QUARTERLY ACTIVITIES REPORT

For the Quarter Ended 30 September 2009

HIGHLIGHTS

OPERATIONS

- Quarterly gold production for the Dragon Mining Group of 14,249 (YTD: 49,097 ounces) ounces at an average cash cost of US$690 (YTD: US$625) per ounce.
- Svartliden, Sweden gold production for the quarter of 9,220 (YTD: 27,494) ounces at an average cash cost of US$690 (YTD: US$574) per ounce. The high cash cost, which was anticipated, is the result of the summer vacation period in Sweden, lower recoveries and adverse USD/SEK exchange rate movements.
- Vammala, Finland gold production for the quarter of 5,029 (YTD: 21,603) ounces at an average cash cost of US$690 (YTD:US$690) per ounce (including refining costs of US$135 per ounce). The high cash costs are result of a three week shut down of both the mine and process plant during the vacation period in July, the trial processing of Jokisivu ore during September and adverse USD/EUR exchange rates.
- Development completed and production commenced from the Kujankallio open pit at the Jokisivu Gold Mine. The trial processing confirmed the suitability of the Vammala Production Centre to satisfactorily treat Jokisivu ore.

DEVELOPMENT

- Diamond drilling continued at Sarvisuo with a highlight intercept of **4.20m @ 5.30 g/t gold** located only 40m north from the nearest access drive and may represent a previously unknown lode system similar to that of the Sarvisuo and Kutema lode systems. Four further holes have commenced to obtain a better understanding for the potential for a new lode system.
- Drilling continued at Kujankallio at the Jokisivu Gold Mine targeting the depth extensions. Better drill intercepts received include **6.75m @ 13.90 g/t gold, 7.35m @ 6.29 g/t gold, 3.95m @ 6.45 g/t gold and 2.40m @ 36.50 g/t gold**. These higher grade intercepts highlight the potential for underground mining. Additional results were announced on 27 October 2009.

EXPLORATION

- The maiden resource for the depth extension at the Svartliden Gold Mine of **312,000 tonnes at an average grade of 7.1 g/t for 71,400 ounces of gold** has been estimated. The high grade nature of the resource and its consistent geometry suggests good prospects for the establishment of an underground mining operation. Company engineers are finalising an internal feasibility study to confirm the economic viability of an underground mining operation.
- Joint Venture partner and ASX listed Chalice Gold Mines Limited have reported substantial progress in its plan to develop the Zara Project following its merger with Sub Sahara. Amongst the recent key achievements have been highly favourable results from both metallurgical test work and water drilling.
- A subsidiary of Dragon Mining (Weld Range Metals Limited) in conjunction with a development partner entered into an agreement to move to a 100% interest in the Weld Range chromium, iron and nickel deposit in Western Australia. An inferred resource of **63.5m tonnes at 5.2% Chrome, 38.1% Iron and 0.38% Nickel** has been estimated.

CORPORATE

- As at 30 September 2009, Dragon Mining held 4.8m in cash and gold bullion, $3.6m in net gold concentrate receivables and $4.3m in cash deposits for the Swedish and Finnish projects rehabilitation bonds.
- The Company closed out its hedge book in late August and has subsequently delivered gold into the spot market.
- A wholly owned subsidiary of Dragon Mining purchased an additional 4,167,357 Dragon Mining convertible notes during the quarter. The Company paid $3.7m to repurchase Notes with a “face value” of $4.4m, saving $0.71m in interest payments over the remaining life of the Notes. The Company paid convertible note interest of $0.4m in July.
- The average cash price received per ounce of gold sold from Svartliden was US$851 and the average sales price received per ounce of gold sold from Vammala was US$971.
- Gross cash inflow from operations for the quarter was $3.1m.
- Polar Mining Oy, the Finnish subsidiary of Dragon Mining secured a 2 million euro working capital facility on favourable terms from Nordea Bank Finland Plc primarily to fund the Jokisivu Gold Mine development.

OPERATIONS

SWEDEN

Svartliden

Table 1 – Production Summary

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Utilisation (%)	Total Gold Production (Ounces)	Cash Cost US/oz
Sep 2009 Quarter	72,216	90,897	3.6	87.3	97.3	9,220	690
Jun 2009 Quarter	88,385	87,178	4.1	88.8	93.1	10,098	520

The operation had no lost time injuries during the quarter.

Svartliden produced 9,220 ounces of gold from 90,897 tonnes of ore milled at a head grade of 3.6 g/t and a cash cost of US$690 per ounce. The high cash cost, which was anticipated, is the result of extra payments and additional casual employees during the summer vacation period in Sweden, lower plant recoveries and adverse USD/SEK exchange rate movements.

Over a 12 month period, crushed ore stockpiles were built up to ensure the continuation of ore to the Svartliden plant during the Swedish vacation period where mining is scaled back to one shift in July. These stockpiles had partially oxidated and when processed, recoveries were affected and reagent usage increased.

The USD weakened against the Swedish krona (USD has weakened 8% since June 2009) resulting in higher cash costs in USD terms.

Ore mined was 72,216 tonnes at an average grade of 3.8 g/t. Production was evenly distributed throughout the pit. Grade control drilling continued at required levels, with good coverage for short term planning.

The process plant utilisation was according to forecast at 97.3%. The downtime was related to maintenance on the mill motor, a repair of a loose inlet ring on the mill and other planned maintenance stops.

Work continued on a new operating licence application with the aim of including the future underground mining operation and new environmental conditions. The application is expected to be lodged with the Environmental Court in November 2009.

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)	Cash Cost US/oz
Sep 2009 Quarter	52,139	38,926	4.8	83.8	94.6	5,029	690
Jun 2009 Quarter	44,852	52,911	6.6	84.1	96.2	9,437	648

*Ore sourced from Orivesi and Jokisivu Gold Mines.

There were two lost time injuries during the quarter. A plant operator fell off a step and hurt his leg resulting in three days off work. A mining contractor injured his back when he fell on rocks while stepping down from a truck resulting in two days off work.

Production at Vammala was 5,029 ounces of gold from 38,926 tonnes of ore milled at a head grade of 4.8 g/t at an average cash cost of US$690 per ounce (including refining costs of US$135 per ounce). The high cash costs are a result of a three week shut down of both the mine and process plant during the vacation period in July, the trial processing of Jokisivu ore in September and adverse USD/EUR exchange rates.

During September the Company utilised the Vammala mill to successfully complete trial processing of low grade material from the Kujankallio deposit at the Jokisivu Gold Mine.

On 18 September a 691 tonne sample of low grade material which was sourced outside the limits of the main lode system was used to test the newly commissioned gravity circuit. The commissioning ore parcel yielded total recovery of 84.9% (flotation concentrate 76.6% and gravity concentrate 8.3%) from a head grade of 1.7 g/t gold.

Commencing on 24 September, and continuing for 6 days, a further 4,917 tonnes of low grade material was processed. The six day trial yielded an average head grade of 2.5 g/t and generated total gold recovery of 84.7% (flotation concentrate 63.9% and gravity concentrate 20.8%).

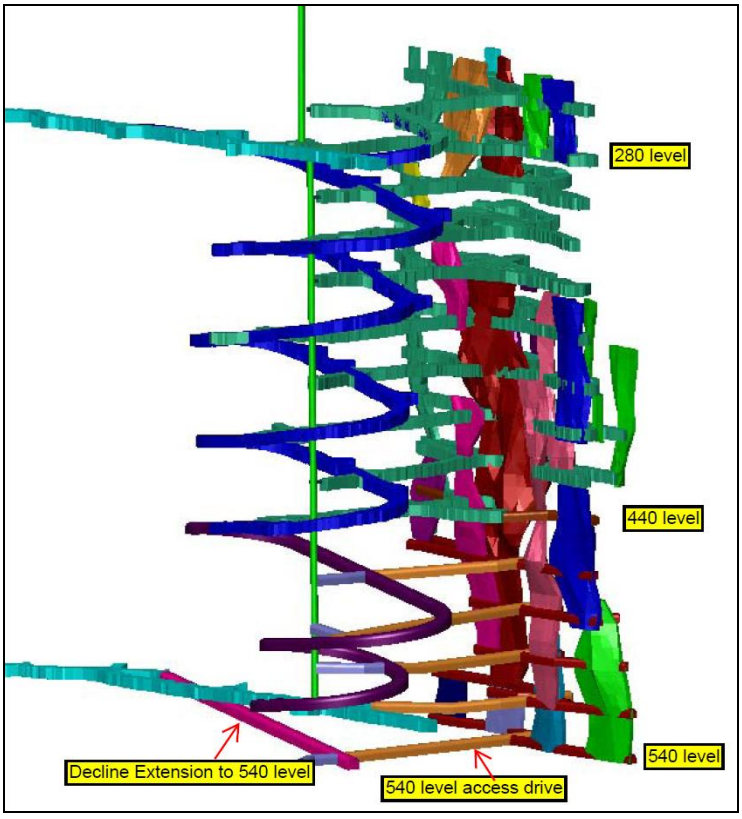
The trials confirm the suitability of the Vammala Production Centre to satisfactorily treat ore mined from the Jokisivu Gold Mine. Additional plant operators will be engaged to achieve increased optimal throughput.

The Vammala Production Centre operated effectively and efficiently. Mill feed included 4,013 tonnes from Kutema pillars, 29,229 tonnes of Sarvisuo ore lodes and 5,684 tonnes from the Kujankallio open pit.

Orivesi Gold Mine

Mining was predominately from the Sarvisuo ore lodes and Sarvisuo extension lodes to the 440m level. The development of the Sarvisuo decline commenced upwards from the 525m level to access the ore reserves between the 440 and 525m levels and development also continued between the 525 and 540m levels.

Figure 1 – Sarvisuo Ore Lode System and Decline



Jokisivu Gold Mine

The development of the Jokisivu open cut and on site infrastructure was completed. Access roads have been surfaced with course gravel and noise barriers completed. The removal of the overburden was completed with a total of 49,910 m^3 of moraine till removed. Waste rock removal was 37,790m^3. The capital expenditure for the project was on budget.

16,565t of ore was mined from the Kujankallio open pit.

DEVELOPMENT

FINLAND

Orivesi Gold Mine

Diamond drilling continued at Sarvisuo from the 525m, 440m and 360m levels with 16 holes completed for a total advance of 1,906.3 metres. Holes completed from the 525m level targeted between the 440m and 540m levels, whilst drilling from the 360m and 440m levels was undertaken to test north of the Sarvisuo lode system for new lode occurrences.

The highlight intercept obtained of **4.20m @ 5.30 g/t gold** in drill hole KU-1102 is located only 40 metres away from the nearest drive and may represent a new lode system. Results remain pending for seven holes.

Four holes of the program from the 360m level remain to be completed, further testing the area of the highlight intercept KU-1102. Once results from these four holes have been received, a better understanding for the potential of a new lode system 40 metres north of Sarvisuo can be assessed.

After the completion of this program, drilling will test the extensions of the Sarvisuo system between the 570m and 610m levels.

Table 3 – Drill results from Sarvisuo, Orivesi Mine. Reported at 1g/t gold cut-off.

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Sarvisuo – 525m level							
KU-1076	6838468.4	2508923.1	329.14	-	124.25	0.50	1.12
KU-1077	6838466.2	2508902.7	358.90	-	94.80	1.00	7.59
					103.40	0.70	1.63
Sarvisuo – Holes Drilled from the 360m and 440m levels to north							
KU-1101	6838588.5	2508847.4	327.06	-	98.50	1.30	3.64
KU-1102	6838575.2	2508816.1	344.91	-	0.00	1.00	8.39
					2.00	1.00	1.43
					52.10	4.20	5.30
KU-1103	6838588.7	2508847.2	318.87	-	24.20	0.40	1.05
KU-1105	6838575.1	2508816.0	329.11	-	1.00	2.00	16.39
KU-1111	6838557.9	2508900.7	316.02	-	4.00	2.55	8.52
					60.00	0.90	20.20
					84.20	0.45	1.74
KU-1113	6838573.4	2508832.3	263.70	-	3.10	1.90	7.57
					15.90	1.10	1.62
					18.70	2.30	19.19
					22.00	1.00	1.53
KU-1114	6838573.1	2508817.5	94.32	-	0.40	1.55	102.58
					21.00	4.25	3.76
					26.45	2.95	2.50

Analysis of whole core was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using procedure Au-AA25/Au-AA26 (30g/50g FA with AAS finish) and Au-GRA22 (FA+gravimetric finish), following sample preparation at ALS facility in Outokumpu, Finland. Holes KU-1113 and KU-1114 were drilled sub-parallel to the structures.

One hole (KU-1028) of 147.7 metres length was also completed in the Kutema Deeps area from the 700m level as part of an infill program between the 700m and 800m levels.

Table 4 – Drill result from Kutema, Orivesi Mine. Reported at 1g/t gold cut-off.

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Kutema							
KU-1028	6838360.2	2508549.4	358.2	-23.8	127.75	1.40	1.37
					131.15	1.85	1.78
					144.90	2.10	3.96

Analysis of whole core was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using procedure Au-AA25/Au-AA26 (30g/50g FA with AAS finish) and Au-GRA22 (FA+gravimetric finish), following sample preparation at ALS facility in Outokumpu, Finland.

Jokisivu Gold Mine

Drilling continued at Kujankallio with a further 15 holes completed, targeting the depth extensions and the Horsetail Structure and Basin 3 areas for an advance of 3,124 metres. Results have been received for 5 of the 15 holes completed to date.

Results have also been received for drilling completed in the previous quarter. Each drill hole has intersected multiple zones of mineralisation, the higher grade results highlighting the potential for possible underground mining of this deposit. Better drill intercepts received include **6.75m @ 13.90 g/t gold, 7.35m @ 6.29 g/t gold, 3.95m @ 6.45g/t gold and 2.40m @ 36.50g/t gold**. All significant intercepts are listed in Table 5.

Table 5–Significant drill intercepts from depth extension drilling at Kujankallio. Reported at 1g/t Au cut-off.

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Kujankallio – Section 4							
HU/JS-318	6779614.79	2425982.83	206.0	-48.0	44.85	1.15	3.68
					104.65	3.90	3.23
					110.25	6.75	13.90
					117.85	0.90	3.28
					136.70	1.05	7.97
					141.65	1.00	1.25
					143.50	4.65	3.36
					161.10	0.60	9.29
HU/JS-319	6779655.41	2426003.98	206.0	-49.0	44.90	1.20	3.09
					92.60	0.80	2.57
					104.05	1.00	1.97
					127.40	1.00	1.34
					153.00	0.70	1.04
					156.40	2.65	1.55
					204.45	1.20	1.08
					214.90	1.15	6.22
Kujankallio – Section 5							
HU/JS-320	6779579.68	2425984.59	206.0	-55.0	68.75	1.10	3.18
					76.60	0.90	2.26
					78.40	0.50	2.84
					93.90	0.45	2.18
					163.90	0.50	1.26
					166.30	0.90	19.58
					168.00	1.65	2.23
					170.65	1.75	3.39
					192.20	1.15	1.94
					196.90	0.75	1.14
Kujankallio – Section 6							
HU/JS-321	6779587.85	2426010.79	206.0	-47.0	68.35	1.50	3.16
					73.70	2.30	1.30
					86.70	0.95	1.40
					88.70	2.00	4.11
					91.90	1.10	1.29
					115.80	1.00	1.45
					158.75	1.45	1.27
					195.85	1.30	1.82
					201.10	1.10	2.03
					205.50	1.30	1.81
					209.00	1.40	1.19
HU/JS-322	6779638.98	2426036.80	206.0	-52.0	54.80	0.75	1.55
					106.50	1.05	2.39
					121.10	1.00	1.69
					137.00	1.15	17.68
					150.65	1.60	1.49
					152.90	0.80	4.03
					188.25	0.75	2.04
					189.90	0.80	14.25

					195.45	7.35	6.29
					210.45	1.00	6.62
					220.30	1.15	17.84
					221.95	1.25	3.36
					226.65	0.75	3.24
					243.90	0.70	1.04
Kujankallio – Section 7							
HU/JS-323	6779646.0	2426065.0	206.0	-55.0	114.70	0.60	4.16
					132.70	1.75	5.22
					148.00	0.70	1.09
					200.80	2.00	1.77
					211.90	1.00	2.43
					218.65	1.00	1.78
					221.30	0.70	1.71
					248.20	0.30	3.16
					249.25	0.50	36.70
					251.75	1.55	28.06
					255.00	1.00	3.39
HU/JS-324	6779697.34	2426090.84	206.0	-58.0	38.30	1.20	8.80
					43.60	1.50	4.22
					123.05	0.90	2.98
					150.35	0.65	1.35
					152.00	1.00	5.48
					192.45	0.45	1.22
					197.85	0.80	1.14
					205.75	1.45	2.50
					214.70	3.95	6.45
					220.70	1.00	1.86
					222.60	1.10	24.30
Kujankallio – Section 9							
HU/JS-325	6779708.00	2426138.12	206.0	-57.0	165.35	1.05	1.37
					235.10	1.00	1.20
					237.10	1.00	1.11
					243.45	1.05	2.28
					256.30	0.40	3.08
Kujankallio – Horsetail Structure							
HU/JS-311	6779413.99	2425988.26	290.0	-40.0	82.10	1.40	1.56
					125.50	0.50	6.34
					138.60	0.55	3.50
					140.85	2.65	10.15
					144.25	1.35	2.94
					164.60	0.35	5.82
HU/JS-314	6779449.83	2425894.90	290.0	-40.0	34.45	0.65	2.15
					52.95	2.40	36.50
					55.35	0.95	4.15
					94.70	1.00	1.97
HU/JS-340	6779455.76	2425914.38	335.0	-38.0	43.30	1.05	4.59
					59.50	1.00	1.88
					74.35	1.85	18.68
					78.35	0.85	1.11
					85.30	2.00	3.23
					94.30	2.05	1.43
Kujankallio – Basin 3							
HU/JS-341	6779585.76	2425817.55	260.0	-40.0	30.30	0.70	7.14
					52.00	1.05	1.07
					54.00	1.00	1.01
					91.00	1.10	2.87
					93.70	1.00	2.88
					95.60	1.10	2.27
					112.00	1.00	8.03
HU/JS-343	6779618.06	2425793.95	260.0	-40.0	65.35	1.15	1.51
					85.90	1.10	2.86

					89.90	1.75	3.97
					93.90	1.85	22.29
					104.35	1.10	4.33
					112.95	0.90	1.74

Analysis of half core was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using procedure Au-AA25 (30g FA with AAS finish) and Au-GRA22 (FA+gravimetric finish), following sample preparation at ALS facility in Outokumpu, Finland.

Three new trenches were excavated in the Arpola area returning results of 1.50m at 4.27g/t gold and 1.05m at 6.62g/t gold from channel sampling of the southern part of the middle trench. Shallow percussion drilling of the trenches will be undertaken in October, whilst planning for deeper drilling of the Arpola deposit and between the Arpola and Kujankallio deposits is underway.

EXPLORATION

SWEDEN

Svartliden Gold Mine

Final results from drilling of the depth extension campaign were received and are provided in Table 6. The best intercept obtained from the final phase of the recent campaign was **4.00m at 17.19 g/t gold** in drill hole SV09172.

Table 6 – Phase 4 and Phase 5 drill results from depth extension diamond core drilling at Svartliden, west of the Central Fault.

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Profile 1400							
SV09170	7187205	1588160	160.0	-49.5	No Significant Results		
Profile 1600							
SV09169	7187251	1588354	156.0	-50.0	168.0	1.0	2.39
					205.0	3.0	17.09
					210.7	0.3	2.77
					214.0	1.0	2.30
Profile 1625							
SV09172	7187259	1588379	159.0	-48.3	183.0	4.0	17.19
					206.0	8.0	3.83
SV09174	7187267	1588403	161.0	-49.5	No Significant Result		
SV09175	7187278	1588372	159.0	-48.9	231.0	1.0	2.49
Profile 1650							
SV09173	7187286	1588396	157.0	-49.0	245.0	1.0	3.36
					254.0	1.0	2.08
Profile 1675							
SV09176	7187294	1588420	159.0	-45.0	233.0	2.0	3.26
					242.0	4.0	2.10
SV09177	7187275	1588426	157.0	-48.9	184.0	2.0	3.29
Profile 1700							
SV09178	7187283	1588450	157.0	-48.7	179.0	1.0	2.09
					192.0	1.0	1.96
SV09179	7187264	1588456	165.0	-47.8	144.0	1.0	56.5
					148.0	1.0	7.14

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

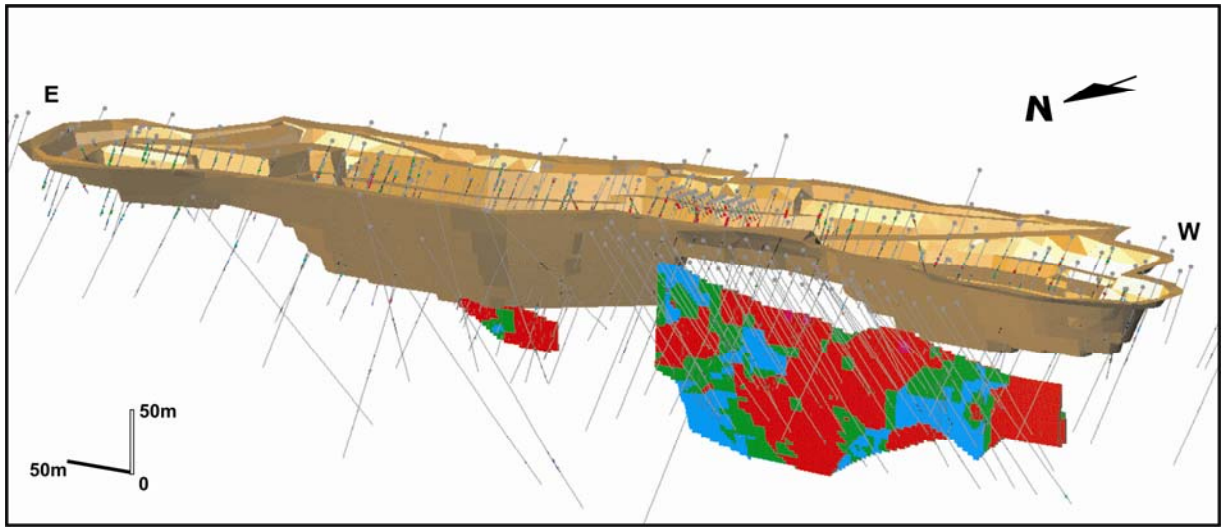
The maiden resource for the depth extension at the Svartliden Gold Mine of **312,000 tonnes at an average grade of 7.1 g/t for 71,400 ounces of gold** has been estimated. The high grade nature of the resource and its consistent geometry suggests good prospects for the establishment of an underground mining operation. Company engineers are finalising an internal feasibility study to confirm the economic viability of an underground mining operation.

Table 7 - Svartliden Depth Extension In-situ Mineral Resource, reported at a 3g/t gold cut-off grade (Note 1).

	Tonnes	Grade	Ounces
Indicated	259,000	7.2	59,700
Inferred	53,000	6.8	11,700
Total	**312,000**	**7.1**	**71,400**

Gold Tonnage Distributions subdivided by JORC Categories; Ordinary Kriging (OK) grade interpolation, constrained by resource outlines on mineralisation envelopes prepared using a nominal 2g/t gold cut-off and a minimum down hole length of 2 metres. Block dimensions used in the model were 2m NS x 10m EW x 10 m Vertical. A high grade cut of 70g/t was utilised.

Figure 2 - Outline of the Depth Extension



The resource estimate was undertaken by independent geological consultants Runge Limited of Perth, Western Australia and incorporates all data collected up to the end of July 2009.

The resource is restricted by the limits of drilling, the model extending over 500 metres between local grid profiles 1375 and 1850 and includes a 150 metre vertical interval from the 410mRL to 260mRL (approximately 195 metres below surface). The deposit remains open to the east and down plunge, further drilling is warranted to test for extensions to the resource.

Further drilling of the depth extensions will commence in November, with the completion of a series of deeper drill holes on Profile 1725. Results of drill holes completed on Profiles 2175 and 2275 remain pending.

Results from a four hole drilling program designed to test a MMI anomaly generated during the 2008 field season and the eastern extensions of the host geological sequence 300 metres east of the previous limit of exploration drilling have been received. Gold grades were largely disappointing, returning a peak value of 0.3 g/t gold, though elevated silver and zinc intercepts of 9m @ 1.23 g/t silver from 57mand 5m @ 0.4% zinc from 61m, including 1m @ 1.13% zinc from 63m were obtained in drill hole SV09181.

Geochemical sampling resumed in late June and by the end of September a total of 1,229 samples had been collected from a series of priority prospects identified from the detailed regional airborne geophysical survey, including Svartliden West, Finnäs East, Finnäs, Alsträsket, Järvsjö, Risliden and Risliden West. The first series of results have been received and are now being interpreted. The remaining results are expected to be available over the coming months.

FINLAND

Kaapelinkulma Gold Project

Results were received from the 35 shallow percussion drilling of the four new trenches excavated at Kaapelinkulma. The better results received include 2.00m @ 1.89 g/t gold and 4.00m @ 1.63 g/t gold from Trench M11 and 1.00m @ 2.77g/t gold and 1.00m @ 1.37 g/t gold in Trench M13.

Final results of a heavy mineral sampling program remain pending.

Hanhimaa Gold Project

A trenching program in the Kiimakuusikko area was completed, with a total of six trenches excavated over 480 metres in total length. Results from a set of grab samples collected from the trenches is presented in Table 8, the best gold grade of 2.18 g/t coming from Trench M48.

Shallow percussion drilling of the trenches was completed in September, with a total of advance of 645.50 metres. The 602 samples collected and an additional 124 grab samples have been dispatched for analysis, with results expected during the latter half of October.

Table 8 – Grab samples from Kiimakuusikko trenches.

Sample ID	Trench	Rock type	Au	Ag	As	Bi	Cu	Fe	S	Sb
HAM-M43-2.50	M43	CRBABBR	0.02	0.13	127	0.07	56.3	7.14	0.27	42.2
HAM-M43-7.50	M43	MVOLC	0.02	0.75	141	0.21	1215	13.85	4.32	30.6
HAM-M43-10.00	M43	MVOLC	0.01	0.22	78.2	0.29	140	9.72	0.85	31.7
HAM-M44-12.00	M44	MVOLC	0.01	0.08	208	0.12	50.4	9.73	0.5	3.97
HAM-M44-59.00	M44	CRBABBR	0.07	2.02	493	0.02	94.7	8.61	1.01	80.3
HAM-M46-2.00	M46	MVOLC	0.01	0.83	29.4	0.32	291	7.19	3.54	18.55
HAM-M46-8.00	M46	MVOLC	0.10	0.27	559	0.25	220	11.7	2.96	10.6
HAM-M46-12.00	M46	ABBR	0.31	6.89	6190	0.39	60.7	8.73	2.75	180
HAM-M46-28.00	M46	ABBR	0.10	0.92	1805	0.69	368	16.85	>10.0	29.3
HAM-M46-52.00	M46	QVEIN	0.03	1.07	1200	0.14	11.8	1.75	0.05	20.4
HAM-M48-2.00	M48	CRBABR	0.01	0.15	316	0.22	41.7	7.15	0.23	13.2
HAM-M48-10-12	M48	Weathered	0.05	5.84	113.5	22.4	391	18.25	0.07	34.4
HAM-M48-23.50	M48	QABR	0.33	1.77	650	3.98	493	12.15	1.66	28.5
HAM-M48-48.50	M48	CHERT	0.20	5.09	2660	0.24	57.6	1.95	0.03	48.8
HAM-M48-52.80	M48	QVEIN	0.79	118	485	1.32	91	1.06	0.03	551
HAM-M48-60.50	M48	SERPLQPOR	0.02	0.4	153	<0.01	15.5	1.43	0.01	9.12
HAM-M48-70.00	M48	SERCRBABR	0.03	0.08	677	0.04	7.4	7.08	0.09	98
HAM-M48-70.60	M48	CRBABBR	2.17	44.4	27000	5.45	267	18.4	3.71	5260
HAM-M48-76.00	M48	MVOLC	0.01	0.27	85.9	0.11	104.5	6.18	0.19	14.2
HAM-M48-92.50	M48	MVOLC	0.04	4.86	21.8	3.36	4280	17.85	6.35	22.2

Analysis of sample was completed at ALS Chemex Laboratories in Rosia Montana, Romania, using procedure Au-AA25 (30g FA with AAS finish) and ME-MS61m at ALS Chemex Laboratories in Vancouver, Canada following sample preparation at the ALS Chemex facility in Outokumpu, Finland.

A total of 812 geochemical samples from 406 sample stations were collected, from 16 Profiles largely located in the southern half of the project area, for analysis by Ionic Leach and ICP methods. Results have been received and are currently undergoing interpretation. A total of 42, 10-litre till samples were also collected from 38 pits for heavy mineral investigation. A separate smaller sample was also collected for ICP analysis. Results are pending.

Kuhmo Nickel Joint Venture (5% Free Carried Interest)

Refer to the September 2009 quarterly report of Vulcan Resources Limited (ASX Code: VCN) released on 19 October 2009 for an update on the Kuhmo Nickel Joint Venture.

ERITREA

Zara Joint Venture (20% Interest)

Joint Venture partner and ASX listed Chalice Mines Limited have reported that it has made substantial progress in its plan to develop the Zara Project following its merger with Sub Sahara. Amongst the recent key achievements have been favourable results from both metallurgical test work and water drilling.

Metallurgical recovery results on the master composite prepared from 104 intervals selected as representative of the orebody was considered excellent with around 60% of gold recovered by gravity and overall recoveries of 95 to 97% for grind sizes of 80% passing 150 to 75 micron respectively. Reagent consumptions are low at less than 0.5kg/t for both lime and cyanide.

Physical properties testing indicate the ore to be of medium competency as determined by the SMC test procedure, moderately competent as determined by conventional Bond Work Index (15-18kWhrs/t) and with a normal abrasion index of 0.3.

Test drilling for water has confirmed the presence of significant water contained within alluvial gravels of the nearby Zara River some 7km from Koka. Production bores are now being established ready for detailed pump testing to establish sustainable yields for bores and thus the number of production bores required.

The Scoping Study involving consultants Lycopodium Minerals, AMC and Knight Piesold remains on schedule for completion in late October and will be presented in early November as the first phase of Chalice's commitment to progressing the project to feasibility stage by mid-2010.

AUSTRALIA

Weld Range Joint Ventures (Various Interests)

Dragon Mining announced during September 2009 that a wholly owned subsidiary, Weld Range Metals Limited had entered into an agreement to move to a 100% interest in the Weld Range tenements with the purchase of majority interests from the other joint venture partners, Pilbara Nickel Pty Limited ("Pilbara"), a subsidiary of Minara Resources Limited and Austmin Platinum Mines Pty Limited (In Liquidation) ("Austmin"), a subsidiary of Sons of Gwalia Ltd (In Liquidation") for total consideration of $2,350,000.

In February 2008, Dragon Mining entered into an agreement with Atomaer Holdings Pty Ltd to evaluate the potential of the project. Under this agreement Atomaer had the right to subscribe for a 60% interest in Weld Range Metals Limited for $500,000. Atomaer is a private company based in Perth, Western Australia and is responsible for raising funds for the acquisition and development of the Weld Range Metals Project and providing and/or procuring process technologies, technical personnel and management services for the purposes of conducting and managing the evaluation and development of the Weld Range Metals Project.

Under the terms of the agreement with Minara, Dragon Mining is obligated have to contribute its pro-rata share of $2,000,000 to purchase Minara's interest in the project which equates to a maximum payment of $800,000 (40%). This money will be repaid to Dragon Mining after the first fund raising by Weld Range Metals Limited. The purchase of the Austmin interest of $350,000 will be funded from the $500,000 subscribed by Atomaer.

The Weld Range tenements which are known to host chromium, iron, nickel, cobalt and PGE mineralisation are located in the Murchison District, close to the centre of the new iron ore province in the Mid-West region of Western Australia.

Historical work on the tenements has been reappraised by independent consultants Snowden Mining Industry Consultants, resulting in an updated Inferred Resource estimate for the chromium rich portion of the laterite. The chromium Mineral Resource had been classified as Inferred in accordance with the 2004 JORC Code, based upon the geology, mineralisation interpretations and drill hole data. The Mineral Resource reported above a 4% chromium cut-off grade is provided in the Table below.

Table 9 - Weld Range Inferred Mineral Resource at a 4% Cr cut-off grade. (Note 2)

Tonnes (Mt)	Cr (%)	Fe (%)	Ni (%)
63.5	5.2	38.1	0.38

Ordinary Kriging (OK) grade interpolation, constrained by resource outlines of mineralisation envelopes prepared using a nominal 3% chromium cut-off and a minimum thickness of 2 metres; block dimensions used in the model were 100m EW x 25m NS x 2m Vertical; a density value of 1.5t/m³ and a top-cut of 1.1% for nickel block grade estimation.

The resources identified in the chrome mineralised area are near surface and amenable to bulk open cut mining. Snowden has reported a high grade zone (above a cut-off grade of 4.2% Cr) comprising 10.5 Mt with an average grade of 6.2% chromium, 45% iron and 0.41% nickel, included within the total Inferred Mineral Resource. Approximately 86% of this high grade zone is from surface to a depth of 4 metres. A portion of this higher grade zone could provide plant feed for the first 10 to 20 years of the Project. Mining studies will be undertaken as part of a Scoping Study.

Weld Range Metals is currently reviewing the optimal financing structure to fund feasibility studies and, if viable, construction of vertically integrated production facilities for refined stainless alloy. An Information Memorandum has been finalised to raise $5 million to purchase the remaining interests in the Tenements, as well as undertake further drilling and the Scoping Studies.

CORPORATE

Cash Balances and Movements

As at 30 September 2009, Dragon Mining held $4.8m in cash and bullion, $3.6m in net gold concentrate receivables, and $4.3m of cash deposits lodged with Swedish and Finnish authorities as rehabilitation bonds.

The principal movements in the cash balance during the quarter were attributable to:

Operating Cash flows	$(m)
Gross cash inflows from operations	4.3
Cash outflows for rehabilitation bonds, overhead and operational support costs	(0.7)
Working capital movement	(0.5)
Net operating cash flows	***3.1***
Investing Cash flows	
Exploration expenditure	(1.5)
Development expenditure	(1.8)
Capital purchases	(1.1)
Buyback of convertible notes	(3.7)
Net investing cash flows	***(8.1)***
Financing Cash flows	
Net interest paid	(0.4)
Advance of gold concentrate receivables	0.6
Foreign exchange losses on cash balances held in foreign currency	(0.1)
Net financing cash flows	***0.1***

Gold Sales

Production from Svartliden was sold at an average cash price of US$851 per ounce. The average cash price per ounce received was low due to Dragon Mining delivering a total of 1,750 ounces of gold production into the last remaining gold hedges (average forward price being US$403 per ounce). Since 26 August 2009, the Company has been able to deliver all gold production into the spot market and enjoy the high price of gold.

Gold concentrate from the Vammala Production Centre was sold at an average price of US$971 (gross of refining costs).

Hedging

The Company became unhedged on 26 August 2009.

Convertible Notes

During the quarter, a wholly owned subsidiary of the Company purchased 4,167,357 Dragon Mining Convertible Notes (“Notes”) at an average price of $0.88 per note for a total of $3.7m, including costs. The face value of the Notes was $1.05 per note or a total of $4.4m. The purchase was funded from cash reserves.

The purchase provides the most beneficial capital management initiative available to the Company and will save interest payments of approximately $0.71m.

Of the 23,645,289 Notes on issue, 11,855,616 Notes are now held by the subsidiary and the outstanding liability associated with the Notes is $12.4m.

All the Notes remain listed on ASX and Dragon Mining intends holding these Notes until maturity in February 2011 or in special circumstances may on sell some or all of the Notes.

Financing

As there is a minimum six week delay between shipment of gold concentrate produced at the Vammala Production Centre and payment by the refiner, the Company has a receivables facility (factoring) with Nordea Bank in Finland. Dragon Mining can receive loan funds from Nordea for up to 75% of gold concentrate delivered and invoiced. At the end of the quarter, A$0.6m had been financed.

During the Quarter, Polar Mining Oy, a 100% owned Finnish subsidiary secured a two million euro working capital facility with Nordea Bank Finland Plc, a subsidiary of one of the Nordic regions leading financial institutions, Nordea Bank AB. The funds will be used for the continued development of the Jokisivu Gold Mine and provide ongoing working capital for the Company's Finnish operations.

The loan facility, half of which is guaranteed by the Finland State owned Finnvera Plc, is to be repaid in two equal instalments in June 2010 and December 2010. The interest rate on amounts drawn under the facility will be charged at euribor (currently 0.432%) plus 3% and is payable monthly in arrears.

Dragon Mining maintains a healthy cash position but the facility is important in establishing a working relationship with a major Nordic institution with the capability of providing financing for Dragon Mining's future development programs including the underground operations at both the Svartliden and Jokisivu Gold Mines.

NOTES WITH REGARD TO EXPLORATION RESULTS, MINERAL RESOURCES OR ORE RESERVES SPECIFICALLY REFERRED TO

Note 1: *The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Paul Payne BAppSc, a Member of the Australian Institute of Mining and Metallurgy, who is a full time employee of Runge Limited and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr Paul Payne 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: *The Mineral Resource statement has been compiled by Mrs Christine Standing of Snowden Mining Industry Consultants. Mrs Standing is a members of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration 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. Mrs Standing consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.*

OTHER NOTES

Mr Neale Edwards BSc (Hons), a Member of the Australia Institute of Geoscientists, a 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 consents to the inclusion in the report of the matters based on this information, in the form and context in which it appears.

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.