



Quarterly Activities Report For the Quarter Ended 30 June 2007

HIGHLIGHTS

OPERATIONS

- Svartliden gold production for the quarter of 13,184 ounces at an average cash cost of US\$385 per ounce.
- The Vammala Production Centre was successfully re-commissioned and the first gold concentrate of 73 tonnes grading 275 g/t gold has been stockpiled at the end of June.
- Dragon is now a two mine gold producer with projected annualised production of 100,000 ounces.

DEVELOPMENT

- Development work at Sarvisuo continued with a total development advance of 569 metres. The Sarvisuo decline advanced 201 metres, beyond the 395m level.
- A new resource statement for Sarvisuo is being finalised.
- Water pumping was completed from the decline at Kutema in preparation for an exploration program to commence at Kutema Deepes.
- A compilation of historic drilling data of mineralised areas for the Stormi and Ekojoki Nickel/Copper occurrences close to Vammala was completed and a mineral resource estimate for these occurrences commenced. At the completion of the new resource study investigations will be undertaken into permitting, metallurgy, mining and further exploration potential.

EXPLORATION

- A reverse circulation drilling program was completed at Svartliden to test the down-dip extensions of the Svartliden lode system in the western part of the deposit. A number of high grade results were returned including **24.00m @ 8.34 g/t** gold from 1.00m, **8.00m at 14.16 g/t** gold from 20.00m and **17.00 metres at 6.03 g/t** gold from 36m.
- Underground verification drilling continued from the 300m and 340m levels at Sarvisuo returning further high-grade gold indications including **3.65m @ 106.70 g/t** gold from 62m including **1.85m @ 183.30 g/t** gold, **2.35m @ 56.95 g/t** gold from 64.70m, **13.95m @ 4.96 g/t** gold from 55.10m and **4.0m @ 17.45 g/t** gold from 60.45m.
- An initial inferred resource estimate at the Koka gold deposit in Eritrea of 760,000 ounces of gold was announced.

CORPORATE

- Group cash and bullion at the end of the quarter was A\$2.8m.
- 6,700 ounces of gold production delivered into the hedge book. The average cash price received per ounce of all gold sold was US\$540.
- Opportunities to restructure the hedge book to increase exposure to current high spot price of gold are being assessed.



OPERATIONS

SWEDEN

Svartliden

PRODUCTION SUMMARY

Table 1 – Production Summary

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Availability (%)	Total Gold Production (Ounces)
Jun 2007 Quarter	73,149	92,408	4.97	89.33	94.83	13,184
Mar 2007 Quarter	108,051	79,492	4.90	90.2	90.9	11,271

The operation had no lost time injuries for the quarter. As at 30 June 2007 the lost time injury free hours totalled 220,635.

Svartliden produced 13,184 ounces of gold from 92,408 tonnes of ore milled at a head grade of 4.97 g/t at a cash cost of \$US385 per ounce. Cash costs per ounce have reduced due to the increased production for the quarter. The increased production is mainly due higher grade zones in the western extension being mined and processed immediately and the lower grades being stockpiled.

Ore mined for the quarter was on budget at 73,149 tonnes at an average grade of 4.6 g/t and was sourced from the western extension. Good grade control drilling coverage exists for the short to mid-term mine planning and scheduling. The second grade control rig was used for exploration drilling during the quarter. Due to the annual Scandinavian vacation period in July, the mine will be operating with one shift. There is more than one month's mill feed stockpiled and head grade is expected to be 4.9 g/t through July.

The availability of the process plant improved to 94.83% with one planned shutdown for mill reline and other maintenance work. The process plant throughput was increased during the quarter, however it has shown that increased throughput results in lower recoveries.

A number of process plant improvements are being investigated including the installation of a gravity concentrator and a tailings thickener which will improve recoveries and reduce operating costs. A decision on the installation of these capital items will be made in the coming months.

FINLAND

Vammala Production Centre

In late June, the Vammala Production Centre was successfully re-commissioned and the first production of gold concentrate was stockpiled.

Ore haulage from the Orivesi Mine, 80km from the Vammala Production Centre also commenced in June. Ore is being sourced from previous mining operations and the Kutema pillars at the 645m and 665m levels.

The Vammala plant will be operated on a 24 hour basis five days per week and has achieved consistent throughput of 40 tonnes per hour.

As at 30 June 2007, 73 tonnes of concentrate grading 275 g/t gold has been produced.

A tailings dam upgrade was completed.



DEVELOPMENT

FINLAND

Orivesi

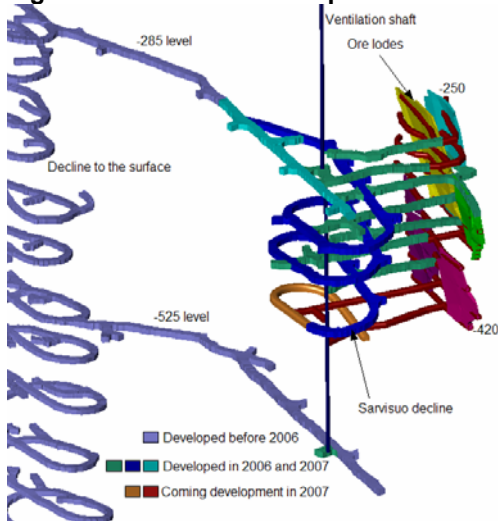
Mine development works continued at the Orivesi Gold Mine. Mine development advanced 576m, with the Sarvisuo decline advancing 201m in the quarter.

A new ventilation rise from the surface to the 525m level was completed.

Water pumping was completed from the Kutema decline and the 710m level was accessible for the planned exploration drilling program at Kutema Deeps. There is an inferred resource of 65,000 ounces at Kutema Deeps, defined down to the current limit of drilling at the 1,050m level.

A consultant is finalising a new ore block model for Sarvisuo which will result in a new resource statement.

Figure 1 – Sarvisuo Development



Vammala Nickel-Copper

The evaluation of the nickel-copper potential of the Vammala area continued, primarily focussing on the historic Stormi and Ekojoki nickel-copper occurrences both of which are located in the immediate vicinity of the Vammala Process Facility.

The compilation of historic drilling data of mineralised areas not mined at Stormi and the unmined Ekojoki occurrence was completed and a new mineral resource estimate for these occurrences is being prepared. At the completion of the new resource studies investigations into permitting, metallurgy, mining and further exploration potential will commence.

Better historic intercepts from Stormi and Ekojoki are listed in Tables 6, 7 and 8.



Table 2 – Historic intercepts of massive and semi-massive nickel-copper sulphides from the Stormi nickel-copper occurrence

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Ni (%)	Cu (%)
OKVA-762	6,803,242.56	2,448,054.54	225.0	-74.4	68.55	4.85	1.12	0.27
OKVA-833	6,803,262.51	2,448,039.27	225.0	-74.8	69.55	3.35	1.02	0.47
OKVA-957	6,803,142.58	2,448,159.71	360.0	-9.2	104.05	8.95	1.20	0.41
			including 3.50m @ 2.10% Ni and 0.34% Cu from 109.00m					
OKVA-634	6,803,550.47	2,448,344.14	270.0	44.6	39.90	4.20	1.82	0.26
OKVA-636	6,803,537.48	2,448,352.96	270.0	23.6	52.70	6.55	1.64	1.16
			including 2.85m @ 2.80% Ni and 0.36% Cu from 55.60m					
OKVA-718	6,803,500.00	2,447,474.30	270.0	-50.0	24.00	10.05	1.36	0.81
OKVA-1043	6,803,500.00	2,447,485.84	270.0	-49.9	26.45	8.05	1.57	0.72
OKVA-1045	6,803,506.25	2,447,485.84	270.0	-55.2	19.90	15.10	0.99	1.00
			including 8.70m @ 1.26% Ni and 1.15% Cu from 26.30m					
OKVA-1046	6,803,506.25	2,447,477.18	270.0	-54.8	19.05	3.45	1.62	1.08

Drilling undertaken by Outokumpu Oy by diamond core methods. Analysis of half core samples were completed at the onsite laboratory, using HNO₃+Br digestion with AAS finish.

Table 3 – Historic intercepts of disseminated nickel-copper sulphides from the Stormi nickel-copper occurrence

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Ni (%)	Cu (%)
OKVA-836	6,803,238.99	2,448,059.75	180.0	-70.1	112.20	15.15	0.50	0.35
OKVA-837	6,803,238.19	2,448,059.76	180.0	-46.8	152.70	31.05	0.41	0.31
OKVA-758	6,803,136.57	2,448,160.84	228.5	-83.9	91.25	48.10	0.33	0.22

Drilling undertaken by Outokumpu Oy by diamond core methods. Analysis of half core samples were completed at the onsite laboratory, using HNO₃+Br digestion with AAS finish.

Table 4 – Historic intercepts from the Ekojoki nickel-copper occurrence

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Ni (%)	Cu (%)
TY-153	6,803,883.00	2,446,843.00	180.0	-50.4	156.96	6.44	0.82	1.21
TY-159	6,803,855.00	2,446,798.00	180.0	-61.2	35.16	2.98	1.20	0.23
TY-164	6,803,690.00	2,446,700.00	180.0	-56.2	53.54	6.16	0.86	0.47
VM/EJ-2	6,803,730.00	2,446,750.00	180.0	-50.3	27.20	6.40	0.85	0.95
					109.10	4.45	1.07	0.48
VM/EJ-5	6,803,790.00	2,446,800.00	180.0	-54.5	67.95	13.90	0.87	0.62
VM/EJ-6	6,803,790.00	2,446,800.00	180.0	-75.8	106.60	4.50	0.87	0.60
VM/EJ-20	6,804,080.00	2,446,870.00	270.0	-51.8	83.45	4.90	0.73	0.42
VM/EJ-22	6,803,830.00	2,446,842.00	180.0	-56.8	122.05	1.85	0.89	0.46
VM/EKO-3	6,804,115.00	2,447,110.00	180.0	-48.8	53.20	6.70	1.67	0.29

Drilling undertaken by Outokumpu Oy by diamond core methods. Analysis of half core samples were completed at the onsite laboratory and the Geoanalytical Laboratory in Outokumpu, using HNO₃+Br digestion with AAS finish.

EXPLORATION

SWEDEN

Svartliden

A reverse circulation drilling program was completed which targeted down-dip extensions of the Svartliden lode system in the western part of the deposit, within the current open-pit design. Analysis has returned a number of high grade results including 24.00m at 8.34 g/t gold, 8.00m at 14.16 g/t gold and 17.00m at 6.03 g/t gold from the first series of drill holes. Results for the remaining holes are pending.

This program was designed to provide greater confidence in the 2007 resource update, which returned an increase in resources that were largely attributed to the area in the western end of the open pit, where grade control drilling had shown the ore to be both wider and of a higher grade than previously estimated.

**Table 5 – New intercepts from resource confirmation drilling at Svartliden**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
SVC125	7,187,036.7	1,588,113.5	342	-70	11.00	5.00	4.03
					54.00	2.00	2.08
SVC126	7,187,038.5	1,588,112.9	341	-43	1.00	24.00	8.34
					29.00	2.00	2.78
SVC127	7,187,067.4	1,588,133.9	161	-60	20.00	8.00	14.16
SVC128	7,187,037.7	1,588,189.9	343	-69	36.00	17.00	6.03
SVC131	7,187,076.5	1,588,308.9	339	-51	45.00	3.00	13.44

Lower cut-off grade 1.8 g/t gold. Analysis of half core was completed at the ALS Chemex laboratory in Romania using procedure Au-AA25, following sample preparation at the ALS Chemex facility in Sweden.

All results have now also been received from the diamond core drilling campaign undertaken along the eastern extensions of the Svartliden deposit in early 2007. Drilling intersected Svartliden type mineralisation and alteration of varying down hole lengths and intensity on each of the Profiles 2300, 2350, 2400, 2450 and 2550, the last being within 40 metres of the Svartliden Exploitation Concession's eastern boundary.

Analysis of selected zones has returned modest results with few intersections above 1 g/t gold, those received extending mineralisation a further 100 metres beyond previous known limits. Anomalous results were received however, from each of the Profiles completed providing encouragement for exploration further east along the 1.6 kilometres of the host geological sequence that remains untested and is encompassed by Dragon's Exploration Permit holding. It is expected that exploration activities in this area will be undertaken during the remainder of 2007, in conjunction with proposed drilling programs to further examine the depth potential of the Svartliden deposit.

Table 6 – New intercepts from eastern extension drilling at Svartliden

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Profile 2350							
SV0781	7,187,427.5	1,589,087.3	341.4	-55	58.50	1.00	4.08
					64.40	1.00	1.43
SV0782	7,187,446.4	1,589,080.8	341.4	-55	39.00	4.00	3.84
Profile 2300							
SV0785	7,187,411.3	1,589,039.9	341.4	-55	53.00	1.05	1.53
					56.00	1.00	1.27
					68.90	1.90	3.21
SV0786	7,187,430.2	1,589,033.5	341.4	-55	39.50	1.00	1.24

Lower cut-off grade 1 g/t gold. Analysis of half core was completed at the ALS Chemex laboratory in Perth, Western Australia using procedure Au-AA25, following sample preparation at the ALS Chemex facility in Sweden.

Orgsjön Joint Venture (Earning 80% Interest)

Results from diamond core drilling on the Orgsjön Exploration Permit undertaken in late March returned no significant results.

FINLAND

Orivesi

Underground diamond core drilling continued during the quarter at the Orivesi Gold Mine. Drilling in the Sarvisuo area focused on delineation drilling from the 300m and 340m levels with a total of 4,157 metres completed for the quarter. A total of 7,584 metres has now been



completed at Sarvisuo since commencement of drilling in September 2006. Results from the quarter indicate that the previously defined high-grade pipes extend vertically down with high-grade gold intercepts being returned from between the 280m and 360m levels.

In addition, a series of narrow intercepts give rise to the possible existence of additional previously unidentified shoots, which may develop greater significance following further drilling on levels both above and below.

Drilling continues at Sarvisuo with rigs operating from the 260m and 380m levels, whilst updating of the Sarvisuo resource estimate is nearing completion. Agreement has also been reached with the drilling contractor whereby both rigs are now secured until the end of 2007 ensuring that the proposed drilling of 8,000 metres at Sarvisuo and Kutema for the second half of 2007 will be achieved.

Table 7 – Intercepts from delineation drilling at Sarvisuo

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
300m level							
KU-884	6,838,496.37	2,508,824.95	12.0	6.6	49.40	1.10	2.22
					56.30	1.50	1.00
					71.00	4.50	1.86
KU-885	6,838,496.43	2,508,824.38	359.2	-23.5	73.40	1.05	1.23
					77.75	0.90	39.70
KU-886	6,838,496.52	2,508,824.99	12.4	-19.9	35.80	1.05	41.20
					63.45	1.10	3.45
					73.15	8.15	7.32
					<i>including 2.75m @ 18.31g/t gold from 74.40m</i>		
KU-887	6,838,497.21	2,508,849.69	1.6	-18.2	47.00	1.00	4.47
					62.00	16.30	13.10
					<i>including 13.00m @ 15.85g/t gold from 62.00m</i>		
KU-888	6,838,497.40	2,508,849.64	359.8	9.6	45.70	1.50	1.68
					52.50	3.50	2.10
					71.50	1.50	14.95
KU-917	6,838,498.06	2,508,902.99	19.1	22.2	49.50	1.50	1.04
					58.00	1.00	6.26
KU-918	6,838,497.81	2,508,903.67	19.7	-16.2	47.00	0.70	1.29
					53.00	1.00	22.70
340m level							
KU-904	6,838,501.83	2,508,818.77	333.2	-10.0	48.70	1.30	2.33
KU-905	6,838,502.10	2,508,819.62	339.5	-2.4	45.00	1.20	6.30
KU-906	6,838,502.23	2,508,820.06	351.0	-6.0	38.50	0.90	1.12
KU-908	6,838,502.70	2,508,821.82	11.6	-9.7	44.25	2.35	3.34
					48.45	2.95	3.33
					60.25	2.80	4.32
					65.55	1.05	1.06
					67.75	2.45	5.52
					74.45	1.95	1.27
					88.80	1.15	1.81
KU-909	6,838,498.14	2,508,850.36	357.9	-4.8	42.70	2.60	11.98
					51.00	3.50	5.28
					63.00	4.00	23.65
KU-913	6,838,492.15	2,508,896.96	355.3	1.8	65.00	1.00	38.80

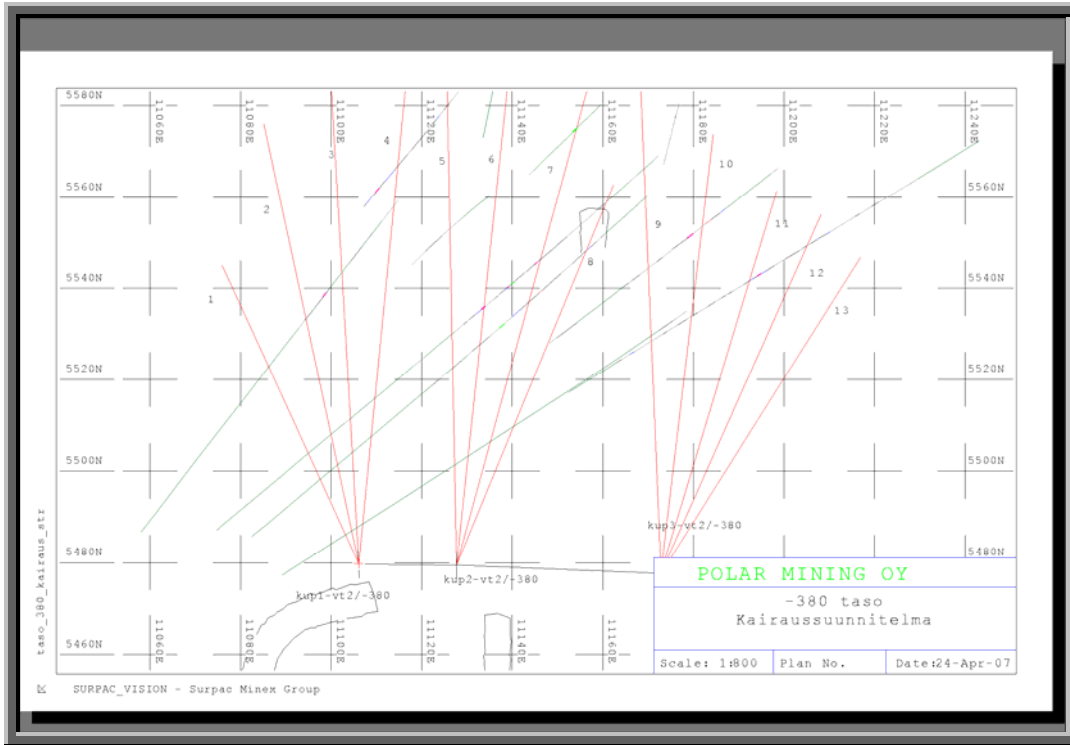


Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)	
KU-914	6,838,491.81	2,508,897.54	5.9	-1.0	13.10	0.50	1.69	
					59.00	1.00	2.29	
					64.20	1.50	1.86	
					68.50	1.50	2.50	
					73.00	1.00	1.82	
					78.00	1.00	3.22	
KU-916	6,838,491.15	2,508,898.46	20.6	1.2	57.50	1.50	3.47	
					60.50	1.50	3.74	
					69.00	1.00	17.65	
					82.20	1.10	2.41	
KU-923	6,838,502.57	2,508,821.44	11.7	-25.9	47.70	1.25	3.03	
					60.45	4.00	17.45	
					68.60	2.80	4.61	
					72.85	1.40	1.78	
					92.20	1.25	3.19	
KU-924	6,838,498.05	2,508,903.67	358.1	-18.0	43.75	2.90	12.61	
					54.85	2.45	9.21	
					62.45	4.95	1.66	
KU-925	6,838,498.01	2,508,850.87	4.3	-18.8	35.65	0.95	1.35	
					55.10	13.95	4.96	
					<i>including 1.30 metres @ 10.85g/t gold from 55.10 metres and 1.00 metres @ 11.55g/t gold from 57.20 metres</i>			
					73.15	1.55	1.47	
KU-926	6,838,497.96	2,508,851.12	11.1	-18.8	56.70	1.45	1.89	
					59.50	1.05	13.10	
					61.75	2.20	1.81	
					64.90	2.45	2.43	
KU-927	6,838,492.10	2,508,896.95	350.9	-16.4	64.70	2.35	56.95	
					71.05	0.95	1.32	
KU-928	6,838,492.08	2,508,897.07	355.9	-15.6	65.00	1.80	10.71	
KU-930	6,838,491.49	2,508,898.20	12.2	-18.4	16.50	0.40	1.40	
					59.00	0.90	1.13	
					62.00	3.65	106.70	
					<i>including 1.85 metres @ 183.30g/t gold from 62.80 metres</i>			
							70.00	0.50

Analysis of half core was completed at the ALS Chemex laboratory in Perth, Australia using procedure Au 50g FA AA finish, following sample preparation at the Okun Autolahetti Oy facility in Finland. Lower cut-off grade of 1g/t gold.



Figure 2 Drill plan for 380m level at Sarvisuo, total metres 1300 m.



One 169.25 metre long exploration drill hole was completed at Sarvisuo from the 340m level to the northeast, seeking to identify new mineralized pipes away from the Sarvisuo pipe cluster. Results are pending.

Two narrow intercepts were received from an exploration drill hole that was completed from the 570m level at Kutema.

Table 8 - Intercept from exploration drilling completed at Kutema

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Kutema - 570m level							
KU-868	6,838,509.75	2,508,528.91	035.6	-1.8	55.55	0.65	3.30
					58.35	0.35	7.08

Analysis of half core was completed at the ALS Chemex laboratory in Perth, Australia using procedure Au 50g FA AA finish, following sample preparation at Okun Autolahetti Oy facility in Finland. Lower cut-off grade of 1g/t gold.

Orivesi Regional

Data from a low-altitude airborne geophysical survey flown in 2004 was processed to produce a series of updated images, which will be utilised to generate new targets in the broader Orivesi region.

Jokisivu

No exploration was undertaken.

The grant by Western Finland Environmental Permit Authority of the environmental approval for Jokisivu which was confirmed by the Vaasa Administrative Court has been appealed to a higher court by local people and a regional public administrative state authority (PREC).

A written legal response has been lodged with the court by the Company.



Ritakallio

A 486.95 metre diamond core drilling program was completed at Ritakallio. A total of seven shallow holes were drilled on four targets identified from previous exploration activities. Assay results are pending.

Kaapelinkulma

A 3,000 metre diamond core drilling program commenced at Kaapelinkulma in late June. The southern extensions of the mineralised shear zones will be tested by a series of shallow drill holes first, before attention is directed to examining defined IP geophysical anomalies on the western and northern side of the previous drilling area.

Liesjärvi

No field activities were undertaken.

Tammijärvi

No field activities were undertaken.

Kuusamo

No field activities were undertaken.

Hanhimaa

The bedrock chip sampling program designed to provide information on bedrock types in covered areas continued during the June quarter with the collection of 353 samples from six sample lines. Analytical results have been received from the initial two lines, yielding a peak gold value of 108ppb gold and a number of other anomalous gold values ranging between 10ppb and 30ppb gold. The merits of these results will be evaluated in full at the completion of the program.

Samples from percussion holes drilled by Outokumpu Oy during trenching campaigns in 1980-81, within the current land holding in the Hanhimaa area (114 samples), were re-assayed during the June quarter. Six samples returned elevated gold values between 0.1g/t and 2.0g/t.

CVRD-Inco Nickel Alliance (50% interest)

Results from the Sarvisoaivi drilling program completed in March returned no significant results.

Kuhmo Nickel Joint Venture (5% Free Carried Interest)

Joint Venture partner, ASX listed Vulcan Resources Limited have advised that the first phase of shallow drilling was completed at Peura-aho and Hietaharju and commenced at Vaara on the Kuhmo Nickel project in eastern Finland. Twenty-eight diamond core drill holes were completed during the quarter for a total advance of 1,697.65 metres.

The first series of results from the drilling program have been received, returning a number of encouraging intersections from Peura-aho, including 57.6 metres (not true thickness) grading 1.32% Ni and 12.7 metres at 0.95% Ni.

**Table 9 – Peura-aho drilling results**

Hole ID	From (m)	Interval (m)	Ni (%)	Cu (%)	Co (%)	Pd (g/t)	Pt (g/t)
PA-25	47.70	1.95	0.49	0.07	0.03	0.25	0.02
	55.30	6.00	2.16	0.62	0.14	2.49	1.61
PA-26	33.40	4.10	0.79	0.37	0.04	0.63	0.02
	48.70	1.20	1.90	0.80	0.11	2.44	1.36
PA-27	11.75	0.12	1.26	0.52	0.05	0.71	1.23
	16.55	2.70	1.76	0.55	0.09	2.27	0.61
PA-28	2.50	0.40	0.78	0.16	0.09	0.85	0.55
	8.10	12.70	0.95	0.59	0.04	0.76	0.05
PA-29	2.70	0.90	1.55	0.78	0.09	2.67	0.16
	16.00	2.00	1.43	0.72	0.09	1.81	1.06
	46.00	2.20	1.50	0.26	0.06	1.30	1.28
PA-30	61.70	0.30	3.23	1.13	0.12	1.75	2.72
PA-31	41.40	2.60	0.48	0.23	0.02	0.29	0.04
	47.80	3.40	1.52	0.54	0.04	1.16	0.01
PA-32	52.70	0.10	1.51	0.02	0.02	1.78	0.92
	63.70	0.10	1.65	0.08	0.03	1.46	1.79
PA-33	19.50	3.90	0.82	0.37	0.04	0.83	0.47
PA-34	29.30	4.00	1.11	0.66	0.05	0.51	0.54
PA-35	28.70	9.60	0.90	0.48	0.04	0.66	0.43
PA-36	<i>No Significant Results</i>						
PA-37	Surface	4.95	1.18	0.67	0.06	1.18	0.36
PA-38	Surface	57.60	1.32	0.56	0.07	1.04	0.19

Outokumpu Database Review

Review of the Outokumpu exploration and mining database to which Dragon retains exclusive rights continued.

Information gathered during this period has resulted in the lodging of applications for a series of Claims and Claim Reservations in northern Finland.

RUSSIA

OAo Kivijarvi (84.98% interest)

Gridding and surveying commenced during the March quarter was completed. Preparation of exploration work proposals for the Kamennozersk licence progressed during the quarter, with view to undertaking field work late in 2007.

Discussions continued with the holder of the Kivijarvi nickel licences concerning the Kivijarvi nickel properties and database.

ERITREA

Zara Joint Venture (Diluting to 20% Interest)

Joint Venture partner Sub Sahara Resources NL advised that they received the results of the maiden resource estimate and further high-grade gold intercepts for the Koka gold deposit.

The resource estimate of the Koka gold deposit is based on drilling data completed by Sub-Sahara up to April 2007, with mineralisation identified over a strike length of 525 metres.

The independent Mineral Resource estimate was completed by Snowden Mining Industry Consultants (Snowden) using accepted industry standard estimation methods. Snowden classified all resources as Inferred Resources and reported the estimate in accordance with the 2004 edition of the JORC Code.

**Table 10 - Koka Inferred Resource, as at May 2007**

Depth category	Reporting cut-off (g/t Au)	Tonnes (Mt)	Au (g/t)	Contained gold oz
up to 150 m below surface	1.0	6.1	3.2	620,000
>150 m below surface	3.0	0.9	5.1	140,000
Total		7.0	3.4	760,000

Notes: No mining studies have yet been undertaken to determine economic viability and the calculation of contained metal assumes 100% recovery. As yet no metallurgical test-work has been undertaken.

Drilling continued to return high grade results and extend known mineralisation. The extended mineralisation was not included in the maiden JORC-compliant inferred resource estimate.

Table 11 - Significant Koka Prospect Diamond Drill Assay Intercepts

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
ZARD031	1,824,319	390,202	102	-50	99.0	6.0	20.58
					139.0	1.0	1.39
ZARD032	1,824,076	390,184	102	-50	81.0	4.0	4.25
					89.0	1.0	4.11
					96.0	1.0	4.96
					107.0	1.0	7.47
					113.0	1.0	2.84
ZARD035	1,824,040	390,174	102	-50	91.0	1.0	1.51
					94.0	12.0	10.85
					110.0	1.0	4.69
ZARD037	1,824,088	390,149	102	-53	133.0	3.0	3.28
					143.0	1.0	1.16
ZARD038	1,823,994	390,169	102	-53	78.0	4.0	4.10
					88.0	1.0	5.87
					96.0	3.0	9.06
ZARD039	1,824,057	390,098	102	-55	194.0	5.0	3.94
					204.0	1.0	1.70
ZARD040	1,824,089	390,149	102	-53	122.0	1.0	27.85
					126.0	1.0	1.45
					142.0	4.0	1.14
ZARD041	1,824,009	390,133	102	-50	123.0	5.0	1.72
					152.0	6.0	1.79
ZARD042	1,824,089	390,149	102	-50	30.0	7.0	7.96
					40.0	8.0	9.63
					58.0	1.0	1.65
					68.0	4.0	3.50
					81.0	2.0	53.65
					87.0	33.0	11.32

Note - The metres quoted are down-hole metres and the gold grades are uncut with up to 2 metres of internal dilution. An exception of up to 3 metres internal dilution occurs in ZARD042 (intercept 87m-120m).

Further drilling at the Zara Project will be designed to delineate the strike and dip extent of the Koka gold mineralisation and increase the confidence level of the resource with infill drilling.

AUSTRALIA

Weld Range Joint Ventures (Various Interests)

Joint Venture partners ASX listed Minara Resources Limited advised that no exploration was undertaken on the Weld Range group of properties during the June quarter.



CORPORATE

Cash Balances and Movements

As at 30 June 2007, Dragon held A\$2.8m in cash and bullion. Refer to Appendix 5B for principle movements in cash for the quarter.

Hedging

Table 12: Group Hedging Profile as at 30 June 2007

Gold hedging	Ounces	Price – US\$
Y/E 31/12/07	23,100	406
Y/E 31/12/08	39,650	402
Y/E 31/12/09	19,099	405
Total	81,849	404

Using the 30 June 2007 spot gold price of US\$649.45, the mark to market of the hedge book was a negative amount of US\$21.84m.

6,500 ounces of gold into the gold was delivered into the hedge book and the remaining production into the spot market. The average cash price received per ounce of gold for the quarter was US\$540.

During the quarter, 7,750 ounces of the gold hedge book was rolled out 1 month on a spot deferred basis to July 2007 at a price of US\$413.39. This will continue until a restructure of the hedge book has been finalised.

Given the reserve increase and the extension of the life of mine at Svartliden, a number of opportunities have been presented to Dragon to restructure the hedge book. A decision on a potential restructure will be made in the coming quarter.

Borrowings

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

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 Limited, 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 Limited

ABN

19 009 450 051

Quarter ended ("current quarter")

30 June 2007

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
Cash flows related to operating activities	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	9,487	16,340
1.2 Payments for		
(a) exploration and evaluation	(911)	(1,969)
(b) development	(4,542)	(8,426)
(c) production	(7,807)	(14,152)
(d) administration	(1,050)	(1,824)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	78	229
1.5 Interest and other costs of finance paid	(618)	(1,264)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(5,363)	(11,066)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(96)	(420)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	404	2,045
(c) other fixed assets	-	402
1.10 Loans to other entities	-	(228)
1.11 Loans repaid by other entities	-	962
1.12 Other	-	-
Net investing cash flows	308	2,761
1.13 Total operating and investing cash flows (carried forward)	(5,055)	(8,305)



1.13	Total operating and investing cash flows (brought forward)	(5,055)	(8,305)
	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	-	(176)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	(176)
	Net increase (decrease) in cash held	(5,055)	(8,481)
1.20	Cash at beginning of quarter/year to date	8,053	11,553
1.21	Exchange rate adjustments to item 1.20	(179)	(253)
1.22	Cash at end of quarter	2,819	2,819

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	199
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

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

Nil

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

Nil



Financing facilities available

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,269
4.2 Development	1,572
Total	3,841

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	2,050	3,829
5.2 Deposits at call	-	4,224
5.3 Bank overdraft	-	-
5.4 Other – Gold bullion	769	-
Total: cash at end of quarter (item 1.22)	2,819	8,053



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			
6.2	Interests in mining tenements acquired or increased			
	Claim Reservations			
	200768 Pittarova		0%	100%
	200768 Muusanlammit		0%	100%
	200768 Aakenusvaara		0%	100%
	200795 Palokangas		0%	100%
	200793 Kianta 1		0%	5%
	200794 Hakovaara		0%	5%
	Claims			
	8202/1 Liesjärvi		0%	100%
	8204/1 Suksee 2		0%	100%
	8204/2 Suksee 3		0%	100%
	8204/3 Suksee 4		0%	100%
	8204/4 Suksee 5		0%	100%
	8204/5 Suksee 6		0%	100%
	8204/6 Suksee 7		0%	100%
	8204/7 Suksee 8		0%	100%
	8204/8 Suksee 9		0%	100%
	8204/9 Suksee 10		0%	100%
	8204/10 Suksee 11		0%	100%
	8204/11 Suksee 12		0%	100%
	8204/12 Suksee 13		0%	100%
	8204/14 Suksee 14		0%	100%
	8204/15 Suksee 15		0%	100%
	8204/17 Suksee 16		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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	440,393,549	440,393,549		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through expired partly paid shares				
7.5 +Convertible debt securities <i>(description)</i>	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 <i>(description and conversion factor)</i>	21,250,000 1,500,000 1,000,000 6,000,000 75,000 5,900,000	- - - - - -	<i>Exercise price</i> 20 c 17.5 c 14 c 21 c 21 c 17.5 c	<i>Expiry date</i> 4 Nov 2007 N/A N/A N/A 21 Dec 2011 8 June 2012
7.8 Issued during quarter	5,900,000	-	17.5 c	8 June 2012
7.9 Exercised during quarter				
7.10 Lapsed 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: 16 July 2007
(Managing Director)

Print name: PETER CORDIN

Notes

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

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