



## Quarterly Activities Report For the Quarter Ended 30 June 2008

### HIGHLIGHTS

#### OPERATIONS

- Svartliden, Sweden gold production for the quarter of 11,748 ounces at an average cash cost of US\$505 per ounce. The Svartliden process plant exceeded expectations with utilisation of 96.5%.
- Vammala, Finland gold production for the quarter of 6,253 ounces at an average cash cost of US\$760 per ounce. Mining of the Sarvisuo lodes commenced in early April and two stopes were mined.

#### DEVELOPMENT

- Results from diamond drilling at Sarvisuo, Finland continued to define new lode positions at and below the 420m level. New high grade intercepts of **3.00m @ 17.17 g/t gold, 9.30m @ 21.82 g/t gold, 3.35m @ 13.54 g/t gold** and **10.75m @ 4.76 g/t gold** from the 420m, 440m, 460m and 490m levels respectively are very encouraging. Given the success with delineation drilling the presence of new lodes between the 420m and 525m levels will enable the company to give consideration to extending mining below the 420m level.
- Diamond drilling to upgrade the resource categories in preparation for open pit mining of the Jokisivu gold deposit in Finland continued. A series of narrow high-grade intercepts including highlights of **2.73m @ 20.99 g/t gold, 3.83m @ 7.91 g/t gold, 6.68m @ 5.76 g/t gold** and **1.69m @ 16.57 g/t gold** have been received.

#### EXPLORATION

- A detailed 10,282 line kilometre airborne geophysical survey over the entire 300 square kilometre Svartliden Permit holding was completed.
- Diamond drilling focused on the depth extensions at Svartliden in Sweden returned further high grade intercepts including **5.00m @ 22.25 g/t gold, 10.00m @ 4.65 g/t gold** and **6.00m @ 8.81 g/t gold**. These results continue to highlight the potential for high grade mineralisation below the open-pit mine and could lead to establishing an underground mining operation.
- Results from the diamond drilling program at Hanhima in northern Finland returned encouraging intercepts including **7.50m @ 5.88 g/t gold**.

#### CORPORATE

- Group cash at the end of June was A\$6.2m.
- The average cash price received per ounce of gold sold from Svartliden was US\$842.
- The average sales price received per ounce of gold sold from Vammala was US\$875. A total of A\$4.1m was receivable from the Finnish smelter, which is subject to finalisation of assay results.



## OPERATIONS

### SWEDEN

#### Svartliden

**Table 1 – Production Summary**

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Utilisation (%)	Total Gold Production (Ounces)
Jun 2008 Quarter	73,557	75,094	5.3	92.3	96.5	11,748
Mar 2008 Quarter	68,093	54,345	7.4	90.7	94.1	11,782

The operation had no lost time injuries.

Svartliden produced 11,748 ounces of gold from 75,094 tonnes of ore milled at a head grade of 5.3 g/t at a cash cost of US\$505 per ounce.

Ore mined was 73,557 tonnes at an average planned grade of 3.6 g/t and was sourced from the western extension main and north lodes, the eastern extension and the east pit. Grade calculation in the eastern extension is currently being reviewed as this lower grade, higher tonnage area continues to reconcile positively. This is the primary reason for the higher than planned mill head grade. Good grade control drilling coverage exists for the short to mid-term mine planning and scheduling.

The process plant performance exceeded expectations with utilisation of 96.5%, which is a new record for a quarter. Utilisation was close to 100% for April and May and the maintenance stop in June was shorter than planned.

The cyanide detoxification reagent optimisation project, which has the aim of improving both plant and operating efficiency, continued during the quarter. Scoping work for the optimisation of oxygen addition to the leaching to improve control of oxygen addition and help optimise the leaching process is underway. The Cyanide Control System that was installed in March has met all expectations and is performing well.

### FINLAND

#### Vammala Production Centre

**Table 2 – Production Summary**

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Utilisation (%)	Total Gold Production (Ounces)
Jun 2008 Quarter	59,254	45,142	5.0	85.8	59.9	6,253
Mar 2008 Quarter	33,333	40,640	5.2	81.8	57.4	5,607

One lost time injury was reported. A contract miner drove into the decline portal with the body of his truck raised and sustained a minor back injury due to the impact of the truck body on the portal.

Vammala produced 6,253 ounces of gold from 45,142 tonnes of ore milled at a head grade of 5.0 g/t at a cash cost of US\$760 per ounce (including refining costs of US\$112 per ounce). The high cash cost per ounce is a direct result of a low average head grade due to continuing mining and processing of remnant and development ore from Orivesi. Mill feed included 8,586 tonnes from Kutema pillars, 17,750 tonnes of development ore and 18,806 tonnes of ore from Sarvisuo stopes.

Mining of the Sarvisuo lodes commenced in early April with two stopes mined between the 300m and 340m levels. Ore grades were lower than expected due to the complexity of the ore lodes which has created a requirement to increase development drives. Mining also continued from the Kutema pillars at the 625m level.



Given the enhanced understanding of the geology and structure of the ore lodes, a new mine plan has been completed for the remaining stopes, which will reduce average cash costs.

Miners, plant operators and contractors will have a three week vacation in July, which is the traditional Scandinavian holiday period. This break will be used to undertake maintenance works on mining equipment and the process plant.

The Vammala Production Centre is operating effectively and efficiently.

**DEVELOPMENT**

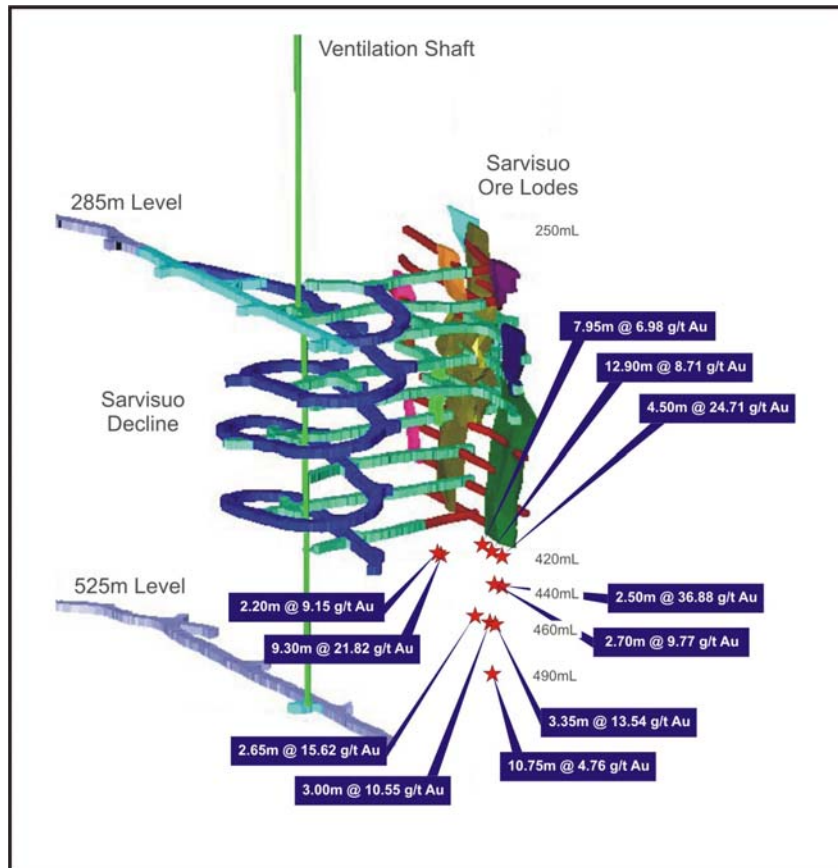
**FINLAND**

**Orivesi Gold Mine**

Underground diamond drilling continued in the Sarvisuo area focused on delineation drilling from the 525m level, targeting the 460m to 525m levels. A total of 3,397m was completed from 21 drill holes. Drill rigs have been moved out of the mine and will break for three months before recommencing later this year.

Results from drilling have continued to define the new lode positions at Sarvisuo on and below the 420m level, following on from results released earlier this year. In particular, new high grade intercepts of **3.00m @ 17.17 g/t gold**, **9.30m @ 21.82 g/t gold**, **3.35m @ 13.54 g/t gold** and **10.75m @ 4.76 g/t gold** from the 420m, 440m, 460m and 490m levels respectively are considered to be very encouraging. All results have now been received from the 28 holes completed from the 420m Level in 2008, which targeted the 420m, to 460m Levels. Results remain pending for 12 holes that have been drilled from the 525m level, targeting the 460m to 525m levels.

The success of the delineation drilling program between the 420m and 525m levels will enable consideration to extending mining at Sarvisuo, below the 420m level.



**Figure 1 - Orivesi Gold Mine Development Including High Grade Gold Intercepts on the 420m, 440m, 460m and 490m Levels**



Table 3 - Significant gold intercepts from the 420m, 440m, 460m, 490m and 525m levels at Sarvisuo

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
<b>420m Level</b>							
KU-976	6838497.91	2508832.45	335.2	-1.4	16.00	1.30	6.28
					66.00	3.00	17.17
					<i>including 1.40m @ 35.40 g/t gold from 67.60m</i>		
					124.65	0.85	1.43
KU-977	6838497.78	2508833.63	346.3	0.7	55.35	1.85	3.55
					87.90	0.65	1.91
					120.95	0.70	1.96
					132.40	1.35	3.50
KU-989	6838491.81	2508879.95	358.0	0.6	52.50	0.50	1.34
					61.95	8.05	4.07
					85.15	1.10	1.10
KU-992	6838491.31	2508882.57	23.1	1.9	65.00	1.00	2.39
					69.00	1.10	1.57
					86.40	0.45	1.57
<b>440m Level</b>							
KU-981	6838497.08	2508835.94	13.0	-14.9	47.20	1.00	1.74
					50.80	1.95	5.35
					57.25	8.75	1.84
KU-982	6838497.21	2508835.42	4.4	-14.4	54.25	0.70	4.97
					61.90	3.85	3.27
					82.10	1.20	1.15
KU-983	6838497.55	2508834.73	357.8	-14.2	65.50	1.05	6.18
KU-984	6838497.78	2508833.65	346.4	-15.7	63.15	0.95	10.65
					209.15	1.10	1.27
KU-985	6838497.91	2508832.88	335.4	-17.3	56.70	9.30	21.82
					69.20	2.20	9.15
KU-986	6838497.84	2508832.65	327.4	-20.7	17.00	1.50	6.18
					59.65	0.85	1.11
					76.55	1.20	1.42
KU-994	6838491.54	2508878.28	341.4	-15.8	54.25	0.75	1.03
					58.75	0.90	10.10
					68.00	2.55	2.57
					72.85	3.75	5.64
					92.50	1.30	1.11
					96.05	1.15	1.52
					100.65	1.45	3.80
KU-995	6838491.78	2508879.91	357.0	-23.9	33.95	1.05	1.29
					57.55	1.05	40.90
					60.75	0.95	1.20
					63.50	3.85	2.78
KU-996	6838491.78	2508880.86	7.2	-13.1	32.45	0.70	1.27
					65.00	2.35	3.60
KU-997	6838491.89	2508881.89	16.2	-13.7	64.70	2.05	1.90
KU-998	6838491.07	2508882.51	24.3	-15.4	66.30	0.95	1.91
					70.50	2.70	9.77
<b>460m Level</b>							
KU-1001	6838497.82	2508832.91	335.5	-34.8	61.75	2.40	4.06
					83.75	3.05	1.60
KU-1002	6838497.69	2508833.69	346.7	-29.4	49.65	0.90	1.01
					57.85	0.70	37.60
KU-1003	6838497.55	2508834.72	359.0	-29.0	55.00	0.60	1.08
					65.40	4.20	2.31
					89.50	1.50	9.66
					148.00	1.00	1.40
KU-1004	6838497.15	2508835.40	4.3	-29.5	55.35	1.00	1.16
					64.75	1.05	2.80
KU-1005	6838496.88	2508835.88	12.9	-29.1	52.15	1.15	1.73
					55.40	1.10	11.00
					66.15	1.15	21.00
					101.05	1.25	4.75
KU-1006	6838491.59	2508878.49	341.9	-29.8	66.60	1.00	1.65
					83.35	0.70	1.75
					103.35	1.00	1.15
KU-1007	6838491.67	2508879.75	357.9	-29.3	53.40	1.00	1.02
					67.15	1.05	3.23
KU-1008	6838491.57	2508880.77	8.4	-29.8	65.35	2.65	15.62
					71.50	0.50	1.44
					74.95	1.05	7.40



Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)	
<b>460m Level</b>								
KU-1009	6838491.51	2508881.68	17.1	-28.7	72.90	1.10	3.99	
					74.70	0.70	1.83	
KU-1010	6838490.89	2508882.21	23.9	-29.1	77.00	3.35	13.54	
			<i>including 2.35m @ 18.55 g/t gold from 77.00m</i>					
					82.00	3.00	10.55	
			<i>including 2.00 metres @ 14.88g/t gold from 83.00 metres</i>					
					88.80	2.10	2.41	
<b>490m Level</b>								
KU-1012	6838467.85	2508917.33	0.8	11.4	95.25	10.75	4.76	
			<i>including 4.25m @ 8.41 g/t gold from 97.40m</i>					
<b>525m Level</b>								
KU-889	na	na	na	na	75.15	2.10	2.04	
KU-1013	6838467.19	2508914.36	0.7	1.9	37.15	0.50	1.39	
					99.65	5.50	2.41	
					106.90	1.80	1.46	
KU-1014	6838466.89	2508905.94	1.0	-3.9	104.60	1.10	1.87	
KU-1015	6838467.13	2508890.80	0.6	-4.8	99.65	0.95	1.50	
KU-1016	6838468.95	2508869.67	0.7	-3.8	97.30	0.90	2.24	

*Analysis of full or 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. Results reported at a cut-off grade of 1g/t gold.*

The resources between the 720m and 820m levels at Kutema Deeps continue to be considered for development with an internal feasibility study to review and assess the viability of mining this ore.

### Vammala Nickel-Copper Project

A Permit was granted by the Western Finland Environmental Permit Authority for the dewatering of the decline and mine workings of the Vammala nickel-copper mine in southern Finland.

Dewatering will enable an assessment of the condition of the decline and main production levels to determine the practicality of re-opening the Vammala mine to access the remaining ore and to explore for additional resources.

The Permit, which is valid for two years until 1 June 2010, requires the Company to comply with specific conditions relating to minimising solids content and to maintaining dissolved copper, nickel and iron below stipulated levels. No treatment of the water pumped from the decline and mine workings is anticipated prior to discharge from a stilling pond, into the natural drainage system based on analysis of mine water samples.

It is expected that dewatering would take approximately six months to complete based on the calculated volume of the previous mining activities and the anticipated pumping rates.

### Jokisivu Gold Project

Diamond drilling to upgrade the resource categories in preparation for open pit mining of the Kujankallio gold deposit continued. A total of 18 holes from the planned 28 hole program have now been completed for an advance of 2,475m.

Results had been received from the initial 4 holes, which returned a series of narrow high-grade intercepts including highlights **2.73m @ 20.99 g/t gold, 3.83m @ 7.91 g/t gold, 6.68m @ 5.76 g/t gold and 1.69m @ 16.57 g/t gold.**

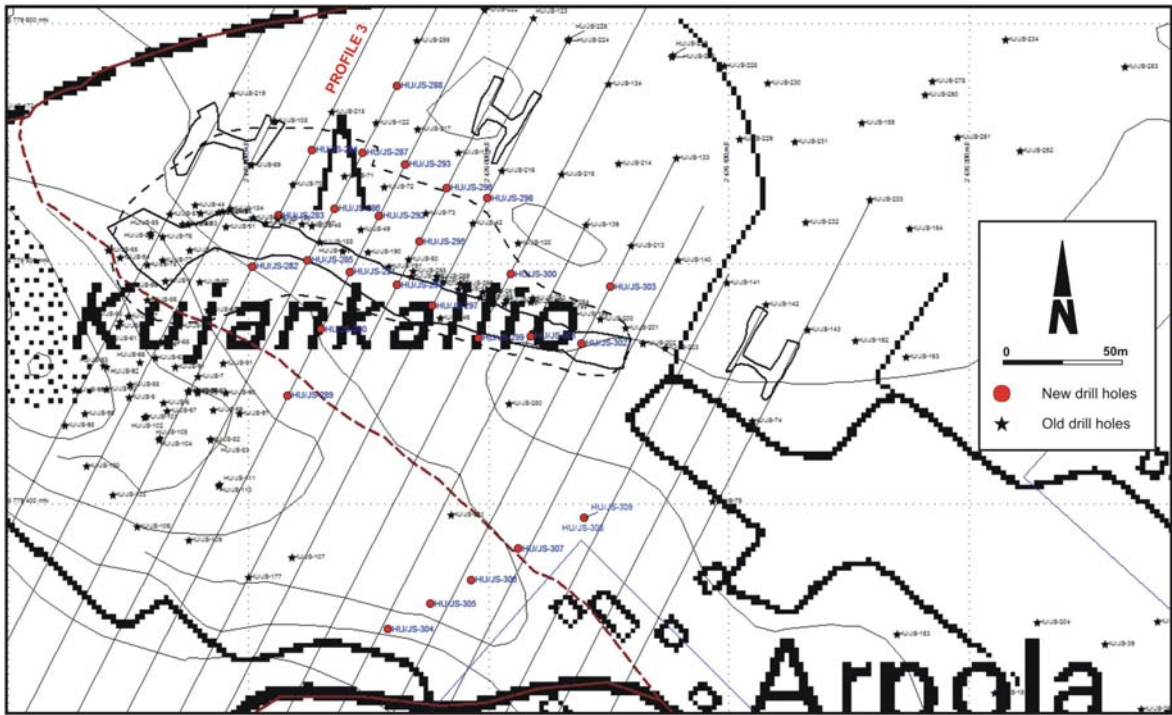


Figure 2 - Kujankallio drill hole plan

Table 4 – Initial intercepts from Kujankallio diamond drilling

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
<b>Profile 3</b>							
HU/JS-282	6779498.78	2425901.45	206	-49	10.27	0.85	4.55
					31.42	0.89	1.40
					64.59	1.56	1.23
					75.07	0.86	5.57
					87.91	0.48	11.50
					96.59	0.92	1.42
					102.31	2.19	2.29
					108.02	1.84	3.47
HU/JS-283	6779520.08	2425912.29	206	-51	1.90	0.77	4.73
					14.29	2.73	20.99
					17.69	1.97	1.63
					30.87	1.18	1.03
					43.36	1.04	1.04
					67.74	0.64	1.02
					84.55	3.83	7.91
					106.88	6.68	5.76
HU/JS-284	6779547.43	2425926.20	206	-55.7	10.71	0.79	1.21
					23.28	1.29	1.83
					35.52	1.30	5.11
					52.91	0.67	1.42
					54.30	1.08	1.95
					84.92	2.13	1.79
					88.08	1.02	14.45
					90.10	7.00	2.86
					99.30	1.12	1.34
					109.20	0.75	3.36
					117.13	0.67	2.53
					118.85	0.90	1.13
					141.79	1.43	1.23
<b>Profile 4</b>							
HU/JS-285	6779501.51	2425924.53	206	-43	5.03	0.40	15.20
					81.11	1.00	4.03
					97.93	0.33	28.00
					109.22	1.69	16.57

Analysis of half core was completed at the ALS Chemex laboratory in Rosia Montana, Romania using procedure Au-AA25 and Au-GRA22, following sample preparation at the Okun Autolahetti Oy facility in Finland. Results reported at a cut-off grade of 1g/t gold.



## EXPLORATION

### SWEDEN

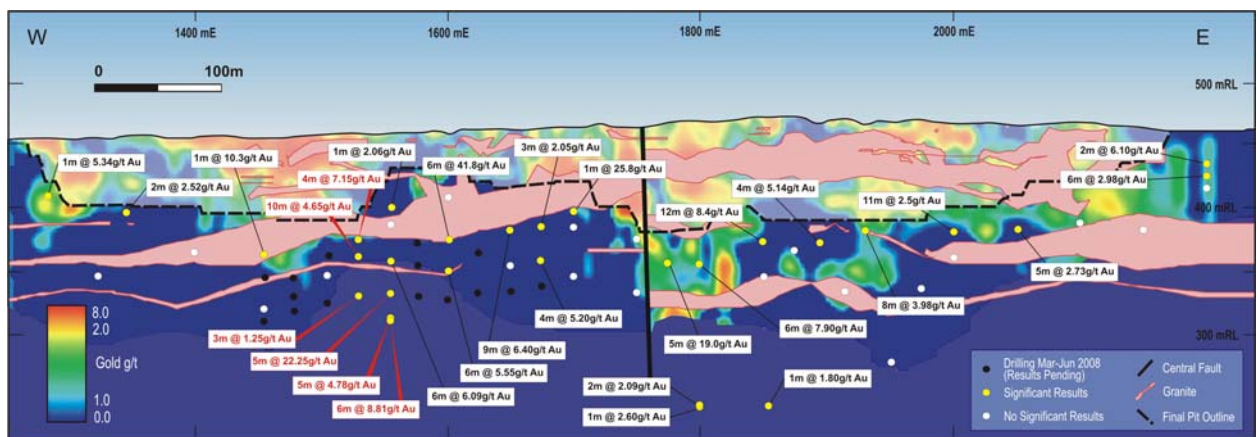
#### Svartliden Gold Mine

Drilling of the depth extensions recommenced in March following up significant drill intercepts obtained at the end of 2007. Targeting a panel of the North Lode over a strike length of 250m to a vertical depth of 140m, assays from the first five holes completed were received. These results continue to highlight the potential for high grade mineralisation below the open-pit and could lead to establishing an underground mining operation.

**Table 5 – Drill results from depth extension drilling at Svartliden**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
<b>Profile 1525</b>							
SV08120	7187212.38	1588288.27	161	-50	155	3.00	1.25
SV08121	7187192.79	1588295.54	161	-50	125	10.00	4.65
SV08122	7187192.27	1588295.76	161	-45	111	4.00	7.15
<b>Profile 1550</b>							
SV08119	7187216.86	1588316.23	161	-50	152.00	5.00	22.25
SV08123	7187235.22	1588312.82	161	-50	176.00	5.00	4.78
					188.00	6.00	8.81

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



**Figure 3 – Long projection of the North Lode at Svartliden**

The nineteen hole (3,700m) depth extension drill program was completed in early July. A drilling program to examine a portion of the North Lode east of the Central Fault, where previous drilling returned intercepts of 5.00m @ 19.00 g/t gold and 6.00m @ 7.90 g/t gold has commenced.

Prior to the recommencement of the depth extension drilling, a short program of infill drilling was undertaken at the eastern end of the Svartliden deposit. A total of four drill holes were completed for an advance of 239.85m, with results from analysis returning a number of significant intersections including an intercept of **8.00m @ 47.80 g/t gold**.

**Table 6 – Drill results from infill drilling of the eastern extensions at Svartliden**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
<b>Profile 2175</b>							
SV08115	7187429.86	1588899.42	161	-50	30.00	14.00	3.40
SV08116	7187410.68	1588904.93	161	-50	0.00	4.00	2.44
SV08117	7187392.87	1588911.19	161	-50	24.00	1.00	3.12
					28.00	1.00	2.20
<b>Profile 2100</b>							
SV08118	7187401.54	1588828.49	161	-50	25.00	8.00	47.80
					including 2m @ 117.5 g/t gold from 29m		
					54.00	5.00	3.00

Analysis of half core was completed at ALS Chemex Laboratories in Romania, using method Au-AA25, following sample preparation at the ALS Chemex facility in Piteå, Sweden.



The infill results are being reviewed to assess the possibility of extending and deepening the planned limits of the portion of the open pit that encompasses the eastern extension of the deposit.

Regional exploration activities recommenced with the completion of a detailed 10,282 line kilometre airborne geophysical survey over the entire 300km<sup>2</sup> Svartliden Permit holding. Data from the survey is now being processed, the initial images and interpretation expected to be completed during the coming months.

Geochemical surveys also commenced in June and will continue over the northern summer, initially across five target areas in the immediate vicinity of the Svartliden Mine. Results from these programs will be used to generate targets for possible drill testing later in 2008.

## FINLAND

### Kaapelinkulma Gold Project

Results for the remaining assays from the Kaapelinkulma North area were received. A total of eleven shallow drill holes were completed in this area, one of five areas targeted during the drilling campaign completed at the end of 2007.

**Table 7 – Drill results from the Kaapelinkulma North Prospect. Intercepts reported at a cut off grade of 1g/t gold**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
VK/KKU-70	6791727.40	2506813.60	258.0	-59.8	4.10	2.45	1.24
VK/KKU-71	6791742.50	2506798.40	258.0	-56.0	21.35	0.65	1.69
					39.30	1.10	2.16
					44.95	1.00	2.19
					52.35	0.45	2.89
					55.10	0.60	6.40*
VK/KKU-72	6791733.10	2506792.20	258.0	-48.1	18.20	0.45	1.20
VK/KKU-73	6791732.90	2506792.70	258.0	-70.6	42.30	0.75	1.39
					48.30	0.50	3.60
VK/KKU-74	6791737.00	2506822.40	258.0	-59.5	44.00	0.90	15.40*
					59.20	0.35	6.01*
VK/KKU-75	6791733.40	2506840.50	258.0	-50.8	37.00	1.65	3.68
VK/KKU-76	6791751.00	2506796.10	258.0	-61.9	12.05	3.10	2.46
					30.55	1.15	1.18
					39.90	1.35	9.34*
					49.60	1.55	3.79
VK/KKU-77	6791761.60	2506790.20	258.0	-47.5	No significant result.		
VK/KKU-78	6791645.10	2506868.30	258.0	-71.9	74.25	0.65	2.34
					93.80	0.65	2.39
VK/KKU-79	6791684.40	2506861.20	256.0	-65.7	33.00	1.70	1.67
					50.20	4.00	2.17
					159.30	0.70	1.24
VK/KKU-80	6791678.00	2506843.90	256.0	-59.5	22.50	2.85	1.01
					77.30	0.35	2.45

*Analysis of half core was completed at ACME Laboratories in Vancouver, Canada, using 30g HCL-HNO<sub>3</sub> with ICP-ES finish, following sample preparation at Okun Autolahetti Oy facility in Finland.*

*\*Analysis of half core was completed at ACME Laboratories in Vancouver, Canada, using 50g Fire Assay with gravimetric finish, following sample preparation at Okun Autolahetti Oy facility in Finland.*

Following review of results from this recent drilling campaign, excavation of new trenches have been completed examining the northern extensions of known mineralisation, whilst boulder hunting and a review of historic geophysical surveys over the area were underway.

### Hanhimaa Gold Project

All results from the seventeen hole diamond core drilling campaign completed at Hanhimaa in March were received.

Ten of the holes were drilled at the Kiimalaki prospect targeting down-dip and along strike extensions of earlier drill results, including previously released intercepts 10.60m @ 4.86 g/t gold



and 5.00m @ 5.96 g/t gold. Results returned a number of intercepts including a highlight **7.50m @ 5.88 g/t gold**.

The remaining seven holes were completed on the Kellolaki prospect, some 2km northeast of Kiimalaki. Results returned from this area were generally of a lower grade, with holes KTÄ/HAM-38, 41, 42 and 43 failing to return any significant result.

The 2007–2008 diamond drilling and geochemical sampling programs have confirmed that the hydrothermally altered domain continues from Kiimalaki to Kellolaki, is open along strike, and that elevated gold values are present in narrow zones throughout the altered domain. To define higher grade lodes within the 200m wide altered domain will require further sampling.

**Table 8 – Significant intercepts from Kiimalaki and Kellolaki**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)	Ag (g/t)
<b>Kiimalaki</b>								
KTÄ/HAM-28	7545773.16	2546001.82	300.0	-44.5	143.70	2.40 <sup>(1)</sup>	2.23	34.62
					200.43	1.08	2.02	3.40
KTÄ/HAM-29	7545803.26	2545949.22	300.0	-44.9	54.50	3.50 <sup>(2)</sup>	2.45	17.92
KTÄ/HAM-30	7545737.58	2545911.80	300.0	-45.1	56.00	2.80 <sup>(3)</sup>	1.26	3.66
KTÄ/HAM-31	7545703.89	2545892.89	300.0	-44.3	47.15	1.05	1.07	0.11
					56.00	7.50 <sup>(4)</sup>	5.88	11.78
			including 1.50m @ 16.20 g/t gold and 20.29 g/t silver from 57.00m and 1.00m @ 11.84 g/t gold and 5.74 g/t silver from 60.35m					
KTÄ/HAM-32	7545669.87	2545873.53	300.0	-45.3	59.85	1.25	6.51	5.01
KTÄ/HAM-33	7545600.64	2545833.71	300.0	-45.7	39.00	1.00	3.17	0.41
KTÄ/HAM-34	7545773.00	2545838.00	300.0	-44.5	65.00	1.00	1.88	3.23
KTÄ/HAM-35	7545597.68	2545879.17	300.0	-59.3	146.86	1.54	1.05	1.93
					154.00	1.30	4.84	2.00
					183.70	2.30	1.19	0.31
KTÄ/HAM-36	7545706.32	2545966.47	300.0	-43.7	149.20	1.80	4.40	7.15
KTÄ/HAM-37	7545838.16	2545968.82	300.0	-43.8	53.40	1.15 <sup>(5)</sup>	1.79	1.12
<b>Kellolaki</b>								
KTÄ/HAM-39	7545340.00	2546395.00	270.0	-45.0	30.50	1.25	2.38	
KTÄ/HAM-40	7547340.00	2546446.00	270.0	-45.0	85.00	1.00	1.63	
KTÄ/HAM-44	7546590.00	2546365.00	270.0	-45.0	30.80	1.30	1.28	
					61.30	0.80	1.09	

Analysis of half core was completed at ACME Laboratories in Vancouver, Canada, using 30g HCL-HNO<sub>3</sub> with ICP/ES & MS finish, following sample preparation at Okun Autolahetti Oy facility in Finland. Results reported at a 1g/t gold cut-off.

<sup>(1)</sup> includes 0.40 metre core loss; <sup>(2)</sup> includes 0.20 metre core loss; <sup>(3)</sup> includes 2.15 metre core loss; <sup>(4)</sup> includes 0.80 metre core loss; <sup>(5)</sup> includes 0.30 metre core loss.

A program of bedrock chip sampling examining untested portions of the twenty kilometre long Hanhima Shear Zone, north and south of the Kiimalaki and Kellolaki prospects is currently in progress. To date 12 of 14 Profiles have been completed, with a total of 352 samples collected.

Results from the first two assay batches have been received, returning a distinct gold-arsenic-silver anomaly related to hydrothermally altered rocks on Profile 9, including three samples that returned gold values greater than 0.1g/t. It is proposed that part of the altered domain will be trenched during July/August, if the terrain is suitable.

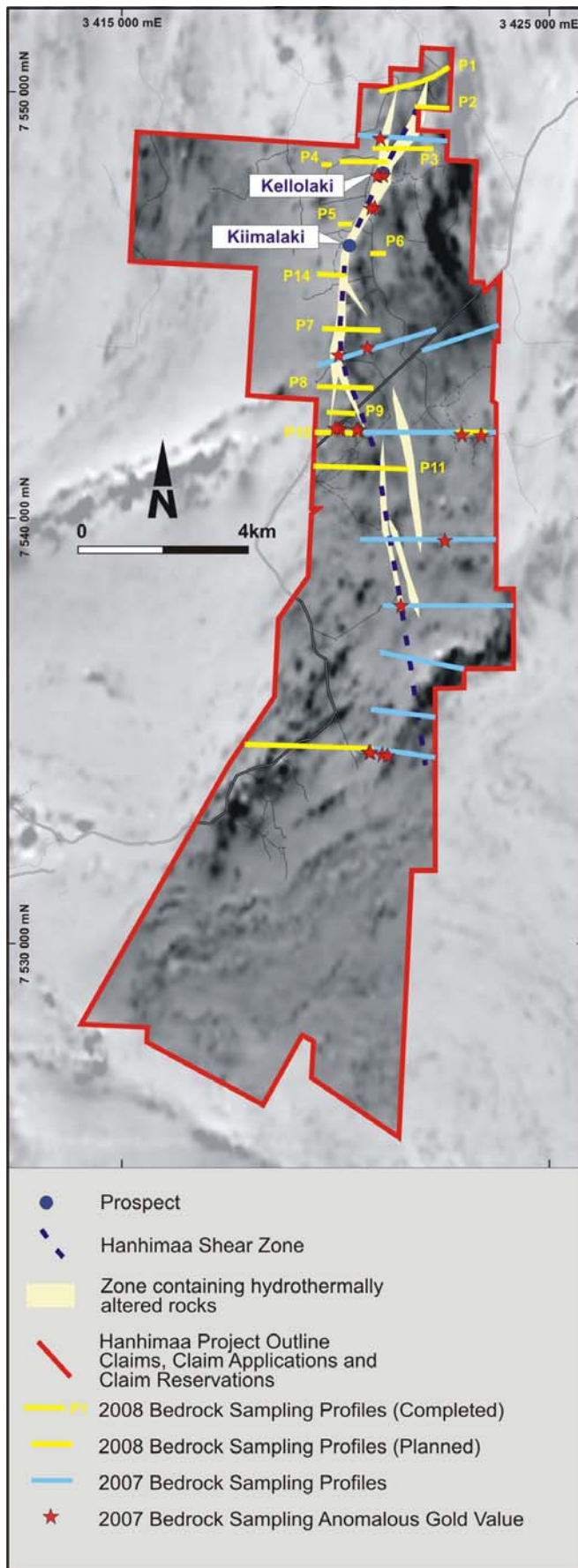


Figure 4 – Hanhimaa Bedrock Chip Sampling Profiles



## Sukseton– Copper-Gold Project

Results from re-assaying of core and sample pulps from two historic drill holes from the eastern part of the Claimed area, which hosts the known copper-gold mineralisation were received. Drill hole SUK-1 was assayed completely (¼ or ½ core) and returned mean values of 0.12 g/t gold and 1,035 ppm copper over the entire length of the hole (233.1m), including 68.80m @ 0.21 g/t gold and 1,890 ppm copper. Only 14 samples were assayed from SUK-16 as historic sample pulps were not located.

**Table 9 - Re-assay results of historic drill cores (SUK-1 and SUK-16)**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)	Cu (ppm)
SUK-1	n/a	n/a	n/a	n/a	3.90	233.1	0.12	1,035.3
			including 68.80m @ 0.21 g/t gold and 1,890.6 ppm copper					
SUK-16	n/a	n/a	n/a	n/a	108.01	2.64	0.19	2,827.2
					135.60	5.28	0.07	1,900.2

Geophysical maps of the two primary target areas at Sukseton were completed whilst 46 samples were collected from two sample profiles for MMI type analysis.

## Tepasto Molybdenum-Copper Project

A regional chip sampling program was completed, testing regional molybdenum-copper anomalies in humus and till identified by Outokumpu during the 1970's.

Seventy-two samples from six profiles were obtained during the program, returning poor results from analysis, with peak values for molybdenum and copper of 27.5 ppm and 218 ppm, respectively. The potential host rock for molybdenum-copper mineralization, aplitic granite, was encountered in only a few sample locations, whilst indications of the major structure at Ruskisrova were not confirmed due to the thick overburden cover that prevented sampling of the bedrock.

Following receipt of the poor results from the chip sampling program, the Claim Reservation holding at Tepasto expired and applications were lodged for only two Claims encompassing the known in-situ mineralisation in the Kokonpesänvaara area.

## Vale-Inco Nickel Alliance (50% Interest)

A ground magnetic survey commenced in the Ruossakero area. The 40 line kilometre survey covers an area of 2km<sup>2</sup> near previously released drill hole ENO/RUO-14 that returned results of 30.7m @ 0.255% nickel and 24.85m @ 0.29% nickel.

Arrangements for the 2008 field season have now been established and a work permit application for the Ruossakero-Kalokkoaiivi-Tsaibma area was accepted.

## Kuhmo Nickel Joint Venture (5% Free Carried Interest)

Joint Venture partner, ASX listed Vulcan Resources Limited have advised Dragon that the initial results were received from drilling programs undertaken on the Hietaharju and Peura-aho nickel deposits, returning high platinum and palladium grades from Hietaharju including intercept highlights:

- 3.45 metres @ 2.42% Ni, 1.57% Cu, 0.13% Co, 5.54g/t Pd and 3.57g/t Pt;
- 4.85 metres @ 1.79% Ni, 1.07% Cu, 0.10% Co, 3.02g/t Pd and 1.50g/t Pt;
- 10.80 metres @ 1.66% Ni, 0.93% Cu, 0.09% Co, 4.32g/t Pd and 2.01g/t Pt;
- 6.80 metres @ 1.31% Ni, 1.08% Cu, 0.18% Co, 4.17g/t Pd and 0.39g/t Pt.



Table 10 – Hietaharju drilling results

Hole ID	From (m)	Interval (m)	Ni (%)	Cu (%)	Co (%)	Pd (ppm)	Pt (ppm)
SMS/HIE-31	15.60	0.70	0.72	0.36	0.04	1.32	0.46
	25.00	9.80	0.67	0.49	0.04	1.09	0.45
SMS/HIE-32	105.30	0.60	0.39	0.19	0.03	0.53	0.20
SMS/HIE-33	4.90	22.10	1.77	0.57	0.10	1.99	0.82
	58.05	3.45	2.42	1.57	0.13	5.54	3.57
SMS/HIE-34	38.25	20.35	0.82	0.35	0.05	0.98	0.35
	63.70	4.15	1.35	0.79	0.07	2.45	1.13
	73.50	4.85	1.79	1.07	0.10	3.02	1.50
	97.45	6.45	0.88	0.98	0.05	1.17	0.39
	109.90	1.90	0.72	0.45	0.05	1.09	0.61
	120.45	2.55	0.80	0.41	0.05	1.46	0.60
SMS/HIE-35	48.00	13.00	0.74	0.34	0.04	0.89	0.38
SMS/HIE-36	51.70	19.30	1.15	0.73	0.06	1.46	0.54
SMS/HIE-37	25.60	9.40	0.43	0.17	0.03	0.48	0.20
SMS/HIE-38	55.60	10.00	0.57	0.30	0.04	0.75	0.30
SMS/HIE-39	14.00	2.00	0.36	0.19	0.02	0.57	0.21
SMS/HIE-40	76.60	2.00	0.53	0.30	0.03	0.72	0.32
SMS/HIE-41	78.90	2.50	0.42	0.14	0.03	0.42	0.19
SMS/HIE-42	79.00	21.00	0.84	0.43	0.05	1.19	0.45
SMS/HIE-43	9.90	7.20	0.76	0.60	0.05	0.97	0.35
SMS/HIE-44	No significant results						
SMS/HIE-45	18.20	10.80	1.66	0.93	0.09	4.32	2.01
SMS/HIE-46	37.80	2.60	0.93	0.46	0.06	0.98	0.39
SMS/HIE-47	6.70	7.30	0.98	0.49	0.06	0.93	0.41
	22.35	0.65	0.95	0.39	0.07	0.90	0.40
SMS/HIE-48	9.30	3.60	0.99	0.33	0.06	0.57	0.33
SMS/HIE-49	14.35	2.85	0.98	0.06	0.05	0.49	0.25
SMS/HIE-50	37.70	6.80	1.31	1.08	0.18	4.17	0.39
	54.30	0.35	1.89	1.03	0.08	0.34	0.43
SMS/HIE-51*	94.30	0.20	0.76	3.43	0.05		
	99.10	3.10	1.10	0.27	0.06		
	106.55	0.20	1.60	0.19	0.08		
	125.30	14.25	1.89	0.69	0.11		
SMS/HIE-52*	No significant results						
SMS/HIE-53*	131.00	9.00	0.40	0.20	0.03		
	147.00	7.00	0.35	0.17	0.02		
	172.45	1.80	2.21	1.05	0.14		
	177.65	3.85	1.42	1.00	0.09		
	194.00	4.85	0.54	0.37	0.03		
	SMS/HIE-54*	197.60	3.75	2.25	1.34	0.13	
SMS/HIE-55*	148.00	13.85	0.46	0.25	0.03		
SMS/HIE-57*	175.00	6.00	0.58	0.29	0.03		
	200.35	16.25	0.61	0.27	0.04		
	282.95	0.90	0.62	0.50	0.04		

\* Precious metals assays pending.

Table 11 – Peura-aho drilling results

Hole ID	From (m)	Interval (m)	Ni (%)	Cu (%)	Co (%)	Pd (ppm)	Pt (ppm)
SMS/PA-43*	42.70	1.50	1.02	0.27	0.04		
SMS/PA-44*	38.60	1.40	0.74	0.63	0.03		
SMS/PA-45*	6.50	2.50	0.45	0.14	0.03		
SMS/PA-46*	11.00	1.95	0.58	0.41	0.03		

\* Precious metals assays pending.

## RUSSIA

### OAQ Kivijarvi (84.98% Interest)

No exploration was undertaken.



## ERITREA

### Zara Joint Venture (20% Interest)

Joint Venture partner Sub Sahara Resources NL advised work resumed with activities planned to advance the million ounce Koka gold deposit towards development with a Scoping/Pre-feasibility study planned for completion by October 2008.

## AUSTRALIA

### Weld Range Joint Ventures (Various Interests)

No exploration was undertaken on the Weld Range group of properties during the quarter.

## CORPORATE

### Cash Balances and Movements

As at 30 June 2008, Dragon held \$6.2m in cash. Refer to Appendix 5B for principal movements in cash.

In addition Dragon had \$4.2 million in bullion and gold concentrate receivables.

### Hedging

Dragon had 7,750 ounces of gold hedging remaining at a forward price of US\$413. Using the 30 June 2008 spot gold price of US\$926.50, the mark to market of the hedge book was a negative amount of US\$4.2m.

The remaining hedge book represents less than 5% of the Company's gold ore reserves. The intention is for the Company to continue to deliver 500 ounces per month from Svartliden production into the gold forward book.

### Gold Sales

Production from Svartliden was sold at an average cash price of US\$842 per ounce. 1,500 ounces of gold was delivered into the hedge book and the remaining production into the spot market.

Gold concentrate from the Vammala Production Centre was sold at an average price of US\$875 (gross of refining costs) and \$4.1m is receivable at 30 June 2008. The Company shipped 6,118 ounces of gold concentrate. There is generally a six week delay between shipment and payment for gold concentrate.

### Borrowings

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

**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 and Mr Urpo Kuronen MSc (Geology), a Member of the Australian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Neale Edwards and Mr Urpo Kuronen consent to the inclusion in the report of the matters based on their 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
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ABN

19 009 450 051
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Quarter ended ("current quarter")

30 June 2008
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#### Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	15,935	31,421
1.2 Payments for (a) exploration and evaluation	(2,253)	(3,815)
(b) development	(243)	(563)
(c) production	(12,938)	(26,105)
(d) administration	(668)	(1,351)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	55	118
1.5 Interest and other costs of finance paid	(601)	(1,245)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	140	234
<b>Net Operating Cash Flows</b>	<b>(573)</b>	<b>(1,306)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(149)	(645)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	1
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Close out of hedge book	-	-
<b>Net investing cash flows</b>	<b>(149)</b>	<b>(644)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(722)</b>	<b>(1,950)</b>



1.13	Total operating and investing cash flows (brought forward)	(722)	(1,950)
	<b>Cash flows related to financing activities</b>		
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	(6)	(12)
1.18	Dividends paid	-	-
1.19	Close out of hedge book	-	-
	<b>Net financing cash flows</b>	(6)	(12)
	<b>Net increase (decrease) in cash held</b>	(728)	(1,962)
1.20	Cash at beginning of quarter/year to date	7,031	8,179
1.21	Exchange rate adjustments to item 1.20	(138)	(52)
1.22	<b>Cash at end of quarter</b>	6,165	6,165

**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	93
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 directors of salaries, fees, superannuation 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	2,600
4.2 Development	1,400
<b>Total</b>	<b>4,000</b>

### 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	6,165	7,031
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>6,165</b>	<b>7,031</b>



## 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	<b>Finland</b>			
	200702 Sankila		100%	0%
	200702 Koiisto		100%	0%
	2007110 Hakahuhdanmaa		100%	0%
	2007110 Uusikylä		100%	0%
	2007110 Herajärvi		100%	0%
	2007109 Jalonoja		100%	0%
	200768 Pittarova		100%	0%
	200768 Muusanlammit		100%	0%
	200768 Aakenusvaara		100%	0%
	200795 Palokangas		100%	0%
	2007107 Tepasto 1		100%	0%
	2007107 Tepasto 2		100%	0%
	2007107 Tepasto 3		100%	0%
	2007107 Tepasto 4		100%	0%
	2007107 Tepasto 5		100%	0%
	2007107 Tepasto 6		100%	0%
	2007107 Tepasto 7		100%	0%
	2007107 Tepasto 8		100%	0%
	2007107 Tepasto 9		100%	0%
2007107 Tepasto 10		100%	0%	
2007107 Tepasto 11		100%	0%	
200793 Kianta 1		5%	0%	
200794 Halovaara		5%	0%	
6.2 Interests in mining tenements acquired or increased	200847 Kianta 2		0%	5%
	200847 Kianta 3		0%	5%
	200848 Haverisensuo		0%	5%
	200848 Raiskionsuo		0%	5%
	200848 Hämeenniemi		0%	5%
	200848 Palosuo		0%	5%
	200848 Taulusuo 1		0%	5%
	200848 Taulusuo 2		0%	5%
	200848 livantiira 1		0%	5%
	200848 livantiira 2		0%	5%
	200848 Riihi 1		0%	5%
	200848 Riihi 2		0%	5%
	200848 Riihi 3		0%	5%
	200848 Riihi 4		0%	5%
	200848 Riihi 5		0%	5%
	200848 Riihi 6		0%	5%
	200848 Riihi 7		0%	5%
	200848 Riihi 8		0%	5%
	200848 Riihi 9		0%	5%
	200848 Riihi 10		0%	5%
200848 Riihi 11		0%	5%	
200848 Riihi 12		0%	5%	
200848 Riihi 13		0%	5%	



### 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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	737,345,151	737,345,151		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through expired partly paid shares				
7.5 <b>+Convertible debt securities</b> (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 <b>Options</b> (description and conversion factor)	1,500,000 1,000,000 6,000,000 75,000 5,550,000	- - - - -	<i>Exercise price</i> 17.5 c 14 c 21 c 21 c 17.5 c	<i>Expiry date</i> N/A N/A N/A 21 Dec 2011 8 June 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Lapsed during quarter				



7.11	<b>Debentures</b> <i>(totals only)</i>		
7.12	<b>Unsecured notes</b> <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:

(Managing Director)

Print name:

PETER CORDIN

23 July 2008

**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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