



DRAGON MINING NL
ACN 009 450 051

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

30 November 2006

Time of Meeting

9.30 am

Place of Meeting

Old Swan Brewery
Thomas Hardwick Room
173 Mounts Bay Road
Perth WA 6000

DRAGON MINING NL
ACN 009 450 051

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Dragon Mining NL ACN 009 450 051 ("**Company**") will be held at The Old Swan Brewery, Thomas Hardwick Room, 173 Mounts Bay Road, Perth on 30 November 2006 at 9.30 am for the purpose of transacting the following business.

An Explanatory Memorandum containing information in relation to some of the following Resolutions accompanies this Notice of Meeting.

2006 FINANCIAL STATEMENTS

To receive the financial statements of the Company for the year ended 30 June 2006, consisting of the Annual Financial Report, the Directors' Report and Auditor's Report.

RESOLUTION 1

ELECTION OF PETER CORDIN AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Peter Cordin, a Director of the Company appointed to fill a casual vacancy since the previous General Meeting who is eligible for re-election, be re-elected as a Director of the Company."

Pursuant to the Company's Constitution, directors who are appointed to fill casual vacancies are required to retire at the next general meeting of the Company following their appointment and being eligible may offer themselves for re-election.

RESOLUTION 2

RE-ELECTION OF PETER MUNACHEN AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Peter Munachen having retired as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election be re-elected a director of the Company."

Pursuant to the Company's Constitution, one-third of the directors of the Company (other than the Managing Director) must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

RESOLUTION 3

REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the Remuneration Report forming part of the Company's 2006 Annual Report be adopted."

Section 250R of the Corporations Act requires a listed company to put to shareholders at each annual general meeting a resolution adopting the report on the remuneration of the company's directors, executives and senior managers included in the company's annual report. The above resolution is being proposed to comply with this requirement. The vote on this resolution is advisory and does not bind the company's directors.

RESOLUTION 4

CHANGE OF COMPANY TYPE

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That the Company change in type from being a public no liability company to a public company limited by shares."

RESOLUTION 5

ADOPTION OF A NEW CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"Subject to approval of resolution 4 that the Constitution submitted to this meeting and signed by the Chairman for identification purposes be approved and adopted with effect from the time the Company becomes a public company limited by shares as the Constitution of the Company in substitution for the existing Constitution of the Company."

RESOLUTION 6

CHANGE OF AUDITOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"To appoint Ernst & Young as the Company's auditors to replace Stanton Partners who retire at this meeting. Ernst & Young have been nominated for appointment and have consented to act as auditors."

RESOLUTION 7

ADOPTION OF EMPLOYEE INCENTIVE OPTION PLAN

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

*"That the Company adopt the Option Incentive Plan for Employees, Directors and Consultants to be known as the Dragon Mining Group – Employee Incentive Option Plan ("**Incentive Plan**"). A summary of the terms and conditions of which are set out in the attached Explanatory Memorandum and that for the purposes of Listing Rule 7.1 and 7.2 exception 9 approval is given to issue options in accordance with the Incentive Plan."*

The Company will disregard any votes cast on Resolution 7 by a director of the Company or any associate of a director of the Company (except one who is ineligible to participate in the Incentive Plan). However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- (b) it is cast by the person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directors on the proxy form to vote as the proxy decides.*

A copy of the full terms and conditions of the Incentive Plan will be sent to shareholders of the Company free of charge on request.

RESOLUTION 8

APPROVAL OF GRANT OF OPTIONS TO PETER CORDIN

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

"Subject to the passing of Resolution 7, that for the purpose of Listing Rule 7.1 and 10.11 of Australian Stock Exchange Limited the issue of:

- *1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 14 cents;*
- *1,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 17.5 cents; and,*
- *2,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 21 cents*

each with no expiry date and otherwise on the terms and conditions of the Incentive Plan, to Peter Cordin for nil consideration be and is hereby approved."

The options issued under Resolution 8 will be issued to Peter Cordin or his nominees in accordance with the terms and conditions of the Incentive Plan;

1. *Peter Cordin or his nominee will be issued 4,000,000 options for no issue price;*
2. *the options will be granted within five days of the date of this meeting;*
3. *a Summary of the terms and conditions of the Incentive Plan is set out in the attached Explanatory Memorandum;*
4. *shares issued as a result of the exercise of the options will rank pari passu with ordinary shares in the Company;*
5. *no funds will be raised as a result of the grant of the options; and*
6. *the Company will, in accordance with section 224 of the Corporations Act 2001 (Cth), disregard any votes cast on Resolution 8 by Peter Cordin and any associates of Peter Cordin. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

RESOLUTION 9

APPROVAL OF GRANT OF 21 CENT OPTIONS TO ANDREW DALEY

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

"Subject to the passing of Resolution 7, that for the purpose of Listing Rule 7.1 and 10.11 of Australian Stock Exchange Limited the issue of 2 million options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 21 cents with no expiry date, a vesting hurdle as stipulated in Table 1 in the attached Explanatory Memorandum and otherwise on the terms and conditions of the Incentive Plan to Andrew Daley for nil consideration be and is hereby approved."

1. *The options issued under Resolution 9 will be issued to Andrew Daley or his nominee in accordance with the terms and conditions of the Incentive Plan;*
2. *Andrew Daley or his nominee will be issued 2,000,000 options for no issue price;*
3. *the options will be granted within five days of the date of this meeting;*
4. *a summary of the terms and conditions of the Incentive Plan is set out in the attached Explanatory Memorandum;*
5. *shares issued as a result of the exercise of the options will rank pari passu with ordinary shares in the Company;*
6. *no funds will be raised as a result of the grant of the options; and*

7. *the Company will, in accordance with section 224 of the Corporations Act 2001 (Cth), disregard any votes cast on Resolution 9 by Andrew Daley and any associates of Andrew Daley. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

RESOLUTION 10

APPROVAL OF GRANT OF 21 CENTS OPTIONS TO PETER MUNACHEN

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

"Subject to the passing of Resolution 7, that for the purpose of Listing Rule 7.1 and 10.11 of Australian Stock Exchange Limited the issue of one million options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 21 cents with no expiry date, a vesting hurdle as stipulated in table 1 in the attached Explanatory Memorandum and otherwise on the terms and conditions of the Incentive Plan to Peter Munachen for nil consideration be and is hereby approved."

1. *The options issued under Resolution 10 will be issued to Peter Munachen or his nominee in accordance with the terms and conditions of the Incentive Plan;*
2. *Peter Munachen or his nominee will be issued 1,000,000 options for no issue price;*
3. *the options will be granted within five days of the date of this meeting;*
4. *a summary of the terms and conditions of the Incentive Plan is set out in the attached Explanatory Memorandum;*
5. *shares issued as a result of the exercise of the options will rank pari passu with ordinary shares in the Company;*
6. *no funds will be raised as a result of the grant of the options; and*
7. *the Company will, in accordance with section 224 of the Corporations Act 2001 (Cth), disregard any votes cast on Resolution 10 by Peter Munachen and any associates of Peter Munachen. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

RESOLUTION 11

APPROVAL OF GRANT OF 21 CENT OPTIONS TO TAPANI JARVINEN

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

"Subject to the passing of resolution 7, that for the purpose of Listing Rule 7.1 and 10.11 of Australian Stock Exchange Limited the issue of one million options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 21 cents with no expiry date, a vesting hurdle is stipulated in table 1 in the attached Explanatory Memorandum and otherwise on the terms and conditions Incentive Plan to Tapani Jarvinen for nil consideration be and is hereby approved."

1. *The options issued under Resolution 11 will be issued to Tapani Jarvinen or his nominee in accordance with the terms and conditions of the Incentive Plan;*
2. *Tapani Jarvinen or his nominee will be issued 1,000,000 options for no issue price;*
3. *the options will be granted within five days of the date of this meeting;*
4. *a summary of the terms and conditions of the Incentive Plan is set out in the attached Explanatory Memorandum.*
5. *Shares issued as a result of the exercise of the options will rank pari passu with ordinary shares in the Company;*

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6. *no funds will be raised as a result of the grant of the options; and*
7. *the Company will, in accordance with section 224 of the Corporations Act 2001 (Cth), disregard any votes cast on Resolution 11 by Tapani Jarvinen and any associates of Tapani Jarvinen. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

RESOLUTION 12

RATIFICATION OF ISSUE OF OPTIONS TO CHIEF FINANCIAL OFFICER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited, the Company ratifies the issue of 500,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 17.5 cents each with no expiry date to Michael Naylor for nil consideration be and is hereby approved."

The Company will in accordance with the Listing Rules of ASX, disregard any votes cast on Resolution 12 by Michael Naylor who participated in the issue and any associates of Mr Naylor. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

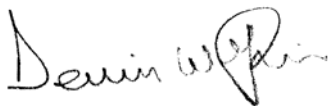
RESOLUTION 13

INCREASE OF DIRECTORS FEES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the maximum aggregate amount payable to non-executive Directors by way of Directors' fees be increased from \$150,000 to \$300,000 per annum."

By order of the Board



Dennis Wilkins
Company Secretary
Dated: 27 October 2006

PROXIES

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

A proxy may, but need not be, a shareholder of the Company.

Proxy forms must reach the Registered Office of the Company at least 48 hours prior to the meeting.

DRAGON MINING NL
ACN 009 450 051

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Dragon Mining NL ACN 009 450 051 ("**Company**") with sufficient information to assess the merits of Resolutions 4 to 13 contained in the accompanying Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Meeting:

RESOLUTION 4

CHANGE OF COMPANY TYPE

Pursuant to section 162 of the Corporations Act a no liability company may convert to a public company limited by shares (but only if all its issued shares are fully paid up). All of the issued shares in the Company are fully paid up.

Pursuant to section 166 of the Corporations Act, the change of type of company that is proposed **WILL NOT**:

- (a) create a new legal entity, or
- (b) effect the Company's existing property, rights or obligations (except as against the members of the Company in their capacity as members), or
- (c) render defective any legal proceedings by or against the Company or its members.

There is now a requirement for a company type and name and which better reflects the international investor market. In addition, the words "no liability" associated with the Company's current status incorrectly creates an uncertainty in the minds of potential investors. This "no liability" status is unique to Australia. For the Company to succeed in attracting funds from the competitive equity and debt markets, it must be seen in the correct light.

The Board of the Company unanimously recommends that shareholders vote to change the company type.

RESOLUTION 5

ADOPTION OF NEW CONSTITUTION

Given the proposed change in type of Company from no liability to public it is appropriate to update the Company's Constitution to ensure it is consistent with:

- (a) the Corporations Act;
- (b) the latest ASX Listing Rules; and
- (c) the change of company type which is the subject of Resolution 4.

The proposed Constitution complies with the requirements of the Corporations Act and ASX Listing Rules. Copies of the current and proposed Constitutions are available for perusal by shareholders at the Company's registered office.

The following summarises the main provisions of the proposed Constitution:

Voting Rights

Each member present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll one vote for each fully paid share held in the capital of the Company. Members holding partly paid shares have such number of votes on a poll as bears the same proportion to the total of such shares registered in a member's name as the amount of the issue price thereof paid up bears

to the total issued price. Each member is entitled to notice of, and to attend and vote at, general meetings.

In the event of a breach of any escrow agreement entered into by the Company under the Listing Rules in relation to any shares which are classified under the Listing Rules or by ASX as restricted securities, the member holding the shares in question shall cease to be entitled to any voting rights in respect of those shares for so long as the breach subsists.

Forfeiture of Shares

Under the Corporations Act, a no liability company has no contractual right under its constitution to recover calls made on its shares from a shareholder who fails to pay them. Similarly, ASX Listing Rules provide different timetables for calls and instalments in relation to no liability companies and other entities. Consequently, the provisions in the Company's current Constitution dealing with notices of calls and the forfeiture of shares in respect of which calls remain unpaid, will be inappropriate if Resolution 4 is passed as the Company will cease to be a public no liability company and will be a public company limited by shares.

Dividend Rights

The profits of the Company which the Directors from time to time determine to distribute by way of dividends are divisible amongst the members in proportion to the number of shares held by them on the amount paid or payable on the shares.

In the event of a breach of any escrow agreement entered into by the Company under the Listing Rules in relation to any shares which are classified under the Listing Rules or by ASX as restricted securities, the member holding the shares in question shall cease to be entitled to any dividends in respect of those shares for so long as the breach subsists.

Rights on Winding Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the members in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of members.

The liquidator may with the authority of a special resolution vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no member is compelled to accept any shares or other securities in respect of which there is any liability. Subject to the rights of the members (if any) entitled to shares with special rights in a winding up, all moneys that are to be distributed among members on a winding up shall be so distributed in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

The Board of the Company unanimously recommends that shareholders vote to adopt the new constitution.

RESOLUTION 6

CHANGE OF AUDITOR

Given the Company's expanding international operations the Directors consider it prudent to change the Group's auditors to an organisation which can provide additional international support coupled with a combined audit of the Group's activities. Directors recommend that the Company appoints Ernst & Young to replace the Company's current auditors. Ernst & Young have proven international expertise to provide the company with the services it will require.

The Company has received a nomination from a shareholder nominating Ernst & Young as the Company's auditors.

The Board of the Company unanimously recommends that shareholders vote to change auditors.

RESOLUTION 7

ADOPTION OF THE DRAGON MINING GROUP EMPLOYEES OPTION INCENTIVE PLAN ("INCENTIVE PLAN")

Resolution 7 seeks shareholder approval to the adoption of an Incentive Plan for eligible persons associated with the Company. A summary of the Incentive Plan follows.

The Incentive Plan is intended to:

- (a) increase the range of potential incentives available to directors, employees, consultants and contractors and to recognise their contribution to the Company's success; and
- (b) strengthen the links between the Company and its directors, employees, consultants and contractors.

The Incentive Plan allows the Company to issue up to a maximum 5% of the total number of ordinary shares on issue in the capital of the Company, as options to Eligible Persons. As at 30 September 2006, the issued capital of the Company comprised 440,393,549 ordinary fully paid shares and 23,645,289 convertible notes, with each note convertible into six ordinary fully paid shares, on issue in the Company.

The essential features of the Incentive Plan include:

- the options are to be issued to selected Eligible Persons for free;
- Eligible Persons are any full-time or part-time employees of any Group Company, including Directors of the Company, their spouses, companies in which they hold a beneficial entitlement of not less than 50% of the issued voting share capital, the trustee of a trust of which they are a beneficiary, or the trustee of a superannuation fund of which they are a member;
- the allotment of options to Eligible Persons is at the discretion of the Board of Directors;
- the exercise price of an option shall be the price determined by the Board in its absolute discretion prior to or on grant of the option;
- The exercise period of option shall be determined by the Board in its absolute discretion.
- the options will be unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer;
- any adjustments to the entitlement of Eligible Persons will be made in accordance with the Listing Rules; and,
- the Incentive Plan may only be amended with the prior approval of the shareholders of the Company and in accordance with the Listing Rules.

The Board of the Company recommends shareholders vote to adopt the Incentive Plan.

RESOLUTIONS 8 - 11

ISSUE OF OPTIONS TO DIRECTORS

Shareholders' approval is sought to grant of various options to Directors or their nominees, for nil consideration in accordance with the terms Incentive Plan.

Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

1. the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Directors are considered to be a related party of the Company.

Resolutions 8 to 11 provide for the grant of options to related parties which is a financial benefit which requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

The options will be issued to each of the current Directors or their nominees within 5 days of the passing of this Resolution.

The nature of the financial benefit

The proposed financial benefit is the grant to Directors or their nominees, for no issue price, that number of options shown beside their name in the table below. Each option will allow the Director to subscribe for one ordinary fully paid share in the Company. The exercise price of each option is also detailed in the Table 1. The options form part of Directors' reward for their past efforts in acting as Directors of the Company and also to provide an incentive for continuing and future efforts.

Directors' recommendation

The Directors do not wish to make a recommendation about the proposed Resolutions 8 to 11. As each director may potentially receive a financial benefit from the passing of one of the Resolutions in relation to the grant of the options they do not consider themselves sufficiently independent to make a recommendation.

All of the Directors were available to consider the proposed Resolution.

Interests of directors

The directors have noted their respective interest in the approval of at least one of the Resolutions in relation to the options.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant 4 million free options over unissued shares in the Company to the Managing Director or his nominee, 2 million free options to the Chairman or nominee and 1 million free options to each of the Non-Executive Directors or their nominees.
- (b) The exercise of the options is subject to the terms and conditions of the Incentive Plan.

DRAGON MINING NL

Explanatory Memorandum

- (c) The Directors, in conjunction with the Company's advisers have attempted to value the options by reference to the Black-Scholes valuation method, based upon the assumptions outlined in Table 3.
- (d) The total value of the options to be issued is outlined in Table 1. If options granted to Directors are exercised, the effect would be to dilute the shareholdings of the existing shareholders.
- (e) As at 30 September 2006, the issued capital of the Company comprised 440,393,549 ordinary fully paid shares and 23,645,289 convertible notes, with each note convertible into six ordinary fully paid shares. On a fully diluted basis (excluding conversion of the notes) the issue of options represents approximately 1.81% of the Company's issued capital.
- (f) The directors' current interests in securities of the Company are detailed in the Table 2.
- (g) The market price of the Company's shares during the term of the options will normally determine whether or not the option holder exercises the option. At the time any options are exercised and shares issued pursuant to the exercise of the options, the Company's ordinary shares may be trading on ASX at a price which is higher than the exercise price of the options.
- (h) The options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary shares of the Company have been traded on ASX since 1990. Over the last 12 months the shares have traded in the range of 9.4 cents to 21 cents the most recent closing price prior to printing of this notice was 14 cents. The options are capable of being converted to shares by payment of the exercise price.
- (i) Under the Company's current circumstances, the Directors consider that the incentive to Directors which would be represented by the options would be a cost-effective and efficient reward for the Company as opposed to alternative forms of incentives.
- (j) The Non-Executive Directors (including the Chairman) currently receive total remuneration of \$150,000 per annum inclusive of statutory superannuation (9%) for fulfilling their roles. Mr Cordin currently receives \$275,000 per annum exclusive of statutory superannuation (9%) for fulfilling his role.
- (k) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the options to Directors pursuant to Resolutions 8 to 11.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 8 to 11.

RESOLUTION 12

ISSUE OF OPTIONS TO CHIEF FINANCIAL OFFICER

The Board of Directors resolved to issue 500,000 unlisted 17.5 cent options with no expiry date in the capital of the Company to Mr Michael Naylor, the Company's Chief Financial Officer. The options were issued in accordance with Mr Naylor's employment agreement.

Listing Rule 7.4

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Resolution 12 has been included so that shareholders may approve and ratify, pursuant to Listing Rule 7.4, the allotment and issue of 500,000 unlisted 17.5 cent options, with no expiry date to Mr Michael Naylor.

RESOLUTION 13

INCREASE IN DIRECTORS FEES

Clause 15.1 of the Constitution provides that the remuneration of Non-Executive Directors may not exceed in aggregate in any year the amount determined by shareholders. The Constitution also provides that this amount may be divided among the Non-Executive Directors in the manner and in the proportion determined by the Board.

Listing Rule 10.17 provides that a listed company must not, without shareholder approval, increase the total amount of Non-Executive Directors' fees.

The current maximum aggregate amount which shareholders have approved to be paid as Directors' fees to Non-Executive Directors is \$150,000 per annum. This amount was set in 1999 and this is the first time an increase has been proposed to shareholders.

Currently, the Chairman is paid an annual fee of \$75,000. Non-Executive Directors are each paid an annual fee of \$37,500. Non-Executive Directors receive the minimum statutory superannuation entitlement. Details of Non-Executive Directors remuneration is disclosed in the 2006 Annual Report.

For the purposes of Clause 15.1 of the Company's Constitution and Listing Rule 10.17, shareholder approval is sought to increase by \$150,000 the maximum aggregate amount from \$150,000 to \$300,000 per annum including superannuation.

Increasing the maximum amount of Non-Executive Directors' fees payable does not mean that the new maximum aggregate will be used in the next financial year. However, it will provide the Board with the ability over time to increase Non-Executive Directors' fees in line with market conditions and also to attract high quality directors and, if appropriate, expand its membership as part of its recently implemented programme of Board renewal.

If shareholders pass Resolution 13 the Board will review fees to be paid to Non-Executive Directors effective 1 January 2007, taking into account expert advice and the above considerations.

DRAGON MINING NL
Explanatory Memorandum

Table 1 - Details of options to be issued to Directors

Director	Number of options	Exercise price	Expiry date	Hurdle	Value as determined by Black-Scholes valuation
Peter Cordin	1 million	14.0 cents	No expiry date	No hurdle	\$49,735
	1 million	17.5 cents	No expiry date	No hurdle	\$40,310
	2 million	21.0 cents	No expiry date	No hurdle	\$66,184
Andrew Daley	2 million	21.0 cents	No expiry date	Volume weighted average share price of Dragon fully paid ordinary shares exceeding 25.0 cents for 5 consecutive business days.	\$66,184
Peter Munachen	1 million	21.0 cents	No expiry date	Volume weighted average share price of Dragon fully paid ordinary shares exceeding 25.0 cents for 5 consecutive business days.	\$33,092
Tapani Jarvinen	1 million	21.0 cents	No expiry date	Volume weighted average share price of Dragon fully paid ordinary shares exceeding 25.0 cents for 5 consecutive business days.	\$33,092

Table 2 -Details of Directors current holdings of securities in the Company

Director	Shareholding	Option holding	Convertible Notes
Peter Cordin	Nil	Nil	Nil
Andrew Daley	Nil	Nil	40,000
Peter Munachen	Nil	Nil	Nil
Tapani Jarvinen	Nil	Nil	Nil

Table 3 - Option validation details

Details	Input
Share price	14 cents
Exercise Price	As detailed in the Table 1
Risk Free Rate (Australian 5 year T-Bond)	5.5%
Volatility (Annualised)	50%
Time (years) to expiry	No expiry date.



PROXY FORM

The Company Secretary
Dragon Mining NL
173 Mounts Bay Road
Perth WA 6000

Facsimile: +61 8 6311 8004

I/We (name of shareholder)

of (address)

being a member/members of Dragon Mining NL HEREBY APPOINT

(name)

and/or failing him/her

or failing that person, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 30 November 2006 and at any adjournment of the meeting.

PROXY INSTRUCTIONS

If you wish to instruct your proxy how to vote, insert "X" in the appropriate column against the Resolution set out below.

If you do not wish to direct your proxy how to vote please insert "X" in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and vote's casts by him other than as a proxy holder will be disregarded because of that interest. The Chairman has advised that his intention is to vote in favour of all Resolutions.

	For	Against	Abstain
Resolution 1 – Election of Peter Cordin as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Peter Munachen as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Change of Company Type	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Adoption of A New Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Change of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Adoption of Employee Incentive Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Approval of Grant of Options to P Cordin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Approval of Grant of Options to A Daley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Approval of Grant of Options to P Munachen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Approval of Grant of Options to T Jarvinen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – Ratification of Issues of Options to CFO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 – Increase of Directors Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

This Proxy is appointed to represent _____ % of my voting right, or if 2 proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my total votes. My total voting right is _____ shares.

SIGNATURE OF SECURITYHOLDERS – PLEASE SIGN HERE

Individual or Shareholder 1

Sole Director & Sole Company Secretary

Joint Shareholder 2

Director / Company Secretary

Joint Shareholder 3

Director

Dated this _____ day of _____ 2006

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the Company or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting **that is by 9.30 am WST on 28 November 2006** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the Resolutions stated above, then the following applies:
 - (a) *the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and*
 - (b) *if the proxy has 2 or more appointments that specify different ways to vote on the Resolution, the proxy must not vote on a show of hands; and*
 - (c) *if the proxy is Chairperson, the proxy must vote on a poll and must vote that way, and*
 - (d) *if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.*

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.