



Quarterly Activities Report For the Quarter Ended 30 June 2006

HIGHLIGHTS

OPERATION

- Gold production for the quarter of 14,744 ounces.
- Svartliden year to date average cash cost of US \$352 per ounce.

DEVELOPMENT

- Development work in preparation for mining the Sarvisuo lodes at Orivesi, Finland continued with a total development advance of 69.5m.

EXPLORATION

- Svartliden diamond drilling returned encouraging results including **6m @ 7.9 g/t Au** from 128.65m including **1.05m @ 16.45 g/t Au** from 130.07m and **0.75m @ 18.35 g/t Au** from 133.90m.
- Underground drilling commenced at Orivesi with results from the first hole, KU-840, including **2.95m @ 4.70 g/t Au** from 0.05m, **3.20m @ 11.10 g/t Au** from 56.15m including **1.50m @ 22.10 g/t Au**.
- Assay results from the Zara Joint Venture in Eritrea returned further high grade gold intercepts including **18m @ 9.46 g/t Au** from 215m in ZARD 009, **28m @ 8.16 g/t Au** from 74m and **7m @ 23.29 g/t Au** from 107m in ZARD 010.

CORPORATE

- Group cash and bullion at the end of the quarter was A \$13.6m.
- Delivery of Svartliden gold production into spot market commenced in May.
- Foreign exchange forward contracts were closed out realising a gain of US \$2.6m.
- Corporate debt facility repaid and the Svartliden project debt reduced to US \$2.0m.
- Pampalo project, Finland sale completion date was extended until 30 September 2006 with the payment of euros 150,000.



OPERATION

SWEDEN

Svartliden

PRODUCTION SUMMARY

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Availability (%)	Total Gold Production (Ounces)
June Quarter	77,785	83,291	5.90	93.5	93.0	14,744
March Quarter	123,880	74,993	5.39	93.5	94.1	12,160

The operation had no lost time injuries for the quarter. As at 30 June 2006, the lost time injury free hours totalled 176,000.

Svartliden produced 14,744 ounces of gold from 77,785 tonnes of ore milled at a head grade of 5.90 g/t with ore production predominantly sourced from the eastern pit.

A substantial grade control drilling program was commenced and will continue during the summer months. Drilling will be reduced considerably in winter due to adverse, extreme conditions.

Pre-stripping of peat and till from the western extension continued and is now 69% complete. The first ore blast in the western extension was fired in June and mining activities are expected to commence in late July.

Management completed an overhaul of the operating reporting systems identifying a year to date cash cost of US \$352 per ounce.

DEVELOPMENT

FINLAND

Vammala

Orivesi

Rehabilitation of the Orivesi mine workings continued during the quarter.

The Company is continuing to review the proposed timetable for recommencing mining operations at Orivesi. Current indications are that this will occur during the first quarter 2007. It is expected that a final timetable for the reopening of the Orivesi Mine and Vammala Process Facility will be submitted to the Board for approval in the next quarter.

Preparation work for the Sarvisuo development continued during the quarter with a total development advance of 69.5m. The driving of the decline from 285m to 410m commenced with an advancement of 27m.

Vammala Process Facility

The mill remains on care and maintenance.

A consultant has been engaged to review the tailings pond area and prepare a plan to secure the main dyke and increase the tailings capacity.



EXPLORATION

SWEDEN

Svartliden

Diamond core drilling commenced at Svartliden during the quarter, targeting depth extensions in the central part of the deposit and the east and west strike extensions. A total of 980.7m was completed from nine drill holes. The program will resume during the September quarter.

To date analysis for gold of select zones has returned an encouraging intersection, at a cut-off grade of 1 g/t Au, of 6m @ 7.9 g/t Au in drill hole SV0672, and includes 1.05m @ 16.45 g/t Au from 130.07m and 0.75m @ 18.35 g/t Au from 133.90m. The intersection supports a historical high grade intersection, 25m to the west and in the central part of the deposit.

Drill hole SV0675 returned two narrow intersections from a zone north of the northern lode, whilst intercepts through the northern lode returned anomalous material only. Drill holes SV0679 and SV0680, drilled 80m west of the limit of previous exploration drilling along the western strike extension, intersected the northern lode position, returning characteristic mineralisation and alteration, but failed to yield a result above 1 g/t Au.

Significant results of the drilling program are tabulated in Table 1.

Table 1: Significant Intersections - Svartliden

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	To (m)	Intercept (m)	Au (g/t)	
SV067 2	7187309. 3	1588546. 3	161.4	-59.9	128.65	134.65	6.00	7.90	
					includes	130.07	131.12	1.05	16.45
					includes	133.90	134.65	0.75	18.35
						144.05	145.35	1.30	2.57
						152.00	153.35	1.35	1.58
SV067 5	7187307. 6	1588542. 7	178	-44.0	73.60	74.60	1.00	3.65	
					81.30	82.30	1.00	1.51	

Results from the remaining five holes are pending.

A ground magnetic survey to expand and compliment historical ground geophysical surveys encompassing the area in the immediate vicinity of Svartliden was 41% complete by the end of the quarter.

Orgsjön Joint Venture (Earning 80% Interest)

No field activities were completed. Preparations are underway to carry out a diamond core drilling program during the September quarter.

FINLAND

Orivesi

Encouraging results were obtained from the first drill hole of an underground diamond core drilling program designed to upgrade and confirm existing resources at Kutema.



KU-840, a 138m drill hole drilled on level + 665m, intersected two zones of mineralisation above a 1 g/t Au lower cut-off. The first intercept of 2.95m up hole at a grade of 4.7 g/t Au is located at the margin of the previously mined Pipe 5. The second and more significant intercept of 3.2m up hole at a grade of 11.1 g/t Au (including 1.5m @ 22.1 g/t Au) is located approximately 50m northeast of Pipe 5. The true width of this zone is yet to be determined.

The latter intersection may indicate the presence of a new high grade zone of mineralisation, in close proximity to Orivesi. It will be further tested as the planned diamond core drilling program progresses.

Significant results are tabulated in Table 2.

Table 2: Significant Intersections – Kutema

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	To (m)	Intercept (m)	Au (g/t)	
KU-840	6838509.6	2508561.3	035.8	24.0	0.05	3.00	2.95	4.7	
						56.15	59.35	3.20	11.1
					includes	56.15	57.65	1.50	22.1
KU-841	6838509.5	2508561.4	035.8	-30.0	0.10	3.00	2.90	5.1	

Jokisivu

Activities at Jokisivu were restricted to the assay of 250 core samples from old drill holes.

These generally returned poor results with few samples exceeding 1 g/t Au. A new intercept of 1.75m @ 1.54 g/t Au from 89.55m in HU/JS-143 (Kujankallio) and an updated intersection of 2.30m @ 14.85 g/t Au from 35.5m in HU/JS-12 (Arpola) were received.

Kaapelinkulma

Trenching of known mineralised zones at Kaapelinkulma commenced. Preliminary observations showed that mineralised zones are more complex than originally indicated from previous drilling. A total of 504 samples have been collected with results expected in August.

Hanhimaa

Preparations are being made to recommence exploration activities.

Discussions are also being held with interested parties regarding a possible joint venture.

Inco Nickel Alliance

A total of 5,414m of diamond drill core from the Sarvisoaivi and Ruossakero areas was re-logged and select zones re-sampled. In addition, 5,515m of historic drill core from the Liakka area was also re-logged.

Data processing of an EM survey completed in the Sarvisoaivi area at the end of the March quarter continued.



RUSSIA

OAo Kivijarvi (84.98% interest)

Discussions continued with parties regarding possible joint venture of the OAo Kivijarvi Projects in western Russia.

No field activities were undertaken.

ERITREA

Zara Joint Venture (Diluting to 20% Interest)

Sub Sahara Resources NL advised assay results from diamond drill holes ZARD009 and ZARD010 at the Koka prospect returned further multiple high grade gold intercepts, confirming the results from previously announced ZARD002.

This latest phase of drilling has established the dip of the Koka mineralisation. Drill hole ZARD008 was drilled to the west and failed to intersect any significant mineralisation, as it was drilled parallel to mineralisation. Hole ZARD009 intercepted significant alteration and mineralisation much deeper than planned, confirming a westerly dip direction. Hole ZARD010 was drilled to the east, intercepting significant mineralisation and quantifying the dip as being about 80 degrees to the west.

Significant results are tabulated in Table 3.

Table 3: Significant Intersections – Zara

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	To (m)	Intercept (m)	Au (g/t)
ZARD009	1824398	390403	275	-55	130	131	1	1.14
					167	170	3	2.05
					176	177	1	4.86
					182	188	6	1.83
					193	196	3	4.31
					210	211	1	2.10
					215	233	18	9.46
					240	241	1	42.64
					247	250	3	5.09
ZARD010	1824427	390216	95	-69	66	67	1	49.50
					69	71	2	1.54
					74	102	28	8.16
					107	114	7	23.29
					119	120	1	5.86
					125	126	1	1.42
					130	143	13	1.46
					146	147	1	2.42
					150	152	2	2.61
					162	164	2	1.86
	167	168	1	1.80				
	176	177	1	1.16				



SPAIN

Valiña Joint Venture (Diluting to 50% Interest)

Ormonde Mining Plc advised the assaying in June of clay-rich material from the top of hole VAL-6. It was believed that this material was similar to material from the gold-bearing Chousa prospect, 4 kilometres to the south. A total of 37 samples were analysed, the majority of which returned gold levels below detection limits, with the best result being 1m @ 0.75 g/t Au.

AUSTRALIA

Weld Range Joint Ventures (Various minority interests)

Minara Resources Limited advised a ground TEM program commenced in June and is due for completion in July. This program is targeting priority anomalies generated from an airborne TEM survey completed in 2004 and the review work completed by Resource Potentials Pty Ltd during the March quarter.

CORPORATE

Cash Balances and Movements

As at 30 June 2006, Dragon held A \$12.6m in cash and A \$1.0m in bullion.

Dragon has listed investments (Vulcan Resources Limited) with a market value of \$1.6m.

Hedging

Table 4: Group Hedging Profile as at 30 June 2006

Gold hedging	Ounces	Price - US\$
Y/E 30/6/07	30,500	402
Y/E 30/6/08	35,250	402
Y/E 30/6/09	37,212	402
Y/E 30/6/10	1,637	430
Total	104,599	403

Using the 30 June 2006 spot gold price of US \$613.10, the mark to market of the hedge book was a negative amount of US \$25.6m.

During May, Dragon reached agreement to temporarily defer the delivery of gold into the hedge obligations and to sell gold production from Svartliden on a spot basis. In consideration, Dragon has applied all proceeds above US \$400 per ounce to the project debt. The agreement involved the "rolling out" of the balance of the June 2006 quarter hedge until the September 2009 quarter. The agreement is subject to change and further restructuring of Dragon's gold forward sales contracts is expected in the coming quarter.

The average cash price received was US \$538 per ounce with 5,751 ounces being delivered into existing forward sales contracts and the balance into the spot market.

During the quarter, Dragon "closed out" all USD/SEK foreign currency contracts and realised a gain of US \$2.6m. These proceeds were used to further reduce the project debt.

Borrowings

Due to the agreement to deliver gold production from Svartliden into the spot market and the "closing out" of the foreign currency forward contracts, the project debt has been reduced to US



\$2.0m at 30 June 2006. If the spot market of gold remains at current levels, the project debt is expected to be fully repaid by mid September.

During the quarter, Dragon also repaid the balance of the corporate debt facility of A\$ 2.9m provided by Macquarie Bank.

Dragon has 23,645,289 A\$1.05 convertible notes on issue with an associated liability of \$24.9m. An interest payment for interest accrued to 30 June 2006 of A \$0.64m was paid in early July.

Pampalo Project

An Amendment to the Agreement with Kalvinit Oy (Endomines) to extend the date for the completion of the sale of the Pampalo project was signed.

In consideration for extending the sale from 31 May 2006 until 30 September 2006, a payment of an additional 150,000 euros (above the agreed sale price of 6 million euros) was received.

A right to a further extension of one month (until 31 October 2006) has been provided with the payment of an additional 50,000 euros before 15 September 2006 subject to specific conditions.

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

ABN

19 009 450 051

Quarter ended ("current quarter")

30 June 2006

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	11,243	32,095
1.2 Payments for		
(a) exploration and evaluation	(977)	(1,188)
(b) development	(772)	(6,907)
(c) production	(6,901)	(19,877)
(d) administration	(490)	(7,826)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	263	403
1.5 Interest and other costs of finance paid	(601)	(1,401)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	1,765	(4,701)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(278)	(278)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	308	308
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Close out of foreign exchange forward contracts	3,462	3,462
Net investing cash flows	3,492	3,492
1.13 Total operating and investing cash flows (carried forward)	5,257	(1,209)



1.13	Total operating and investing cash flows (brought forward)	5,257	(1,209)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	5,887
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	24,822
1.17	Repayment of borrowings	(9,560)	(16,705)
1.18	Dividends paid	-	-
1.19	Other – Capital raising costs	(639)	(1,631)
	Net financing cash flows	(10,199)	12,373
	Net increase (decrease) in cash held	(4,942)	11,164
1.20	Cash at beginning of quarter/year to date	18,575	2,497
1.21	Exchange rate adjustments to item 1.20	(33)	(61)
1.22	Cash at end of quarter	13,600	13,600

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	97
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

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	27,917	27,917
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,558
4.2 Development	1,380
Total	2,938

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	2,378	11,304
5.2 Deposits at call	10,241	7,017
5.3 Bank overdraft	-	-
5.4 Other – Gold bullion	981	254
Total: cash at end of quarter (item 1.22)	13,600	18,575

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	Nil	Nil	Nil
6.2	Interests in mining tenements acquired or increased	Nil	Nil	Nil



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 (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	440,393,549 75,000	440,393,549 -	-	0.01 c
7.4 Changes during quarter (a) Increases through issues (b) Decreases through expired partly paid shares	(3,250,000)	-		0.01 c
7.5 +Convertible debt securities (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 Options (description and conversion factor)	21,250,000 2,600,000 500,000	- - -	<i>Exercise price</i> 20 c 40 c 17.5 c	<i>Expiry date</i> 4 Nov 2007 22 Oct 2009 20 Sep 2009
7.8 Issued during quarter	500,000	-	17.5 c	20 Sep 2009
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>			

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: 27 July 2006
(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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