



Quarterly Activities Report For the Quarter Ended 30 September 2006

HIGHLIGHTS

OPERATION

- Gold production for the quarter of 11,960 ounces.
- Average cash cost for the quarter of US \$431 per ounce.

DEVELOPMENT

- Development work in preparation for mining the Sarvisuo lodes at Orivesi, Finland continued with a total development advance of 430m.
- The Sarvisuo decline advanced 184m which enabled the commencement of confirmation drilling.
- A total of six confirmation holes completed by the end of the quarter for 755.80m.

EXPLORATION

- Reverse circulation drilling commenced at Svartliden during the quarter which returned some encouraging initial results including **2m @ 2.79 g/t Au** from 11m and **8m @ 2.53 g/t Au** from 37m including **1m @ 9.47 g/t** from 40m, 50m beyond the previously known limit of gold mineralisation.
- Underground drilling continued at Orivesi returning results including **1.70m @ 6.59 g/t Au** from 45.80m, **1.96m @ 6.07 g/t Au** from 0.04m and **2.20m @ 8.61 g/t Au** from 121.40m.
- Shallow open hole percussion drilling across the new Kaapelinkulma trenches returned a number of encouraging results including **11.00m @ 6.83 g/t Au** from 3m.

CORPORATE

- Group cash and bullion at the end of the quarter was A \$10.0m.
- Delivery of 100% of gold production into the spot market for the quarter at an average cash price of US \$619 per ounce.
- Svartliden project debt facility fully repaid.
- Subsequent to quarter end, the Company completed the sale of the Pampalo Gold Project with receipt of the outstanding balance of €5.4 million from Endomines AB.



OPERATION

SWEDEN

Svartliden

PRODUCTION SUMMARY

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Availability (%)	Total Gold Production (Ounces)
September Quarter	90,850	88,045	4.80	90.6	94.2	11,960
June Quarter	77,785	83,291	5.90	93.5	93.0	14,744

The operation had two lost time injuries for the quarter. As at 30 September 2006, the lost time injury free hours totalled 12,399.

Svartliden produced 11,960 ounces of gold from 88,045 tonnes of ore milled at a head grade of 4.80 g/t at a cash cost of \$US 431 per ounce.

Ore production was predominantly sourced from the eastern pit and the western extension. Total material mined was below the amount planned primarily due to only a single mining shift operating during July and August. These months are typically holiday periods for personnel in Sweden. The mining grade for the quarter was marginally above the mine plan.

A substantial grade control drilling program was completed during the quarter and the drill metres will now be reduced considerably in winter due to adverse, extreme conditions.

Problems with the treatment plant hindered production, which resulted in lower throughput and recoveries. Problems included 2 CIL tanks being out of service for a part of July, powergrid failures and unplanned maintenance.

A thorough review of the treatment plant has commenced including engaging an Australian consultant to identify cost effective ways to improve availability, recoveries and reduce operating costs.

An application has been lodged with the County Administration Board in Sweden, following public meetings, to be able to increase the plant throughput in the twelve months commencing 1 March 2006 to 440,000 tpa.

DEVELOPMENT

FINLAND

Orivesi

Preparation work for the Sarvisuo development continued during the quarter with a total development advance of 430m. The Sarvisuo decline advanced 183.7m and reached the 308.5m level, which has enabled confirmation drilling to commence. Total confirmation drilling for the quarter was 755.80m.

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 the Vammala Process Facility will be submitted to the Board for approval by December 2006.



Vammala Process Facility

The mill remains on care and maintenance.

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

EXPLORATION

SWEDEN

Svartliden

Reverse circulation drilling commenced at Svartliden at the end of the quarter focussed on the immediate eastern strike extensions of the Svartliden gold deposit. A total of 650 metres was completed.

Results from analysis for gold have been received for four of the eleven holes completed, returning encouraging results from Profile 2250, 50m east of the previous known limit of gold mineralisation. Further work is now being planned to extend drilling further east, with a view to completing the program before year end. Results available to date are provided in Table 1.

Table 1: Results of Intersections - Svartliden

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	To (m)	Intercept (m)	Au (g/t)
SVC111	7187418	1588985	341.4	-55.0	11.00	13.00	2.00	2.79
					37.00	45.00	8.00	2.53
<i>includes 1m @ 9.47g/t gold from 40m</i>								
SVC112	7187403	1588990	341.4	-55.0	NSR			
SVC113	7187389	1588994	341.4	-55.0	67.00	73.00	6.00	1.81
SVC115	7187388	1588942	341.4	-55.0	5.00	12.00	7.00	1.82

Final results from the diamond core program completed during the previous quarter has effectively closed off mineralisation along the immediate western strike extensions that could be incorporated into current mine designs. It is apparent however, from ground geophysical surveys that the host geological sequence to the Svartliden mineralisation continues beyond these limits of drill testing for a distance in excess of 1,000 metres both to the east and west, in areas which historically have been subjected to minimal exploration.

A ground magnetic survey totalling 175km, which commenced in late June to expand and compliment earlier ground geophysical surveys over the Mine and Mine Corridor areas was completed during the quarter. The enlarged dataset is currently undergoing processing and interpretation and the information is to be used to select targets that will be advanced through to drill status by year end. Preliminary images have highlighted the potential of the geology along strike from the Svartliden deposit, as well as geological sequences both to the north and south of the host sequence, which have received little attention in the past.

An application for a new Exploration Permit covering an area of 2,567 hectares was lodged during the quarter. It encompasses the eastern strike extension of the host geological sequence from Svartliden.

Orgsjön Joint Venture (Earning 80% Interest)

No field activities were completed.



FINLAND

Orivesi

Underground exploration drilling to test targets north and northwest of Pipe 5 in the Kutema area continued during the quarter where a further 950.65m of drilling was completed from six holes (KU-845 to KU-849). Verification drilling of the Sarvisuo Lodes commenced later in the quarter. By the end of September six drill holes (KU-851-854 and KU-858, 859), 755.80m in total were drilled at Sarvisuo.

At Kutema, drill holes KU-845 and KU-846 were specifically planned to target the strike extensions of the previously announced intersection of 3.20m grading 11.1g/t Au. These holes failed to return any significant gold grades to support the KU-840 intersection, however this intersection may still possess vertical extensions which will be examined as the drilling programs progress. Encouraging results received from other holes in the Kutema area during the quarter are listed in Table 2.

Table 2 – Significant Intersections Kutema

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	To (m)	Intercept (m)	Au (g/t)
KU-843	6838509.6	2508538.2	001.0	32.0	0.05	2.00	1.95	1.20
					42.00	42.65	0.65	3.88
					50.25	52.00	1.75	2.84
KU-844	6838509.8	2508538.1	104.3	-39.0	1.00	3.75	2.75	2.00
					45.80	47.50	1.70	6.59
					69.00	70.25	2.00	1.25
KU-845	6838509.6	2508561.3	042.8	22.0	0.04	2.00	1.96	6.07
KU-846	6838510.3	2508560.3	024.0	22.0	0.00	2.25	2.25	1.97
KU-847	6838510.1	2508534.0	343.5	-9.9	53.90	54.95	1.05	3.98
					118.10	119.10	1.00	1.32
KU-848	6838509.9	2508532.3	305.4	-17.5	114.90	117.00	2.10	2.16
					121.40	123.60	2.20	8.61

Jokisivu

Field activities at Jokisivu were restricted to boulder hunting and geological mapping.

Ritakallio Gold Prospect

On 14 September 2006, Polar Mining Oy (100% subsidiary of Dragon Mining NL) purchased claims held by the Geological Survey of Finland (GSF) having successfully tendered to the Ministry of Trade and Industry (MTI).

The Ritakallio gold occurrence is located in southwest Finland, 5km east of the Jokisivu gold deposit and 35km southwest of the Vammala Plant. GSF discovered the Ritakallio gold occurrence during their regional gold exploration program in 2002.

Structural and lithological setting, mineral assemblages and textures at Ritakallio are similar to those observed in the orogenic mesothermal Jokisivu deposit. Eight diamond drill holes totalling 610.40m have been drilled in the Ritakallio area. The best intersections are 1.0m @ 3.85 g/t Au and 4.7m @ 1.7 g/t Au. Other encouraging gold indications in the area are boulders and outcrop samples (up to 36.5 g/t Au) and percussion drill samples (1m @ 8.5 g/t Au).



Kaapelinkulma

Shallow open hole percussion drilling across the new Kaapelinkulma trenches returned a number of encouraging results. Some of the intercepts obtained are long and of high-grade, these being closely associated with the shear and quartz-veined zones. The best intercept received was 11.00m grading 6.83 g/t Au from 3.00m in percussion drill hole VK/KKU-S29 from trench M2. All significant results from the shallow drilling are provided in Table 3.

Table 3 - Gold results of percussion samples from the Kaapelinkulma trenches.

Hole ID	Azimuth (°)	Dip (°)	Length (metres)	Grade (g/t gold)	From	Trench
VK/KKU-S5	284.07	-43.6	1.0	1.21	0.0	M1
			1.0	2.81	4.0	M1
VK/KKU-S6	275.60	-75.3	2.0	1.36	0.0	M1
VK/KKU-S8	291.86	-60.6	2.0	2.04	4.0	M1
VK/KKU-S9	282.93	-61.4	1.0	4.23	1.0	M1
			1.0	1.42	5.0	M1
VK/KKU-S10	289.08	-71.2	2.0	1.10	8.0	M1
			2.0	2.10	14.0	M1
VK/KKU-S12	295.01	-58.4	3.0	1.81	2.0	M1
VK/KKU-S13	290.31	-73.3	8.0	1.33	4.0	M1
VK/KKU-S14	288.49	-50	1.0	1.25	2.0	M1
VK/KKU-S17	291.68	-52.4	3.0	1.31	7.0	M1
VK/KKU-S19	295.66	-55.4	1.0	1.18	3.0	M1
VK/KKU-S22	297.87	-54.4	1.0	1.00	9.0	M2
			1.0	1.02	18.0	M2
VK/KKU-S23	308.99	-51.1	2.0	1.05	12.0	M2
VK/KKU-S25	315.16	-61.6	3.0	3.12	5.0	M2
VK/KKU-S26	308.06	-48.2	3.0	3.60	0.0	M2
			4.0	3.96	10.0	M2
VK/KKU-S27	320.39	-61.6	2.0	5.10	0.0	M2
VK/KKU-S28	315.80	-61.1	8.0	4.45	8.0	M2
VK/KKU-S29	319.50	-50.8	11.0	6.83	3.0	M2
VK/KKU-S30	305.16	-50.3	2.0	16.75	1.0	M2
VK/KKU-S31	313.97	-47.7	3.0	1.20	0.0	M2
			4.0	1.78	8.0	M2
VK/KKU-S33	303.69	-46.4	1.0	1.11	4.0	M2
VK/KKU-S34	307.46	-49.3	1.7	3.04	0.0	M2
VK/KKU-S35	302.46	-47.2	8.0	4.01	6.0	M2
VK/KKU-S37	315.00	-48.5	2.0	5.25	0.0	M2
VK/KKU-S38	321.79	-44.9	12.0	5.28	4.0	M2
VK/KKU-S39	311.49	-56.3	10.0	1.91	10.0	M2
VK/KKU-S42	305.89	-50.9	2.0	1.53	6.0	M2
			4.0	10.28	16.0	M2
VK/KKU-S43	301.50	-49.4	2.0	1.49	0.0	M2

Channel sampling was completed across select zones of the Kaapelinkulma trenches, with a total of 144 samples being collected from ten separate profiles. Analytical results are available for 113 samples, the best results obtained include 4.15m grading 5.19 g/t Au in channel VK/KKU-SC-1B from 5.80m and 2.75m grading 9.37 g/t Au in channel VK/KKU-SC-3A from 4.50m. All significant results are listed in Table 4.

**Table 4 - Intercepts from cut channels at Kaapelinkulma.**

Channel ID	Intercept (m)	Grade (g/t gold)	From (m)	Trench ID
VK/KKU-SC-1A	1.05	1.65	0.00	M2
VK/KKU-SC-1B	0.40	1.48	0.00	M2
	0.25	2.28	3.10	
	4.15	5.19	5.80	
	<i>includes 1.25m @ 12.18g/t Au from 6.35m</i>			
	1.55	0.99	11.00	
	0.65	1.08	13.95	
VK/KKU-SC-2A	1.95	4.31	1.50	M2
VK/KKU-SC-2C	1.35	1.78	0.45	M2
VK/KKU-SC-3A	0.95	1.15	0.65	M2
	2.75	9.37	4.50	
<i>includes 0.40m @ 18.80g/t Au from 6.85m</i>				
VK/KKU-SC-3B	1.10	2.03	1.25	M2
VK/KKU-SC-6	2.05	7.60	0.45	M2
<i>includes 0.30m @ 38.50g/t Au from 2.20m</i>				
VK/KKU-SC-9	2.20	1.12	1.85	M1

Liesjärvi

Results from the reconnaissance till sampling program carried out at Liesjärvi highlighted the presence of distinct gold and gold pathfinder elements to the northwest of the previous exploration area.

Peak gold values of the fine fraction in till (- 0.06 mm) were a few tens of ppb and in panned heavy concentrate a few hundreds of ppb. These indicate the possible existence of small local zones of gold enrichment at or near the contact zone between an intrusive granodiorite and volcanic rocks. A program of shallow drilling is being planned to test these anomalies.

Tammijärvi

Boulder hunting and geological mapping were carried out in the Tammijärvi area during the quarter. Results from analysis indicate that the central portion of the Claim is the most prospective, with boulders yielding grades ranging up to 3.77g/t Au, 40.5g/t Ag and 0.67% Cu.

Hanhimaa

New trenches were excavated in the Kellolaki area during the quarter. This area was previously subjected to minor trenching in 2004, which yielded results from channel sampling of 5m @ 4.1 g/t Au and 3m @ 3.2g/t Au.

Applications were lodged for a series of Claims in the Sukseton area, approximately 10 km east of Hanhimaa. The Claims encompass an area where indications of gold and base metals had been identified by previous explorers during the 1980's and 1990's.

Inco Nickel Alliance

Preliminary geological field work continued at both the Sarvisoaivi and Ruossakero areas during the quarter, focusing on geological mapping of identified geophysical anomalies and MMI sampling.

A ground EM geophysical survey was carried out at Ruossakero comprising a total of nine loops. Data is now being processed with results expected to be available during the next quarter.



Kuhmo Nickel Joint Venture (5% Free Carried Interest)

Vulcan Resources announced during August that Snowden Mining consultants had calculated a global mineral resource estimate on shallow open pit nickel sulphide mineralisation at the Vaara, Peura-aho and Hietaharju deposits within the Kuhmo Nickel Project. Further work has since been carried out by Snowden, resulting in the nickel and copper grade estimates for the Peura-aho and Hietaharju resources being revised upwards by 10-20%. The resources above a nickel equivalent grade of 0.3% Ni total 7.6 million tonnes grading 0.4% Ni, 0.1% Cu, 0.01% Co, 0.3g/t Pd and 0.2g/t Pt and are tabulated below.

Table 5 – Nickel Resources

Vaara				
Category	Tonnes	Ni %	Cu %	Co %
Indicated	2,432,000	0.37	0.03	0.01
Inferred	3,694,000	0.33	0.02	0.01
Total	6,126,000	0.35	0.03	0.01
Peura-aho				
Indicated	371,000	0.50	0.21	0.03
Inferred	171,000	0.53	0.26	0.03
Total	542,000	0.51	0.22	0.03
Hietaharju				
Indicated	413,000	0.64	0.36	0.04
Inferred	590,000	0.45	0.22	0.03
Total	1,003,000	0.53	0.28	0.03

The Kuhmo project is 95% owned by Vulcan and is a joint venture with Dragon who retains a 5% free carried interest. The project currently holds approximately 50 square km of tenure within the joint venture area of influence of 8,500 square kms.

RUSSIA

OAo Kivijarvi (84.98% interest)

No field activities were completed during the quarter.

ERITREA

Zara Joint Venture (Diluting to 20% Interest)

The Zara Joint Venture with Sub-Sahara Resources ("SBS") and Africa Wide Resources Limited comprises a single license covering an area of 196km² situated in northern Eritrea, approximately 160km northwest of Asmara city.

SBS has reached agreement with Africa Wide Resources Limited ("AWR") for SBS to acquire a further 22.35% interest in the project from AWR, subject to shareholder approval, taking SBS's interest to 56.34%. This additional interest will now give SBS the right to acquire up to 69% equity in the Zara project.

The change in the Zara joint venture between Dragon, AWR and SBS will require a variation to the existing joint venture as well as the consent of the Minister for Energy and Minerals of Eritrea.

During the quarter an expanded exploration program at Zara commenced. The program includes drilling, a regional geological study, ground based geophysics, soil, stream sediment and rock chip sampling. The expanded diamond/reverse circulation drilling contract (~19,000m) is designed to produce a JORC compliant 'indicated' gold resource at the Koka prospect and test for gold mineralisation at depth at the Konate and Debre Tsaeda prospects. Construction of roads, camp expansion and development of water bores also commenced.



Koka Prospect (Gold)

During the quarter a further two diamond drill holes (ZARD012 and ZARD014) were completed at the Koka prospect. Assay results are pending.

By the end of the reporting period, two man-portable diamond drills were in operation on a double shift basis at Zara. It is important to note that the man-portable drill rigs are only capable of approximately 10m per shift and have until recently been restricted to a single shift basis due to excessive water consumption. A further three diamond rigs with a capacity of up to 20m per shift are expected at site during the coming quarter to assist with the resource definition program, the arrival of the rigs is dependent upon the repair of the access roads after completion of the 'rainy season'. The steep topography of the Zara Project area does not allow the use of large capacity diamond or reverse circulation drill rigs.

A program of prospect geological mapping and surface sampling (channel and rock chip) that commenced earlier in the year will be complete by the end of December 2006. Some of the surface samples have been returned and interpretation of this data will be carried out in the coming quarter. Refer to Table 6 for the most significant assay results to date from the surface sampling program.

Konate Prospect (Gold)

The geochemistry and limited nature of the significant gold mineralisation intercepted in the initial diamond drill holes at Konate (ZARD005 – 007) is similar to the limited gold mineralisation intercepted in the alteration haloes adjacent to the 'core' mineralisation at Koka. The gold mineralisation intercepted is predominantly related to sulphidic quartz veining hosted in a fractured, ferruginous felsic tuff.

A program of two east dipping diamond drill holes (ZRD011 and ZAR013) to test the possibility that holes ZARD005 – 007 (west dipping) are sub-parallel to mineralisation and not intercepting the 'core' mineralisation at Konate commenced during the quarter. Assays results for ZARD011 have been returned and proved disappointing. Assay results for ZARD013 are pending.

The most significant assay results for ZARD011 are given in Table 7.

Further drilling of the Konate prospect will only be considered once the resource definition program at the Koka prospect is completed in early 2007.

Regional

A program of geological mapping, rock chip sampling and stream sediment sampling that commenced earlier in the year is near completion. The program of mapping is expected to be complete by the end of the fourth quarter (December 2006) with the stream sediment and rock chip sampling on-going. Some results from the surface sampling programs have been returned and results will be assessed during the coming quarter. Refer to Table 8 for the most significant assay results to date from the surface sampling program.

**Table 6: Significant Surface sample assay results, Zara Project (Koka Prospect)**

Sample	Easting (UTM)	Northing (UTM)	Sample Type	Ag (ppm)	As (ppm)	Au (ppb)	Cu (ppm)	Pb (ppm)	Zn (ppm)
208421A	391328	1824499	Stream Sediment	0.05	5	5.1	19	5	80
208422A	391377	1824573	Stream Sediment	0.1	10	65.1	22	9	61
208428A	390490	1824995	Stream Sediment	0.1	10	9.3	16	8	49
208429A	390315	1823879	Stream Sediment	0.2	5	211.9	22	37	81
208430A	389877	1823787	Stream Sediment	0.05	5	5.5	19	11	74
208431A	389835	1823802	Stream Sediment	0.05	15	27.7	33	11	91
208432A	389909	1824314	Stream Sediment	2.3	16	2935.5	83	570	281
208438A	388762	1824475	Stream Sediment	0.3	26	790.8	15	60	64
208441A	389474	1825041	Stream Sediment	0.1	12	12.6	29	18	76

Table 7: Significant Diamond Drill assay Intersections, Zara Project (Konate Prospect)

Hole	Prospect	Easting (UTM)	Northing (UTM)	Dip (°)	Azimuth (°)	From (m)	To (m)	Interval (m)	Au (ppm)	Cu (ppm)	Pb (ppm)	Zn (ppm)
ZARD011	Konate	390450	1820365	-50	110	120	121	1	5.17	8	25	19
						133	134	1	0.21	18	6	80
						164	165	1	0.26	32	6	17

Table 8: Significant Surface sample assay results, Zara Project (Regional)

Sample	Easting (UTM)	Northing (UTM)	Sample Type	Ag (ppm)	As (ppm)	Au (ppb)	Ba (ppm)	Cu (ppm)	Ni (ppm)	Pb (ppm)	Zn (ppm)
208351	389963	1825853	Rock Chip	0.4	13	0.5		44	18	428	383
208352	390036	1826001	Rock Chip	0.05	5	239		4	2	4	42
208354	390590	1823940	Rock Chip	0.6	19	2007		15	23	10	460
208372	389901	1826668	Rock Chip	5.4	35	3		41	6	913	698
208374	390196	1826943	Rock Chip	0.2	5	793		113	3	7	31
208376	394288	1826980	Rock Chip	0.4	183	3		54	12	269	385
208377	394538	1827129	Rock Chip	1.5	5	98		6853	4	6	12
208380	390076	1828857	Rock Chip	0.3	5	1014		8921	25	4	104
208381	390029	1828822	Rock Chip	0.2	5	204		336	2	3	25
208385	390303	1819170	Rock Chip	2	5	10		3718	7	71	12
208388	390566	1820669	Rock Chip	0.2	5	25		1155	1	11	32
208389	391731	1819428	Rock Chip	0.05	27	383		46	4	3	13
208392	391843	1819813	Rock Chip	0.05	14	252		57	2	4	7
208405	387235	1818832	Rock Chip	0.05	5	3		458	46	2	43
208411	392085	1820250	Rock Chip	9.2	618	3819		4912	2	65	639
208412	392085	1820250	Rock Chip	9.9	768	127		579	2	23	374
208413	392085	1820250	Rock Chip	14.4	138	2137		5803	1	471	381
208414	392085	1820250	Rock Chip	52.6	7951	77268		232	3	122	218
208444	392082	1820250	Rock Chip	3.5	614	1211		4449	0.5	66	734
208445	392082	1820250	Rock Chip	6	23	577		385	0.5	63	76
208446	392082	1820250	Rock Chip	7.1	953	371		487	4	369	455
208449	392067	1820245	Rock Chip	2.8	3664	166		279	4	8	509
208453	392066	1820247	Rock Chip	4.2	6744	870		5528	6	19	4632
208461	390152	1825042	Rock Chip	0.4	11	131		67	14	334	250



Sample	Easting (UTM)	Northing (UTM)	Sample Type	Ag (ppm)	As (ppm)	Au (ppb)	Ba (ppm)	Cu (ppm)	Ni (ppm)	Pb (ppm)	Zn (ppm)
208462	390152	1825042	Rock Chip	0.8	5	170		384	9	1408	914
208463	390152	1825042	Rock Chip	0.4	5	65		235	3	308	471
208464	390152	1825042	Rock Chip	1.6	5	2764		39	4	277	195
208465	390152	1825042	Rock Chip	0.2	5	34		35	2	208	185
208466	390142	1825096	Rock Chip	1.4	147	117		58	87	322	344
208467	390142	1825096	Rock Chip	0.7	85	67		59	57	260	411
208468	390142	1825096	Rock Chip	2	12	91		50	5	791	165
208469	390142	1825096	Rock Chip	0.3	5	118		46	16	387	194
208470	390142	1825096	Rock Chip	0.5	21	119		27	25	576	202
208471	390142	1825096	Rock Chip	0.2	64	44		52	54	126	175
208472	390137	1825148	Rock Chip	0.3	21	19		28	36	61	116
208473	390137	1825148	Rock Chip	0.2	5	121		13	11	204	113
208482	390546	1822249	Rock Chip	0.05	5	38		93		77	537
208483	390562	1822272	Rock Chip	0.8	5	15		154		96	408
208489	388581	1817173	Rock Chip	0.4	5	531		1235		3	32
208500	390585	1818187	Rock Chip	0.05	5	1867		5		5	112
208501	390585	1818197	Rock Chip	0.05	5	1183		49		3	67
208502	390568	1818219	Rock Chip	0.5	5	12970		16		2	75
208506	387996	1825444	Rock Chip	10.1	4	3	10409.9	50685	64	7	57
208507	388032	1825446	Rock Chip	96	4	7	1841.2	25511	43	25	84
208508	387977	1825498	Rock Chip	8.6	3	2	73.3	18880	20	12	50
208509	387977	1825498	Rock Chip	3.9	3	3	214.2	6563	29	11	104
208510	391787	1819462	Rock Chip	0.4	72	2248		32		7	6
208511	391787	1819462	Rock Chip	0.05	42	122		20		5	4
208512	391780	1819464	Rock Chip	0.3	53	766		20		4	5
208513	391772	1819476	Rock Chip	0.1	168	471		31		6	21
208514	391772	1819502	Rock Chip	0.2	61	746		41		46	86
208517	389001	1825240	Rock Chip	0.2	387	72		112		17	42
208518	389123	1825579	Rock Chip	78.1	24	521		6431		5119	159

SPAIN

Valiña Joint Venture (Diluting to 50% Interest)

No field activities were completed during the quarter.

CORPORATE

Cash Balances and Movements

As at 30 September 2006, Dragon held A \$10.0m 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 \$2.4m.



Hedging

Table 9: Group Hedging Profile as at 30 September 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 September 2006 spot gold price of US \$599.10, the mark to market of the hedge book was a negative amount of US \$23.39m.

During the quarter, 7,750 oz of gold forwards were rolled out 1 month on a spot deferred basis at a price of \$403.18. Further restructuring of Dragon's forward sales is expected in the coming quarter.

Dragon delivered 100% of its gold production into the spot market during the quarter. The average cash price received per ounce of gold was US \$619.27.

Subsequent to 30 September 2006, Dragon has commenced delivering into its gold forward sales contracts at a rate of 60% of Svartliden's gold production.

Borrowings

During the quarter, Dragon repaid the balance of the Svartliden Project Debt Facility of approximately US\$ 2.0 million provided by Macquarie Bank.

Dragon has 23,645,289 A\$1.05 convertible notes on issue with and associated liability of \$24.9m.

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.

The Company received a non-refundable deposit of € 600,000 in February 2006 and further payments of € 150,000 in May 2006 and € 50,000 in September 2006 to extend the completion date from 31 May 2006 until 31 October 2006.

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 September 2006

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	10,195	10,195
1.2 Payments for (a) exploration and evaluation	(796)	(796)
(b) development	(1,655)	(1,655)
(c) production	(6,172)	(6,172)
(d) administration	(611)	(611)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	151	151
1.5 Interest and other costs of finance paid	(604)	(604)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	508	508
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(369)	(369)
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	-	-
Net investing cash flows	(369)	(369)
1.13 Total operating and investing cash flows (carried forward)	139	139



1.13	Total operating and investing cash flows (brought forward)	139	139
	Cash flows related to financing activities		
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	(2,722)	(2,722)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	(2,722)	(2,722)
	Net increase (decrease) in cash held	(2,583)	(2,583)
1.20	Cash at beginning of quarter/year to date	12,626	12,626
1.21	Exchange rate adjustments to item 1.20	(19)	(19)
1.22	Cash at end of quarter	10,024	10,024

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	117
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	1,990
4.2 Development	3,659
Total	5,649

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	660	2,385
5.2 Deposits at call	9,364	10,241
5.3 Bank overdraft	-	-
5.4 Other – Gold bullion	-	-
Total: cash at end of quarter (item 1.22)	10,024	12,626

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	6748/1 Kuikkapuro 1		100%	0%
	6880/1 Kuikkapuro 3		100%	0%
	6880/2 Kuikkapuro 4		100%	0%
	6912/1 Kuikkapuro 5		100%	0%
	Risträsk nr 1		100%	0%
6.2 Interests in mining tenements acquired or increased	Bredberget nr 1		100%	0%
	8202/1 Liesjärvi		0%	100%
	8234/1 Nenävaara 1		0%	100%
	8234/2 Nenävaara 2		0%	100%
	8234/3 Nenävaara 3		0%	100%
	7864/1 Ritakallionmaa 1		0%	100%
	7864/2 Ritakallionmaa 2		0%	100%
	7926/1 Ritakallionmaa 3		0%	100%
	7926/2 Ritakallionmaa 4		0%	100%
	7926/3 Ritakallionmaa 5		0%	100%
7926/4 Ritakallionmaa 6		0%	100%	



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				
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 N/A
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>		

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: 31 October 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.

== == == == ==