

HIGHLIGHTS

OPERATIONS

- Quarterly gold production for the Dragon Mining Group of 15,313 ounces at an average cash cost of US\$635 per ounce.
- Svartliden, Sweden gold production for the quarter of 8,176 ounces at an average cash cost of US\$525 per ounce.
- Vammala, Finland gold production for the quarter of 7,137 ounces at an average cash cost of US\$760 per ounce (including refining costs of US\$127 per ounce).
- The Sarvisuo resource has been updated incorporating all new drill data up to 31 December 2008. The updated Measured, Indicated and Inferred Resource of 307,100 tonnes @ 7.1 g/t gold (70,200 ounces) between the 130m and 600m levels represents an increase in resources, which effectively offset the past twelve months production.

DEVELOPMENT

- Pit optimisation studies, mine design and scheduling tasks have been completed for the open cut at the Jokisivu Gold Mine in Finland and a decision to proceed with mining operations is imminent, pending receipts of bids from mining contractors.
- Encouraging results were received from diamond core drilling at the Orivesi Gold Mine, Finland including **4.95m @ 17.95 g/t gold** from the 525m level at Sarvisuo and **19.30m @ 6.10 g/t gold** between the 700m and 800m levels at Kutema Deeps.

EXPLORATION

- Drilling of depth extensions resumed at the Svartliden Gold Mine, the initial nine holes intersecting visually good mineralisation including visible gold in SV09151 on Profile 1400. Results have been received for five of the nine holes completed returning intercept highlights **5.00m @ 8.67 g/t gold, 5.00m @ 12.85 g/t gold and 4.00m @ 12.11 g/t gold.**

CORPORATE

- As at 31 March 2009, Dragon Mining held:
 - \$6.1m in cash;
 - \$6.2m in bullion and net gold concentrate receivables; and
 - \$4.6m in cash for the Swedish and Finnish projects rehabilitation bonds.
- A wholly owned subsidiary of Dragon Mining purchased an additional 1,697,497 Dragon Mining convertible notes during the quarter. The Company paid \$1.27m to repurchase Notes with a "face value" of \$1.78m and will save \$0.38m in interest payments over the remaining life of the Notes.
- 1,500 ounces of Svartliden gold production delivered into the remnant hedge book remaining from the original project financing. The balance of the hedge book at 31 March 2009 was 3,250 ounces at US\$406 per ounce. The average cash price received per ounce of gold sold from Svartliden was US\$816.
- The average sales price received per ounce of gold sold from Vammala was US\$904.



OPERATIONS

SWEDEN

Svartliden

Table 1 – Production Summary

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Utilisation (%)	Total Gold Production (Ounces)
Mar 2009 Quarter	88,490	72,016	4.0	88.6	78.4	8,176
Dec 2008 Quarter	100,120	77,714	4.9	92.4	98.5	11,332

The operation had no lost time injuries.

Svartliden produced 8,176 ounces of gold from 72,016 tonnes of ore milled at a head grade of 4.0 g/t at a cash cost of US\$525 per ounce.

Ore mined was 88,490 tonnes at an average planned grade of 4.0 g/t, production was evenly distributed throughout the pit.

Production was lower than expected due to problems associated with a planned stop to install a mill grate discharge to improve grinding performance. Though Metso, an international equipment supplier was contracted to supply and install the grate discharge, it did not perform as expected. The plant was shut for two weeks while the mill was reconfigured back to an overflow mill. Communication with Metso is continuing to establish a solution to reinstate the mill grate discharge.

Full scale testing of a different detoxification process was performed, the results of which will be used to further optimise the process.

Work has continued on a new operating licence application, with the aim of including the future underground mining operation and new environmental conditions. This process is expected to be completed during 2009.

The gold resource inventory was updated at the end of 2008 by independent consultants Coffey Mining Pty Ltd, incorporating all exploration and grade control drill data up to October 2008. The updated In-situ Mineral Resource of 1,691,000 tonnes @ 3.3 g/t gold containing 180,000 ounces depleted to 30 September 2008 represents a reduction in tonnes and ounces from the previous model due to results obtained from 2007 and 2008 drilling of the depth extensions of the Main Lode position at the western end of the deposit, a decrease in grade in the far eastern portion of the deposit and an increase in the volume of granite material in the eastern portion of the deposit.

Table 2 - Svartliden Gold Mine Resource Inventory – 31 December 2008

Classification	Tonnes	Gold (g/t)	Ounces
Svartliden ⁽¹⁾			
Measured	371,000	3.4	40,500
Indicated	907,300	3.2	94,500
Inferred	280,000	3.3	29,300
Total	1,558,300	3.3	164,300
Svartliden Stockpiles ⁽²⁾			
Measured	28,200	3.8	3,400
Indicated	204,800	1.8	12,000
Inferred			
Total	233,000	2.1	15,400

Svartliden In-situ Mineral Resource reported above a nominal 1.3 g/t Au lower cut of grade. MIK derived SMU model estimates using a nominal 12.5mE x 5mN x 2.5mRLSMU dimension to emulate assumed open pit mining selectivity. Gold grade tonnage distributions are subdivided by JORC resource categories. Depleted to 31 December 2008.

(1) Refer Note 2 on page 11 for details.

(2) Refer Note 3 on page 11 for details.



FINLAND

Vammala Production Centre

Table 3 – Production Summary

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Utilisation (%)	Total Gold Production (Ounces)
Mar 2009 Quarter	55,335	50,419	5.2	85.4	97.7	7,137
Dec 2008 Quarter	42,188	47,486	7.3	87.3	95.2	9,729

One lost time injury was reported in March when an electrician received minor burns. A safety report was produced and remedial actions were implemented.

Quarterly production at Vammala was 7,137 ounces of gold from 50,419 tonnes of ore milled at a head grade of 5.2 g/t at a quarterly cash cost of US\$760 per ounce (including smelting costs of US\$127 per ounce). The higher cash costs and lower production were a direct result of lower grades than budgeted. This was principally due to greater dilution as a result of from mining small stopes.

Mining was predominately from the Sarvisuo ore lodes with the development of the Sarvisuo extension to the 440m level completed in February.

The Vammala Production Centre operated effectively and efficiently. Mill feed included 3,939 tonnes from Kutema pillars, 12,753 tonnes of development ore and 38,644 tonnes of ore from Sarvisuo stopes.

The Sarvisuo resource has been updated by independent consultants Runge Limited, incorporating all new drill data up to 31 December 2008. The updated Measured, Indicated and Inferred Resource of 307,100 tonnes @ 7.1 g/t gold (70,200 ounces) between the 130m and 600m levels represents an increase in resources, which effectively offsets the past twelve months production.

Table 4 – Sarvisuo Resource Estimate

Classification	Tonnes	Gold (g/t)	Ounces
Measured	54,500	7.3	12,800
Indicated	228,400	6.6	48,700
Inferred	24,300	11.1	8,700
Total	307,200	7.1	70,200

ID2 Estimate using 10mE x 5mN x 10mRL Block Dimensions. Reported at a 3.0 g/t gold lower cut-off and high grade cuts of 70 g/t gold. A minimum down hole width of two metres was used. Tonnage Distributions subdivided by JORC Categories. Refer to Note 1 on page 11 for more details.

DEVELOPMENT

FINLAND

Orivesi Gold Mine

Drilling continued at Sarvisuo from the 440m and 525m levels with 22 holes being completed for an advance 3,324.3 metres. Success would result in a decision to extend the Sarvisuo development down to the 540m level in mid 2009. The testing of the Sarvisuo extensions between the 540m and 560m levels, deeper extensions and exploration targets close to the known ore bodies will be completed later in 2009.

Results have been received from 18 of the 22 holes drilled at Sarvisuo returning a best intercept of **4.95m @ 17.95 g/t gold**. Results were also received from three infill holes drilled between the 700 and 800m levels at Kutema yielding a best intercept of **18.30m @ 6.10g/t gold**.



Table 5 - New intercepts from Sarvisuo at the Orivesi Mine

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Sarvisuo – 440m level							
KU-1040	6838459.2	2508853.1	3.73	-8.33	86.55	1.85	2.62
					93.60	2.10	3.06
					98.50	3.00	1.62
					123.50	1.00	1.24
					143.40	1.40	1.81
KU-1041	6838433.1	2508833.1	194.05	19.74	3.30	1.00	1.42
Sarvisuo – 525m level							
KU-1042	6838467.8	2508917.2	0.0	17.3	93.45	0.90	1.04
					97.00	2.20	5.04
					103.95	1.00	1.50
					122.00	1.20	1.49
KU-1043	6838467.6	2508887.6	0.2	17.1	70.00	1.20	1.14
					98.20	1.80	1.62
					101.10	0.40	1.66
KU-1044	6838476.0	2508874.3	360.0	16.9	63.60	1.05	2.88
					83.90	1.10	5.78
					87.80	0.95	1.12
KU-1045	6838476.0	2508874.3	0.5	7.4	76.55	1.00	2.04
					83.15	0.50	1.17
KU-1046	6838468.2	2508861.1	359.27	6.59	68.80	2.55	2.40
					89.85	4.95	17.95
					<i>Including 1.90m @ 43.04 g/t gold from 91.00m</i>		
					96.95	1.15	1.05
					116.40	1.10	2.27
KU-1047	6838468.2	2508861.1	359.62	15.73	73.45	2.15	19.84
					<i>Including 1.10m @ 36.80 g/t gold from 73.45m</i>		
					97.85	1.05	1.79
KU-1048	6838468.0	2508851.1	0.06	17.34	88.75	1.10	1.33
					96.65	0.95	4.21
KU-1049	6838469.1	2508840.4	0.09	22.23	94.75	1.00	1.57
					114.15	2.70	5.93
					<i>Including 0.90m @ 14.90 g/t gold from 115.95m</i>		
					120.50	0.55	1.23
KU-1050	6838469.1	2508827.4	0.34	26.59	52.10	1.05	1.26
					87.20	1.35	2.77
					96.00	1.40	8.01
					112.30	0.55	3.03
KU-1051	6838469.1	2508827.3	359.94	20.34	85.00	1.70	1.44
					94.25	1.25	1.25
KU-1052	6838469.1	2508827.3	359.68	14.72	85.55	1.15	1.16
					88.35	1.95	9.90
KU-1053	6838468.7	2508820.5	359.90	8.03	90.10	0.90	1.27
KU-1054	6838468.7	2508820.5	358.88	15.03	85.60	0.75	8.59
KU-1055	6838468.7	2508820.5	0.35	27.28	35.85	1.15	1.09
					51.80	1.20	4.35
					95.15	1.75	7.59
KU-1057	6838468.4	2508846.8	359.10	1.61	114.30	0.45	1.01
					135.25	3.45	4.47
KU-1065	6838468.4	2508846.8	358.96	-17.02	102.00	0.75	55.50
					138.65	0.55	9.61
					141.00	1.00	2.97

Analysis of half 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. Reported at 1g/t gold cut-off.

**Table 6 - New intercepts from Kutema Deeps at the Orivesi Mine**

Hole	North	East	Azimuth	Dip	From	Interval	Au
KU-1029	6838360.33	2508549.15	357.2	-30.0	137.20	8.05	3.56
					149.00	3.45	2.32
KU-1030	6838360.27	2508549.16	352.5	-44.1	138.50	0.75	1.85
					171.00	18.30	6.10
					<i>Including 9.05m @ 9.56 g/t gold from 178.25m</i>		
					192.60	2.20	3.35
KU-1031	6838323.52	2508567.43	355.2	-17.3	158.50	1.00	2.73
					161.50	6.50	2.17
					171.00	1.00	2.62
					185.60	2.05	1.46
					194.10	2.25	2.56

Analysis of half 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. Reported at 1g/t gold cut-off.

An inspection of the upper part of Kutema (47m to 354m level) was undertaken, identifying several areas with encouraging gold results that could be mined. 3D-modelling is now underway. The underground drives at Kutema are in good condition, however some cementation and bolting would be required.

Jokisivu Gold Project

Pit optimisation studies, mine design and scheduling tasks have been completed on the new Kujankallio resource and a decision to proceed with mining operations is imminent.

The Kujankallio resource has been updated by independent consultants Runge Limited, increasing the Indicated and Inferred Resource to 1,077,000 tonnes @ 6.3 g/t gold (217,300 ounces) to a vertical depth of 350 metres. The nearby Arpola Indicated and Inferred Resource remains unchanged at 490,000 tonnes @ 6.8 g/t gold (106,700 ounces) to a vertical depth of 200 metres.

Table 7 – Kujankallio Resource Estimate

Classification	Tonnes	Gold (g/t)	Ounces
Measured	-	-	-
Indicated	390,000	5.7	71,500
Inferred	687,000	6.6	146,700
Total	1,077,000	6.3	218,300

ID2 Estimate using 2mE x 5mN x 5mRL Block Dimensions. Reported at a 2.0 g/t gold lower cut-off and high grade cuts of 50-90 g/t gold. Tonnage Distributions subdivided by JORC Categories. Refer Note 1 at page 11 for more details.

Drilling has now recommenced at Jokisivu, the first of sixteen holes (250.2 metres) targeting the mineralisation below the proposed open-pit limits at Kujankallio completed late in March. Results remain pending.

EXPLORATION

SWEDEN

Svartliden Gold Mine

Drilling of depth extensions resumed and nine diamond core holes had been completed for a total advance of 1,728.1 metres. The first series of holes from this campaign have intersected good mineralisation in the majority of holes, with drilling on Profile 1400 returning visible gold. Results have been received for five of the nine holes completed, returning intercept highlights **5.00m @ 8.67 g/t gold, 5.00m @ 12.85 g/t gold and 4.00m @ 12.11g/t gold**. All significant results received are listed in Table 8.



Drilling is focussed on the western side of the Central Fault, targeting the North Lode to a depth of 100 metres below the final open-pit design. Two rigs are now in operation to accelerate the progress of the 6,000 metre campaign, with view to completing the program before mid-year.

Table 8 – Recent Drill Results from Depth Extension Diamond Core Drilling at Svartliden

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Profile 1400							
SV09151	7187185.94	1588165.80	161.0	-50.0	155.0	4.00	12.11
					168.0	6.00	3.09
Profile 1425							
SV08147	7187033.20	1588244.53	161.0	-50.0	74.0	5.00	8.67
					81.0	1.00	4.04
SV08148	7187033.20	1588244.53	161.0	-50.0	92.0	1.00	8.40
					97.0	2.00	3.24
					102.0	3.00	2.26
SV08149	7187194.04	1588189.45	161.0	-50.0	162.0	2.00	5.52
					180.0	5.00	12.85
SV08150	7187212.96	1588182.97	161.0	-50.0	197.0	2.00	2.25

Analysis of half core was completed at ALS Chemex Laboratories at 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.

Both a gravity and a downhole Transient Electro Magnetic (TEM) survey at the Svartliden Mine was completed with view to generating drill targets well below the current limits of ongoing exploration drilling. Modelling and interpretation of these new geophysical datasets has commenced, the final results expected in May.

In conjunction with the exploration activities in the immediate mine area, regional exploration activities continued with the despatch of infill geochemical samples from the Svartliden West area and reconnaissance geochemical samples from the Tallberget East and Finnäs East areas. Results of MMI analysis are pending.

Diamond core drilling in the area of the previously announced shallow percussion drilling intercept of 5m @ 1.38 g/t gold commenced early in April. The first hole in a four hole program has been completed and intersected a narrow mineralised horizon at an approximate vertical depth of 15 metres. Results are pending.

Figure 1 – Location of Proposed Drill Holes at Svartliden West

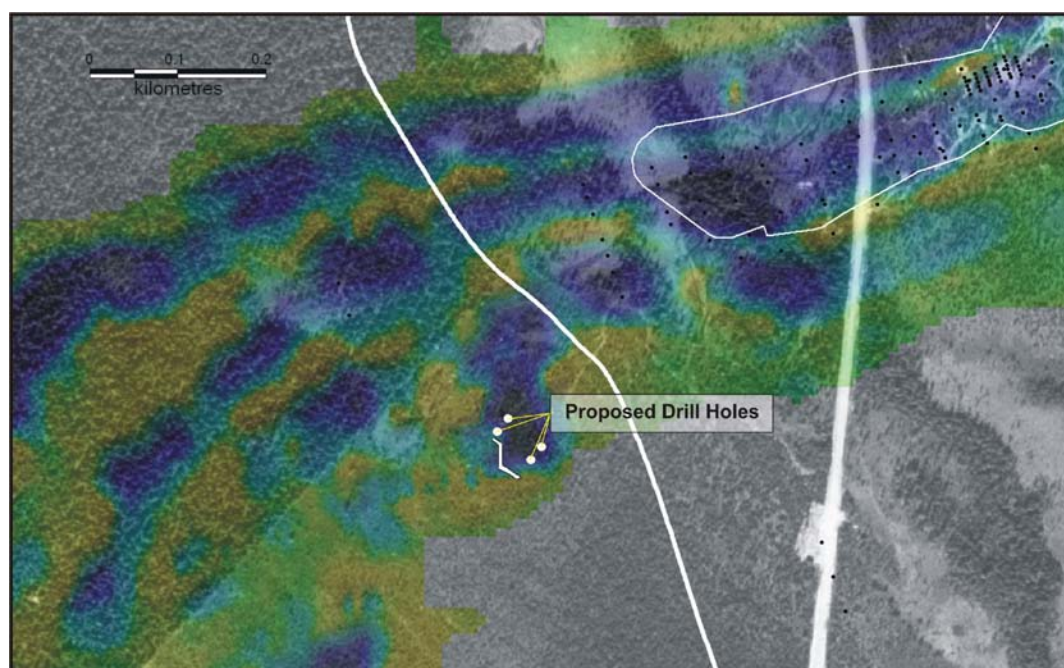
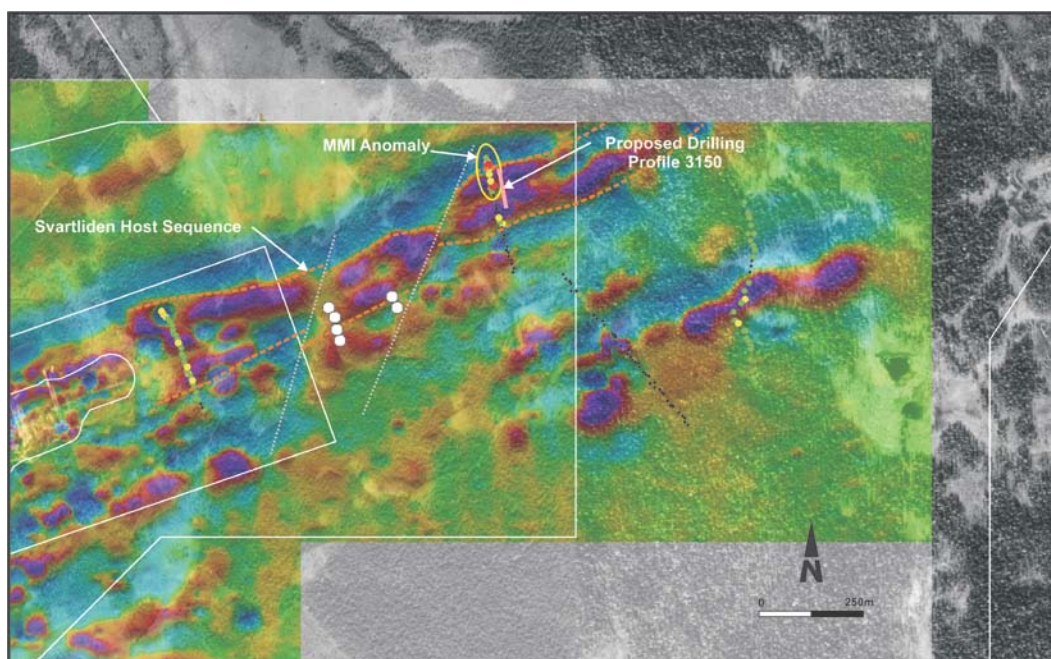




Figure 2 – Location of Proposed Drill Holes at Svartliden East



Upon completion of drilling in the Svartliden West area, the drill rig will move to the Svartliden East area to test an MMI anomaly generated during 2008 field programs. The proposed holes are located 300 metres east of the limit of previous exploration drilling, which intersected Svartliden host and alteration sequences of varying downhole lengths and returned some anomalous gold results.

A review of the results from the bedrock-till drilling program completed in the Svartliden West area during 2008 commenced. The highest gold results from the bedrock chip samples were obtained from the first Profile west of the open pit, with values of 138 and 175ppb. The peak arsenic value of 4,520ppm corresponds with the highest gold value, whilst the sulphur values in this area are also high. This area is located in close proximity to the highest gold response obtained from the MMI survey and the area of recent trenching and current drilling.

A detailed study examining five areas highlighted during the initial phase of geophysical interpretation commenced and the final report is expected to be available prior to the commencement of the 2009 field season.

FINLAND

Orivesi Regional

A program of regional chip and basal till sampling was conducted at the end of last year in the Orivesi region. A total of 208 chip samples and 129 till samples were collected, returning a highest gold content of 24.2ppb in chip samples from the Ruohosuo prospect and 9.5ppb in till samples from the Pärnävuori prospect.

Data from historic diamond core holes drilled in the Orivesi region were reviewed. This data is now being digitised to assist in the interpretation of the geology of this region.

Kaapelinkulma Gold Project

The Kaapelinkulma resource has been updated by independent consultants Runge Limited, increasing the combined total Indicated and Inferred Resource to 161,000 tonnes @ 6.2 g/t gold (31,900 ounces), an overall increase of 12,300 ounces.

**Table 9 – Kaapelinkulma Resource Estimate**

Classification	Tonnes	Gold (g/t)	Ounces
Kaapelinkulma North			
Measured	-	-	-
Indicated	-	-	-
Inferred	21,000	2.4	1,600
Total	21,000	2.4	1,600
Kaapelinkulma			
Measured	-	-	-
Indicated	78,000	8.4	21,000
Inferred	61,000	4.7	9,300
Total	139,000	6.8	30,300

ID2 Estimate using 10mE x 2mN x 5mRL Block Dimensions. Reported at a 1.0 g/t gold lower cut-off. The resource is reported using high grade cut of 20-60 g/t gold. Tonnage Distributions subdivided by JORC Categories. Refer to Note 1 on page 11 for more details.

Additional sampling of historical drill core near the main zone of mineralisation was completed, the results from analysis of five holes sampled returning a best grade of 0.93 g/t gold.

Data from 1075 till geochemical samples were received from the Finland Geological Survey (GTK), including values for gold and arsenic in the fine till fraction. Identified anomalous zones away from the main zone of mineralisation will be checked during the coming field season.

Jokisivu Gold Project Regional

Results from the 25 till samples collected from the area of the Salopäänkulma claim at the end of 2008 yielded one significant result of 5.85 g/t gold. Additional sampling has now been completed in this area to locate the source of this higher-grade result. Results are pending.

Tammijärvi Gold Project

Results were received for the heavy mineral samples collected from the Lepola Claim. Gold grades were generally low.

A detailed review of historic exploration data was conducted indicating that the area southwest of previous exploration work is considered to possess the best potential for gold, copper and tungsten mineralisation and requires further testing.

Hanhimaa Gold Project

Results from samples representing the weathered part of the bedrock collected at intervals from 1 to 4 metres from trench M42 located at Kiimakuusikko were received. The best interval comprising altered mafic metavolcanic rock and quartz-carbonate vein contains 4.03 g/t gold, 150 g/t silver over 1 metre. Several other sampling sections contain anomalous gold, silver and arsenic contents.



Figure 3 – Kiimakuusikko Trench Results

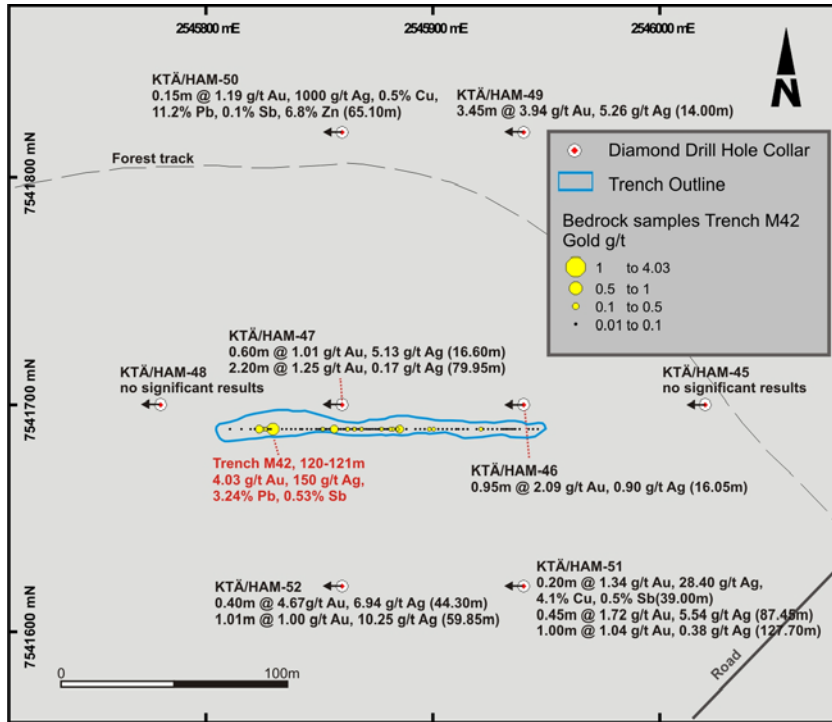


Table 10 – Significant results of samples collected from Kiimakuusikko trench M42

From	To	Length (m)	Au (ppm)	Ag (ppm)	As (ppm)	Cu (ppm)	Fe (%)	Pb (ppm)	S (%)	Sb (ppm)	Zn (ppm)
28	29	1	0.14	0.12	355	59	1.66	0.8	0.12	10	17
48	50	2	0.23	3.95	5,320	83	6.01	4.8	1.1	76	23
50	52	2	0.15	1.05	1,775	70	3.64	13.5	0.11	113	39
64	65	1	0.57	3.51	5,970	83	5.83	4	0.78	127	17
65	66	1	0.44	10.05	936	734	1.68	10.8	0.41	611	37
67	68	1	0.37	0.45	1,250	19.2	1.88	4.6	0.33	79.9	5
68	69	1	0.13	1.1	1,710	24.9	1.91	5	0.36	318	28
72	73	1	0.2	33.8	659	1,155	2.49	2.2	0.16	696	44
81	82	1	0.12	2.39	2,950	71.8	2.84	2.3	0.09	99.6	10
84	85	1	0.12	9.59	836	63.6	1.63	20.6	0.17	82.9	9
87	88	1	0.35	1.68	3,170	86.4	1.82	12.9	0.27	66.2	14
93	94	1	0.78	9.89	8,100	686	10.85	30.1	1.56	317	74
98	99	1	0.25	0.9	3,300	281	7.59	2.2	1.24	109	75
119	120	1	0.48	20.5	12,600	603	10.65	688	0.05	587	151
120	121	1	4.03	150	7,820	976	8.36	32,400	1.25	5310	1780
123	124	1	0.18	1.53	2,820	822	13.6	22.4	1.46	161	163
124	125	1	0.18	4.05	9,010	716	33.6	489	0.68	675	225
125	127	2	0.59	3.45	5,750	777	11.3	27	0.42	444	192

Analysis of bedrock samples was completed at ALS Chemex Laboratories in Romania and Canada, using Au-AA25 and ME-MS41 methods, following sample preparation at ALS Chemex facility in Outokumpu, Finland. Gold grades exceeding 3 g/t reanalysed using Au-GRA22 method and silver grades exceeding 100g/t reanalysed using ME-OG46 method.

The discovery of the Kiimakuusikko gold prospect during 2008 underlines the potential for gold mineralisation along the Hanhima Shear Zone, of which the northern part is partially tested and the southern part largely untested.



Sukseton– Copper-Gold Project

Compilation of the historic exploration data from the Sukseton area has continued. Historic activities include extensive till sampling, which defined several distinct gold anomalies, some of which remain untested. Further interpretation of the results will be conducted prior to coming field season.

Kutuvuoma Gold Project

Compilation of the historic exploration data from Kutuvuoma area has continued. Extensive till sampling surveys have been conducted in the Kutuvuoma area with a total of 1,524 till samples collected from this area. The results highlight several gold anomalies, the most prominent gold anomaly being located above the known gold-copper deposit, whilst some anomalies have not been tested by either trenching or drilling. Further interpretation of the results will be conducted prior to coming field season.

Vale-Inco Nickel Alliance (50% Interest)

The Dragon Mining-Vale Inco Alliance was terminated effective 31 March 2009.

Dragon Mining has reviewed all Claim applications over the project areas and decided to continue with only 8 of the 24 pending Claim applications, which encompass the known nickel mineralisation and their immediate surrounds.

Kuhmo Nickel Joint Venture (5% Free Carried Interest)

Refer to the March 2009 quarterly report of ASX listed Vulcan Resources Limited (ASX Code: VCN) for an update on the Kuhmo Nickel Joint Venture which was released to ASX on 23 April 2009.

ERITREA

Zara Joint Venture (20% Interest)

Joint Venture partner Sub-Sahara Resources NL has yet to advise Dragon Mining of activities undertaken during the March quarter.

Australian listed company Chalice Gold Mines Limited proposed a merger with Sub-Sahara by way of Scheme of Arrangement which will consolidate the project ownership and fund the continued development of the Zara Gold Project in northern Eritrea.

AUSTRALIA

Weld Range Joint Ventures (Various Interests)

Joint Venture partner Minara Resources Limited has advised that no exploration activities were undertaken during the March quarter.



CORPORATE

Cash Balances and Movements

As at 31 March 2009, Dragon Mining held:

- \$6.1m in cash. Refer to Appendix 5B for principal movements in cash.
- \$6.2m in bullion on hand and net gold concentrate receivables; and
- \$4.6m of cash lodged with Swedish and Finnish authorities as rehabilitation bonds.

Gold Sales

Production from Svartliden was sold at an average cash price of US\$816 per ounce. 1,500 ounces of gold was delivered into the hedge book and the balance into the spot market.

Gold concentrate from the Vammala Production Centre was sold at an average price of US\$904 (gross of refining costs).

Hedging

Dragon Mining has 3,250 ounces of gold hedging remaining at a forward price of US\$406. Using the 31 March spot gold price of US\$919, the mark to market of the hedge book was a negative amount of US\$1.7m.

The Company will continue to deliver 500 ounces per month from Svartliden production into the gold hedge book.

Convertible Notes

During the quarter, a wholly owned subsidiary purchased 1,697,497 Dragon Mining Convertible Notes ("Notes") at an average price of \$0.75 per note for a total of \$1.27m, including costs. The face value of the Notes was \$1.05 per note or \$1.78m in total. 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 \$0.38m.

Of the 23,645,289 Notes on issue, 5,783,497 Notes are now held by the subsidiary of Dragon and the net liability associated with the Notes is \$18.8m.

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 and payment by the refiner, the Company has established a receivables facility (factoring) with Nordea Bank in Finland. Dragon can receive loan funds from Nordea for up to 75% of gold concentrate delivered and invoiced. The factoring facility was not used at the end of the quarter.



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 *This Mineral Resource Statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).*

All information in this Statement which relates to Mineral Resources is based on, and accurately reflects reports prepared by the persons named below. All of the persons listed are Members of the Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists and have the necessary experience relevant to the style of mineralisation, the type of deposit and the activity undertaken to qualify as a 'Competent Person' under the JORC Code, 2004.

Svartliden Drillhole Database and Geology – Neale Edwards, Chief Geologist, Dragon Mining Limited.

Svartliden Resource Estimate - Ingvar Kirchner, Manager Resource Geology, West Perth, Coffey Mining Ltd.

Each of the Competent Persons has given their consent for the inclusion of the material in the form and context in which it appears.

Note 3 *The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Neale Edwards BSc (Hons), a Member of the Australian Institute of Geoscientists, who is a full time employee of the company and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are 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 Neale Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

OTHER NOTES

Note 4: *The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves that has not been specifically referred to 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 5: *All statements in this report, other than statements of historical facts that address future timings, activities, events and developments that the Company expects, are forward looking statements. Although Dragon Mining Limited, its subsidiaries, officers and consultants believe the expectations expressed in such forward looking statements are based on reasonable expectations, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements. Factors that could cause actual results to differ materially from forward looking statements include, amongst other things commodity prices, continued availability of capital and financing, timing and receipt of environmental and other regulatory approvals, and general economic, market or business conditions.*



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Dragon Mining Limited

ABN

19 009 450 051

Quarter ended ("current quarter")

31 March 2009

Consolidated statement of cash flows

		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	19,461	19,461
1.2	Payments for (a) exploration and evaluation	(1,116)	(1,116)
	(b) development	(51)	(51)
	(c) production	(16,246)	(16,246)
	(d) administration	(716)	(716)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	23	23
1.5	Interest and other costs of finance paid	(657)	(657)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	91	91
	Net Operating Cash Flows	789	789
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments*	(1,271)	(1,271)
	(c) other fixed assets	(346)	(346)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
	Net investing cash flows	(1,617)	(1,617)
1.13	Total operating and investing cash flows (carried forward)	(828)	(828)

* Purchase on market by Dragon subsidiary of 1,697,497 Dragon Convertible Notes.



1.13	Total operating and investing cash flows (brought forward)	(828)	(828)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(7)	(7)
1.18	Dividends paid	-	-
1.19	Repayment of advance on gold concentrate receivables	(1,209)	(1,209)
Net financing cash flows		(1,216)	(1,216)
Net increase (decrease) in cash held		(2,044)	(2,044)
1.20	Cash at beginning of quarter/year to date	8,534	8,534
1.21	Exchange rate adjustments to item 1.20	(375)	(375)
1.22	Cash at end of quarter	6,115	6,115

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	223
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 (factoring gold concentrate)	2,334	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,300
4.2 Development	1,800
Total	4,100

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	6,115	8,534
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	6,115	8,534



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	Finland			
	200847 Kianta 3		5%	0%
	200847 Kianta 2		5%	0%
	7747/5 Kello 19		100%	0%
	7747/32 Kello 46		100%	0%
	7747/31 Kello 45		100%	0%
	7747/24 Kello 38		100%	0%
	7747/22 Kello 36		100%	0%
	7747/2 Kello 16		100%	0%
	7747/1 Kello 15		100%	0%
	7667/5 Meurastuksensuo 2		100%	0%
	7667/4 Meurastuksensuo 1		100%	0%
	7667/3 Jaakonsuo 2		100%	0%
	7667/2 Jaakonsuo 1		100%	0%
	7667/9 Rytisuo 4		100%	0%
	7667/8 Rytisuo 3		100%	0%
	7667/7 Rytisuo 2		100%	0%
	7667/6 Rytisuo 1		100%	0%
	7667/14 Pihlajavaara		100%	0%
	7667/13 Rytisuo 8		100%	0%
	7667/12 Rytisuo 7		100%	0%
	7667/11 Rytisuo 6		100%	0%
	7667/10 Rytisuo 5		100%	0%
	7667/1 Pihlajasuo		100%	0%
	7629/9 Tervasvaara 3		100%	0%
	7629/8 Tervasvaara 2		100%	0%
	7629/7 Tervasvaara 1		100%	0%
	7654/4 Vähä-Teerijärvi		100%	0%
	7584/7 Mutka-Aho 1		100%	0%
	7654/5 Nevasuo		100%	0%
7654/6 Hosionsuo		100%	0%	
7584/8 Mutka-Aho 2		100%	0%	
6.2 Interests in mining tenements acquired or increased	Finland			
	8602/1 Vaara West		0%	5%
	8500/2 Korkea-aho 3		0%	5%
	8500/1 Korkea-aho 2		0%	5%
	8476/4 Huutoniemi 4		0%	5%
	8476/3 Huutoniemi 3		0%	5%
	8476/1 Huutoniemi 1		0%	5%
	8476/2 Huutoniemi 2		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 Preference + securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	737,345,151	737,345,151		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through expired partly paid shares				
7.5 +Convertible debt securities (description)	23,645,289	23,645,289	\$1.05	\$1.05
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	1,500,000 1,000,000 6,000,000 75,000 4,800,000	- - - - -	<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	Debentures (totals only)		
7.12	Unsecured notes (totals only)		

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

24 April 2009

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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