

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

DRAGON MINING NL

ACN or ARBN

19 009 450 051

Quarter ended ("current quarter")

30 JUNE 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 Months) \$A'000
1.1 Receipts from product sales and related debtors	4,127	4,332
1.2 Payments for		
(a) exploration and evaluation	(683)	(5,555)
(b) development	(3,005)	(22,754)
(c) production	(5,966)	(5,967)
(d) administration	1,335	(1,563)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	106	319
1.5 Interest and other costs of finance paid	(97)	(590)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(4,183)	(31,778)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(24)	(450)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	-
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(24)	(450)
1.13 Total operating and investing cash flows (carried forward)	(4,207)	(32,228)
1.13 Total operating and investing cash flows (brought forward)	(4,207)	(32,228)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	178	20,462
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	5,392
1.17	Repayment of borrowings	(1,039)	(2,191)
1.18	Dividends paid		
1.19	Other –proceeds from hedge book restructure	-	632
	Net financing cash flows	(861)	24,295
	Net increase (decrease) in cash held	(5,068)	(7,933)
1.20	Cash at beginning of quarter/year to date	7,549	10,518
1.21	Exchange rate adjustments to item 1.20	6	(98)
1.22	Cash at end of quarter	2,487	2,487

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	104
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 of directors salaries, fees and rent to an associated company	

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	20,518	20,518
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	231
4.2 Development	-
Total	231

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	2,487	5,210
5.2 Deposits at call	-	2,339
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,487	7,549

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	<u>Finland</u>			
	6540/1 Muurinsuo 1		100%	0%
	200460 Ekojoki		100%	0%
	200496 Tammijärvi 1-2		100%	0%
	<u>Australia</u>			
	Exploration Licence E52/1230		100%	0%
6.2 Interests in mining tenements acquired or increased	<u>Finland</u>			
	7941/1 Pukala		0%	100%
	7941/2 Peräjärvi		0%	100%
	7942/1 Kairankorpi		0%	100%
	7967/1 Ekojoki		0%	100%
	7977/1 Muurinsuo 1		0%	100%

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Appendix 5B
Mining exploration entity quarterly report

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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	397,767,295 3,325,000	397,767,295 -		0.01 c
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	11,111,111 21,250,000 2,600,000	- - -	<i>Exercise price</i> 9 c 20 c 40 c	<i>Expiry date</i> 20 May 2006 4 Nov 2007 22 Oct 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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Compliance statement

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

29 July 2005

Sign here: Date:
(Company secretary)

Print name: DENNIS W WILKINS

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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Quarterly Activities Report
For the Quarter Ended
30th June 2005



HIGHLIGHTS

- **Svartliden Gold Mine officially opened on the 17th of June by the State Secretary for the Department of Mines and Minerals representing the Swedish government.**
- **Svartliden Production reaches designed levels.**
- **Vammala to commence production as Dragon's second Nordic operation in late 2005, and at full production will produce 80,000 ounces per annum.**
- **Executive General Manager Nordic Operations Simon Solomons appointed.**

OVERVIEW

The Svartliden Gold Mine was officially opened on the 17th of June by Jonas Bjelfvenstam, State Secretary to the Swedish Government Minister responsible for mining. The opening was also attended by local and regional government representatives and many people from nearby communities. The project was acknowledged as a significant achievement that marked a new phase in the long history of mining in Sweden and as a positive contribution to the economy of this part of northern Sweden.

Following the production of first gold in March, performance of the Svartliden Mine has been progressively increased and during July has begun to achieve design targets for both tonnage throughput and metallurgical recoveries. For the June quarter total gold production was 6,296 ounces. For the financial year ending June 30th 2006 the Svartliden Mine is scheduled to produce 65,000 ounces.

Dragon Mining is to proceed with the staged development of the Vammala Production Centre in southern Finland which will see mining commence late this year and gold production in the first quarter of the 2006 calendar year. When the project reaches its full production rate in 2007, it will produce up to 80,000 ounces per annum. Project life at this time is estimated at 6.5 years, but with excellent potential for on going exploration to define additional resources. The project capital costs will be A\$16million, to be spent mainly on development of the underground operations.

Dragon is pleased to have appointed Simon Solomons as Executive General Manager Nordic Operations. Simon has extensive operational and development experience. He was formerly Development Manager for North Ltd, Resident Manager at the St Ives Operations for Western Mining Ltd, and General Manager Operations at the Selwyn Mine.

OPERATIONS

SWEDEN

Svartliden Gold Mine

The Svartliden Gold Mine first produced gold on 7th of March. Since then production has been increased with the operation beginning to achieve target tonnage and recovery levels during July. A number of deficiencies in the plant design and construction have been successfully remedied during the June quarter. Production for the June quarter was 6,296 ounces. During the September quarter, production is expected to be on track for the project to produce 65,000 ounces in 2005/2006 financial year.

During the quarter, a specially prepared reverse circulation drill rig was imported from Australia to carry out grade control and exploration drilling. The rig is now operating and is expected to improve the rate and efficiency of grade control drilling. When the grade control drilling is sufficiently in advance of mining schedules, the drilling rig will be available for exploration drilling in the vicinity of the Svartliden mine.

Production from the Svartliden open pit during the quarter has not experienced any significant difficulties. Mineralization continues to reflect the resource model of the ore

body. Reconciliation so far indicates that the resource model on mined benches corresponds with the ore tonnes and contained gold presented to the mill.

The new crushing circuit arrangements installed in the March quarter have performed as expected and will be able to meet all anticipated production demands. While grinding mill has been performing up to expectations, a decision has been made to install a more optimal liner and lifter combination when there is a scheduled maintenance shut down. The grind size profile has been optimised with new cyclone arrangements. The leach circuit has been enhanced with the introduction of more efficient sparge arrangements.

Process plant tonnage throughput during the June quarter has steadily increased and in July throughput is significantly above designed rates for the plant. Metallurgical recovery has also been progressively improved during the quarter and has reached the design target of 95%, consistent performance at between 90 and 92% is being achieved and further improvement is anticipated.

FINLAND

Vammala Production Centre

Dragon Mining NL is to proceed with a staged development of the Vammala Production Centre in southern Finland that would see mining begin later this year and gold production from Dragon's Vammala Plant commencing before the end of the year. Vammala will be Dragon's second gold production centre, the Svartliden Gold Mine in northern Sweden commencing production in March of this year.

Stage 1 development at Vammala will include production from the Sarvisuo Lodes at the underground Orivesi Mine and from two small open cuts at the new Jokisivu Mine. Stage 2, commencing 18 months after the initial stage, will encompass the development of an underground mine at Jokisivu. Prior to going underground at Jokisivu, a six month drilling program will be undertaken to allow a detailed underground mine design, metallurgical testing to determine a more optimum process route than flotation and a financial study are to be completed. Stage 3 will involve the development of the deeper ore zones at Jokisivu down to and beyond the 400 metre level.

The average head grade through the plant will be between 8 and 11g/t gold, with cash costs projected to average between US\$250 and US\$280/oz. The project life of the 3 stages is expected to be around 6.5 years, but with the potential for further expansion if the drilled mineralization between the 400 and 600 metre levels at Jokisivu is converted into resources/reserves. The deepest drilling to date at Jokisivu, at the 500 metre level, has intersected high grade mineralization with the mineralized system remaining untested below this level.

Capital costs for the project will be A\$16 million spent over 18 months from commencement of mining late this year. This capital expenditure will be mainly on underground mine development work, initially at the Orivesi Mine and then Jokisivu. Dragon will be seeking to secure initial financing for the project prior to commencement of the development. Principal regulatory approvals for the project are in place with the exception of final conditions on the Jokisivu development, which are expected to be determined soon.

The Vammala Plant, the Orivesi Mine, and the Jokisivu Project are part of the major suite of precious metal assets acquired in Finland by Dragon from Outokumpu Oy in October 2003. In the last 20 months Dragon has succeeded in defining over 500,000 ounces of resources in the Vammala area. Dragon's gold resources in Finland are now approaching 1 million ounces. Other advanced projects in Finland with drilled gold resources including the Pampalo and Kuusamo have the potential to also become production centres in their own right; further building Dragon's European focused gold business.

EXPENDITURE AND WORKING CAPITAL

At the end of the June Quarter, Dragon had cash of \$2.5 million. Subsequent to the end of the June Quarter, an equity placement at 16.5 cents has raised an additional \$5.2 million in working capital of which \$1.4m is subject to shareholder approval at a general meeting.

HEDGING

All production during the quarter was delivered into hedge positions realising a price of US\$401.50 oz.

Dr James Searle
M AusIMM
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.*