

DRAGON MINING LIMITED

ABN 19 009 450 051

HALF YEAR FINANCIAL REPORT

30 JUNE 2007

DIRECTORS' REPORT

Your Directors submit the report of Dragon Mining Limited ("Dragon Mining" or "the Company") for the half year ended 30 June 2007.

Directors

The names of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Andrew Edward Daley
Peter George Cordin
Toivo Tapani Järvinen
Peter Lawson Munachen

Review and Results of Operations

The net loss after tax and minority interests of the consolidated entity for the half year ended 30 June 2007 was \$1,611,271 (6 months to 31 December 2006: profit of \$4,132,582). The net result was attributable to:

- Profit from operations at Svartliden of \$0.4 million;
- Operational costs from Vammala Production Centre and Orivesi Gold Mine of \$1.9 million;
- Net treasury gains of \$1.9 million;
- Corporate costs of \$0.9 million;
- Convertible note interest of \$1.2 million;
- Tax benefit of \$0.3 million; and
- Other costs of \$0.2 million.

(a) Production

Svartliden, Sweden

The Svartliden Gold Mine in Sweden produced 24,456 ounces of gold in the 6 months to 30 June 2007 at a cash cost of A\$505/oz (or US\$409/oz) compared to gold production of 22,814 ounces at a cash cost of A\$598/oz (or US\$457/oz) for the 6 months ended 31 December 2006.

Revenue from gold sales was \$15.9 million and the average price received was \$633 (US\$513) per ounce of gold sold.

The Company completed a re-optimisation study of the increased resource which resulted in a 49,000 ounce reserve increase up from 1.31 million tonnes at 3.9 g/t gold to 1.45 million tonnes at 4.5 g/t gold as at 28 February 2007. This represented a 28% increase in reserves and extended the life of mine to September 2010.

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

Vammala Production Centre, Finland

In late June 2007 the Vammala Production Centre was successfully re-commissioned and the first gold concentrate was stockpiled.

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

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

(b) Development

Orivesi Gold Mine, Finland

Mine development works continued at the Orivesi Gold Mine. Mine development advanced 1,172 metres, with the Sarvisuo decline advancing 408 metres for the half year to 30 June 2007.

A new ventilation rise from the surface to the 535m level was completed and equipped.

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 to the limits of drilling at the 1,050m level.

DIRECTORS' REPORT (CONTINUED)

Vammala Nickel-Copper, Finland

An evaluation continued of the nickel-copper potential of the Vammala area primarily focussing on the historic Stormi and Ekojoki nickel-copper occurrences both of which are located in the immediate vicinity of the Vammala Production 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 prepared. Investigations into permitting, metallurgy, mining and further exploration potential have commenced.

(c) Exploration

The Company continues to strongly invest in exploration of the very prospective tenure around each of its key assets. There have been excellent exploration results around Svartliden, Orivesi and the Zara Joint Venture in Eritrea (20% interest). Exploration activity will continue at the same pace in the coming six months.

(d) Corporate

The following significant activities occurred during the 6 month period ended 30 June 2007 and until the date of this report:

- It was agreed with Eurogold Limited not to proceed with the purchase of the Saulyak Gold Project in the Ukraine. Repayment of all cash advances plus interest was made by Eurogold;
- Dragon Mining sold its interest in Vulcan Resources Limited for a total cash consideration of \$2.05 million;
- A private placement was completed with the issue of 51 million shares at \$0.10 per share to existing shareholders raising \$5.1 million before costs of \$75,000.
- An underwritten non-renounceable rights issue to shareholders and a non-renounceable rights issue to noteholders were completed at an issue price of \$0.115 per share raising \$28.3 million before underwriting fees and expenses. As of 12 September 2007, \$21.6 million has been used to close out 54,849 ounces of gold at an average gold price of US\$703.78 per ounce. 25,151 ounces of gold remain of the Company's hedge book at an average forward price of US\$406.
- As part of the rights issue, a call option was purchased at a cost of US\$236,800 for 80,000 ounces of gold at a strike price of \$US705 to limit the maximum cost to the Company to close out the hedge book. As the spot price of gold was below the strike price of the option at the time the rights issue was completed (expiry date of the option), the option lapsed.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor's Independence Declaration

An independence declaration from our auditors, Ernst & Young, is attached to the Auditor's Independent Audit Report to the members and forms part of this Directors' Report.

Signed in Perth 12 September 2007 in accordance with a resolution of the Directors.



PL Munachen
Director

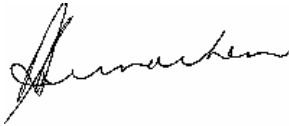
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Dragon Mining Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of financial position of the consolidated entity as at 30 June 2007 and the performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



PL Munachen
Director

Signed in Perth 12 September 2007

INCOME STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2007

	Note	Consolidated Entity	
		6 months to 30 June 2007 \$'000	6 months to 31 Dec 2006 \$'000
Continuing Operations			
Revenue from gold sales	3(a)	15,947	16,008
Cost of sales (including depreciation and amortisation)	3(c)	(17,009)	(17,063)
Gross loss		(1,062)	(1,055)
Other income	3(b)	552	8,390
Exploration expenditure written off		-	(591)
Other expenses	3(e)	(1,676)	(2,738)
Profit/(loss) from continuing operations before treasury, tax and finance costs		(2,186)	4,006
Finance costs	3(d)	(1,654)	(1,712)
Profit/(loss) before treasury and tax		(3,840)	2,294
Treasury gains	3(f)	1,920	2,151
Profit/(loss) before tax		(1,920)	4,445
Income tax (expense)/benefit		309	(309)
Profit/(loss) from continuing operations after income tax		(1,611)	4,136
Net profit/(loss) attributable to members of Dragon Mining Limited		(1,611)	4,133
Net profit attributable to outside equity interests		-	3
		(1,611)	4,136
Earnings per share (cents per share)			
Basic profit/(loss) per share		(0.37)	0.94
Diluted profit/(loss) per share		(0.37)	0.94

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET AS AT 30 JUNE 2007

Consolidated Entity			
	Note	30 June 2007 \$'000	31 Dec 2006 \$'000
CURRENT ASSETS			
Cash and cash equivalents		2,840	11,553
Trade and other receivables		1,188	3,177
Inventories		2,355	2,347
Investments and other financial assets	4	-	2,311
Other current assets		1,561	505
TOTAL CURRENT ASSETS		7,944	19,893
NON-CURRENT ASSETS			
Property, plant and equipment		13,874	15,848
Mineral exploration and development costs		41,850	36,437
Other non-current assets		3,022	2,772
TOTAL NON-CURRENT ASSETS		58,746	55,057
TOTAL ASSETS		66,690	74,950
CURRENT LIABILITIES			
Trade and other payables		5,582	6,605
Interest bearing loans and borrowings	5	24	73
Provisions		224	156
Derivative financial instruments	9	25,732	31,622
Other liabilities		225	456
TOTAL CURRENT LIABILITIES		31,787	38,912
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	5	23,377	23,312
Provisions		3,847	4,121
Deferred tax liabilities		-	309
Other liabilities		74	133
TOTAL NON-CURRENT LIABILITIES		27,298	27,875
TOTAL LIABILITIES		59,085	66,787
NET ASSETS		7,605	8,163
EQUITY			
Contributed equity		71,677	71,677
Reserves		2,585	1,532
Accumulated losses		(66,661)	(65,050)
Total parent entity interest		7,601	8,159
Minority interest		4	4
TOTAL EQUITY		7,605	8,163

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2007

Attributable to Equity Holders of the Parent

CONSOLIDATED	Contributed Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000	Minority Interests \$'000	Total Equity \$'000
At 1 July 2006	71,677	(69,183)	331	2,825	1	2,826
Currency translation differences	-	-	717	717	-	717
Total income for the period recognised directly in equity	-	-	717	717	-	717
Profit for the period	-	4,133	-	4,133	3	4,136
Total recognised income and expense for the period	-	4,133	717	4,850	3	4,853
Share based payment	-	-	484	484	-	484
At 31 December 2006	71,677	(65,050)	1,532	8,159	4	8,163
Currency translation differences	-	-	849	849	-	849
Total income for the period recognised directly in equity	-	-	849	849	-	849
Loss for the period	-	(1,611)	-	(1,611)	-	(1,611)
Total recognised income and expense for the period	-	(1,611)	849	(762)	-	(762)
Share based payment	-	-	204	204	-	204
At 30 June 2007	71,677	(66,661)	2,585	7,601	4	7,605

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2007

	Consolidated Entity	
	6 months to 30 June 2007 \$'000	6 months to 31 Dec 2006 \$'000
Cash flows from operating activities		
Receipts from customers	16,410	16,528
Payments to suppliers and employees	(16,331)	(13,076)
Interest received	234	278
Interest expenses	(1,167)	(1,375)
Payment of environmental bond	(431)	(236)
Net Operating Cash Flows	<u>(1,285)</u>	<u>2,119</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,066)	(2,286)
Proceeds from sale of property, plant and equipment	406	34
Proceeds from sale of shares and options	2,051	-
Proceeds from sale of Pampalo gold project	-	9,279
Payment for exploration, evaluation and development expenditure capitalised	(9,018)	(6,190)
(Loans to) / repayments from other entities	734	(734)
Net Investing Cash Flows	<u>(6,893)</u>	<u>103</u>
Cash flows from financing activities		
Repayment of bank loans	(177)	(3,280)
Net Financing Cash Flows	<u>(177)</u>	<u>(3,280)</u>
Net increase/(decrease) in cash and cash equivalents	(8,355)	(1,058)
Cash and cash equivalents at the beginning of the period	11,553	12,627
Effects of exchange rate changes on cash and cash equivalents	(358)	(16)
Cash and cash equivalents at the end of the period	<u>2,840</u>	<u>11,553</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The financial report of Dragon Mining Limited for the half year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on 11 September 2007.

Dragon Mining Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on Australian Stock Exchange. The registered address is Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 30 June 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 31 December 2006 and considered together with any public announcements made by Dragon Mining Limited during the half year ended 30 June 2007 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

In 2006, the Company changed its financial year end from 30 June to 31 December to match its overseas subsidiaries. The 31 December 2006 financial data represents the 6 months from 1 July 2006 to 31 December 2006.

(b) Changes in Accounting Policy

Since 1 January 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance of the Group.

- AASB 7 *Financial Instruments: Disclosures*;
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*; and
- Interpretation 10 *Interim Financial Reporting and Impairment*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 REVENUE AND EXPENSES

	Consolidated Entity	
	6 months to 30 June 2007 \$'000	6 months to 31 Dec 2006 \$'000
(a) Revenue		
Gold sales	15,947	16,008
(b) Other income		
Net gain on disposal of exploration assets	-	7,384
Finance revenue	175	706
Gain on sale of plant and equipment	143	34
Other	234	266
Total other income	552	8,390
<i>Breakdown of finance revenue</i>		
Bank interest	175	266
Total finance revenue (on historical cost basis)	175	266
Fair value change on held-for-trading investments	-	440
	175	706
(c) Cost of sales		
Cost of production	13,766	13,492
Depreciation of mine properties	1,697	2,525
Amortisation of exploration and development costs	1,546	1,046
Total cost of sales	17,009	17,063
(d) Finance costs		
Interest	1,160	1,345
Borrowing costs	205	367
Fair value change of held-for-trading investments	289	-
	1,654	1,712
(e) Other expenses		
Management and administration expenses	1,605	2,095
Depreciation of non-mine site assets	71	351
Impairment of plant and equipment	-	292
	1,676	2,738

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 REVENUE AND EXPENSES (continued)

	Consolidated Entity	
	6 months to 30 June 2007 \$'000	6 months to 31 Dec 2006 \$'000
(f) Treasury		
Realised gain on gold forward contracts	4,739	2,234
Unrealised gain on gold forward contracts	1,202	1,217
Net foreign currency losses	(4,021)	(1,300)
	1,920	2,151

4 INVESTMENTS AND OTHER FINANCIAL ASSETS

	Consolidated Entity	
	30 June 2007 \$'000	31 Dec 2006 \$'000
Current		
At fair value		
Held-for-trading listed shares	-	1,962
Held-for-trading financial assets - unlisted	-	349
	-	2,311

During the 6 months ended 30 June 2007, the Group sold all of its investments in Vulcan Resources Limited for total proceeds of A\$2.1 million.

5 INTEREST-BEARING LOANS AND BORROWINGS

	<i>Maturity</i>	Consolidated Entity	
		30 June 2007 \$'000	31 Dec 2006 \$'000
Current			
Bank loans (i)	<i>2008</i>	24	73
Non-current			
Bank loans (i)	<i>2010</i>	46	185
Convertible notes (ii)	<i>2011</i>	23,331	23,127
		23,377	23,312

(i) This loan was used to purchase certain plant and equipment at Svartliden and is secured over the plant and equipment.

(ii) 23,645,289 convertible notes were issued during the 12 months to 30 June 2006 at \$1.05 per note. The notes have a 10% coupon rate and are convertible into ordinary shares in February 2011 on the basis of 6 shares for 1 convertible note. The convertible note is secured by a second ranking deed of fixed and floating security but does not include any foreign securities held by Dragon Mining Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 SHARE BASED PAYMENTS

75,000 options were issued to an employee on 8 February 2007 in lieu of partly-paid shares which were cancelled in 2006. The exercise price is \$0.21 and the expiry date is 21 December 2011.

5,900,000 options were issued on 8 June 2007 under the Dragon Mining Employee Incentive Option Plan. The exercise price is 17.5 cents and the expiry date is 8 June 2012.

The weighted average fair value of the share options granted during the period is \$0.03 (6 months to 31 December 2006: \$0.06). The fair value of the options were priced using the Black & Scholes option pricing model which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the Dragon Mining Limited ordinary share price at the date of issue, the expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected life used in the model is three years, and assumes that options are exercised when financially optimal. This is not necessarily indicative of exercise patterns that may occur.

Due to the lack of exchange traded data for option prices of Dragon Mining Limited and many other gold mining companies of similar size, historical volatility has been used for the purposes of the valuation. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield is assumed to be nil on the basis that no dividends have been declared for the period due to the large ongoing capital commitment.

The following table gives the assumptions made in determining the fair value of options granted during the period:

Grant date	Dividend yield	Expected volatility	Risk free interest rate	Expected life of option	Option exercise price	Share price at grant date
8 Feb 2007	0%	50%	6.0%	4.9 years	\$0.21	\$0.14
8 Jun 2007	0%	57%	6.4%	5 years	\$0.175	\$0.12

7 DIVIDENDS PAID OR PROVIDED FOR

There were no dividends paid or provided for during the period.

8 SEGMENT REPORTING

	Sweden 30 Jun 2007 \$'000	Finland 30 Jun 2007 \$'000	Unallocated 30 Jun 2007 \$'000	Total 30 Jun 2007 \$'000
Revenue				
Sales	15,947	-	-	15,947
Other income	187	125	240	552
Total revenue and other income	16,134	125	240	16,499
				-
Results				
Pre-tax segment profit/(loss)	4,795	(1,858)	(4,857)	(1,920)
Income tax benefit			309	309
Consolidated entity profit				<u>(1,611)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 SEGMENT REPORTING (CONTINUED)

	Sweden 31 Dec 2006 \$'000	Finland 31 Dec 2006 \$'000	Unallocated 31 Dec 2006 \$'000	Total 31 Dec 2006 \$'000
Revenue				
Sales	16,008	-	-	16,008
Profit on sale of exploration asset	-	7,384	-	7,384
Other income	109	191	706	1,006
Total revenue and other income	16,117	7,575	706	24,398
Results				
Pre-tax segment profit/(loss)	1,372	6,660	(3,590)	4,442
Income tax			(309)	(309)
Consolidated entity profit				<u>4,133</u>

9 DERIVATIVE FINANCIAL INSTRUMENTS

Gold forwards

Under the terms of Dragon Mining's gold forward sale contracts, at 30 June 2007 the Company is obligated to deliver 81,849 ounces of gold into gold forward sale contracts at a weighted average price of US\$403.86 per ounce.

10 CONTINGENT ASSETS AND LIABILITIES

Except for the item mentioned below, there have been no changes to the contingent assets or liabilities from those items disclosed in the financial report for the year ended 31 December 2006.

Sami Claim

The Svartliden Gold Mine is located in the reindeer-herding area of the Vapsten Sami Community, which has appealed the Mines Inspector's decision concerning financial compensation for infringement on their reindeer-herding rights. The Regional Property Court has decided to award Vapsten a compensation of SEK 480,000 which is approximately 115% more than the amount awarded by the Mines Inspector. The case is still pending and Vapsten has also decided to appeal this decision. An answer from the higher Court of Appeal is not expected in the near future.

11 SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Placement

On 9 July 2007, a private placement was completed with the issue of 51 million shares at \$0.10 per share to existing shareholders raising A\$5.1 million before costs of \$75,000. The placement funds provided additional working capital during the commissioning period of the Vammala Production Centre in Finland.

Rights Issue

An underwritten non-renounceable rights issue to shareholders and a non-renounceable rights issue to noteholders were completed at an issue price of \$0.115 per share raising \$28.3 million before underwriting fees and expenses. As of 12 September 2007, \$21.6 million has been used to close out 54,849 ounces of gold at an average gold price of US\$703.78 per ounce. 25,151 ounces of gold remain of the Company's hedge book at an average forward price of US\$406.

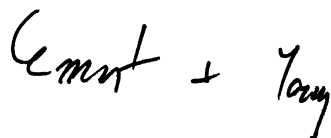
As part of the rights issue, a call option was purchased at a cost of US\$236,800 for 80,000 ounces of gold at a strike price of \$US705 to limit the maximum cost to the Company to close out the hedge book. As the spot price of gold was below the strike price of the option at the time the rights issue was completed (expiry date of the option), the option lapsed.

Initial Nickel-Copper Inferred Resource Estimates for the Stormi and Ekojoki Projects in South Finland

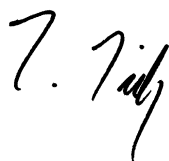
Dragon Mining received the results of the inferred resource estimate at its two nickel-copper deposits near the Vammala Production Centre in southern Finland, totalling 2.7Mt at 0.47% nickel and 0.35% copper. The inferred resource is based on historical drilling data compiled by Dragon Mining, from areas not previously mined at the Stormi nickel-copper deposit and the unmined Ekojoki nickel-copper occurrence.

Auditor's Independence Declaration to the Directors of Dragon Mining Limited

In relation to our review of the financial report of Dragon Mining Limited for the half-year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



V W Tidy

Partner
Perth

12 September 2007

To the members of Dragon Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dragon Mining Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Dragon Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

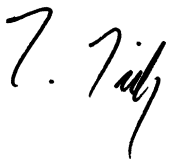
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dragon Mining Limited and the entities it controlled during the half-year, is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and



Ernst & Young



V W Tidy
Partner
Perth

12 September 2007