources Limited (SRL), to Zakarpatpolymetal Ltd (ZLLC) who owns the Beregove Gold Project in the Ukraine.

**Note 1:** *The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Neale Edwards BSc(Hons), a Member 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 a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**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.*



## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Dragon Mining NL
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ABN

19 009 450 051
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Quarter ended ("current quarter")

31 December 2006
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#### Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	5,824	16,019
1.2 Payments for (a) exploration and evaluation	(1,204)	(2,000)
(b) development	(3,177)	(4,832)
(c) production	(6,942)	(13,114)
(d) administration	(659)	(1,247)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	142	292
1.5 Interest and other costs of finance paid	(643)	(1,270)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(6,659)</b>	<b>(6,152)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(1,414)	(1,783)
1.9 Proceeds from sale of: (a)prospects	10,368	10,368
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	(734)	(734)
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>8,220</b>	<b>7,851</b>
1.13 Total operating and investing cash flows (carried forward)	1,561	1,699



1.13	Total operating and investing cash flows (brought forward)	1,561	1,699
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(7)	(2,729)
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	(7)	(2,729)
	<b>Net increase (decrease) in cash held</b>	1,554	(1,030)
1.20	Cash at beginning of quarter/year to date	10,024	12,626
1.21	Exchange rate adjustments to item 1.20	(31)	(49)
1.22	<b>Cash at end of quarter</b>	11,547	15,547

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	115
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payment to director's of salaries, fees and consulting fees.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil



### Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (convertible notes)	24,828	24,828
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,493
4.2 Development	2,274
<b>Total</b>	<b>4,767</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7,252	660
5.2 Deposits at call	4,295	9,364
5.3 Bank overdraft	-	-
5.4 Other – Gold bullion	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>11,547</b>	<b>10,024</b>



## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	2005142 Sila 606, Finland		100%	0%
	7270/1 Syrja 1, Finland		100%	0%
	7270/2 Syrja 2, Finland		100%	0%
	7258/1 Tuonganoja, Finland		100%	0%
	4847 Pampalo, Finland		100%	0%
	3831 Rämepuro, Finland		100%	0%
	6483/2 Pampalo 6, Finland		100%	0%
	7343/1 Pampalo 7, Finland		100%	0%
	7417/1 Muurikorento, Finland		100%	0%
	7418/1 Pitkähattu 1, Finland		100%	0%
	7418/2 Pitkähattu 2, Finland		100%	0%
	7560/1 Kivijärvi, Finland		100%	0%
	7013/1 Sivakkoniilo, Finland		100%	0%
	7021/1 Nenäsuo, Finland		100%	0%
	7576/1 Pahakala, Finland		100%	0%
	7088/1 Juttusuo, Finland		100%	0%
	7088/2 Lintukangas, Finland		100%	0%
	7088/3 Teerisuo 1, Finland		100%	0%
	7088/4 Teerisuo 2, Finland		100%	0%
	7558/1 Korvi 1, Finland		100%	0%
	7558/2 Korvi 2, Finland		100%	0%
	7558/3 Korvi 3, Finland		100%	0%
	7742/4 Elinsuo, Finland		100%	0%
	7742/6 Teponsärkkä, Finland		100%	0%
	7742/5 Kivisuo, Finland		100%	0%
	7742/3 Repokallio, Finland		100%	0%
	7742/2 Kauravaara, Finland		100%	0%
	7742/1 Hattuvaara, Finland		100%	0%
	7977/1 Muurinsuo		100%	0%
	8102/1 Poiko 1, Finland		100%	0%
8102/2 Poiko 2, Finland		100%	0%	
8102/3 Poiko 3, Finland		100%	0%	
8102/4 Poiko 4, Finland		100%	0%	
7256/1 Kangaslampi, Finland		5%	0%	
7256/2 Takkoospuro, Finland		5%	0%	
6.2 Interests in mining tenements acquired or increased	Pautrask nr 4, Sweden		0%	80%
	2006209 Pahakangas, Finland		0%	5%
	2006210 Aurala, Finland		0%	5%
	2006210 Huutoniemi, Finland		0%	5%



### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	440,393,549	440,393,549		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through expired partly paid shares	75,000	-	-	0.01 c
7.5 <b>+Convertible debt securities</b> (description)	23,645,289	23,645,289	\$1.05	\$1.05
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	21,250,000 1,500,000 1,000,000 6,000,000	- - - -	<i>Exercise price</i> 20 c 17.5 c 14 c 21 c	<i>Expiry date</i> 4 Nov 2007 N/A N/A N/A
7.8 Issued during quarter	1,000,000 1,000,000 6,000,000	- - -	17.5 c 14 c 21 c	N/A N/A N/A
7.9 Exercised during quarter				
7.10 Lapsed during quarter	2,600,000	-	40 c	22 Oct 2009



7.11	<b>Debentures</b> <i>(totals only)</i>		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 30 January 2007  
 (Managing Director)

Print name: PETER CORDIN

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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