

HIGHLIGHTS

OPERATIONS

- **Record** quarterly gold production for the Dragon Mining Group of 21,061 ounces at an average cash cost of US\$520 per ounce.
- Svartliden, Sweden gold production for the quarter of 11,332 ounces at an average cash cost of US\$476 per ounce.
- Vammala, Finland **record** gold production for the quarter of 9,729 ounces at an average cash cost of US\$570 per ounce (including refining costs of US\$106 per ounce).

DEVELOPMENT

- Encouraging final results were received from diamond core drilling to improve confidence in the resource estimate and upgrade the resource categories in preparation for open pit mining at the Jokisivu Gold Project, Finland.

EXPLORATION

- Diamond drilling focused on the depth extensions at Svartliden in Sweden returned further high grade intercepts including **5.00m @ 11.24 g/t gold, 4.00m @ 7.39g/t gold, 4.00m @ 18.23 g/t gold and 11m @ 9.83 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.
- Trenching of a peak gold response achieved from a MMI survey in the Svartliden West area exposed a previously unidentified mineralised horizon which returned an intercept of 5m @ 1.38 g/t gold from shallow percussion drilling.
- Diamond drilling confirmed the discovery of a new zone of precious metal mineralisation within the Hanhima Project in northern Finland. The drilling programme which targeted the Kiimakuusikko area, intercepted zones of hydrothermally altered rocks with elevated gold and silver contents, including a best intercept of **3.45m @ 3.94 g/t gold and 5.26 g/t silver**.

CORPORATE

- As at 31 December 2008, Dragon held;
 - \$8.5m in cash;
 - \$7.1m in bullion and net gold concentrate receivables; and
 - \$3.9m of cash lodged with Swedish authorities as a rehabilitation bond at Svartliden.
- A wholly owned subsidiary of Dragon Mining purchased 4,086,000 Dragon Mining convertible notes in late December. Subsequently a further 1,273,797 Notes were purchased on 9 January 2009. The Company has outlaid \$3.66m to repurchase Notes with a "face value" of \$5.63m and will save \$1.2m in interest payments over the remaining life of the Notes.
- The average cash price received per ounce of gold sold from Svartliden was US\$732.
- The average sales price received per ounce of gold sold from Vammala was US\$798.



OPERATIONS

SWEDEN

Svartliden

Table 1 – Production Summary

	Ore Mined (t)	Ore Milled (t)	Head Grade (g/t)	Recovery (%)	Plant Utilisation (%)	Total Gold Production (Ounces)
Dec 2008 Quarter	100,120	77,714	4.9	92.4	98.5	11,332
Sep 2008 Quarter	91,785	72,911	4.4	93.1	96.9	9,633

The operation had no lost time injuries.

Svartliden produced 11,332 ounces of gold from 77,714 tonnes of ore milled at a head grade of 4.9 g/t at a cash cost of US\$476 per ounce.

Ore mined was 100,120 tonnes at an average planned grade of 4.4 g/t and was sourced from the east pit, eastern extension and west pit. Good grade control coverage exists for short term planning.

The process plant performance continued with high utilisation of 98.5%. Further plant improvements to increase efficiency and safety were completed including automation of reagent addition equipment for the detoxification process. The automation of oxygen addition to the CIL tanks commenced and is expected to be commissioned in early 2009. A planned plant stop in January 2009 will include the installation of a mill discharge grate to improve mill performance. A mill motor change is planned during the second quarter of 2009 that will further improve mill utilisation.

Remedial work has continued in response to the increased dissolved metals in the mine water detected by internal water quality tests. The County Administration Board has expressed its approval of the proposed corrective measures and these will be fully implemented in early 2009.

Work has begun on a new operating licence application, with the aim of including the potential underground mining operation and re-negotiation of the environmental conditions attained in the original operating licence. This process is expected to be completed during 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)
Dec 2008 Quarter	42,188	47,486	7.3	87.3	95.2	9,729
Sep 2008 Quarter	44,401	38,119	7.7	86.3	96.6	8,122

No lost time injuries were reported.

Record quarterly production was achieved at Vammala of 9,729 ounces of gold from 47,486 tonnes of ore milled at a head grade of 7.3 g/t at a quarterly cash cost of US\$570 per ounce (including smelting costs of US\$106 per ounce).

Mining was mainly from the Sarvisuo stopes between the 300m and 320m level and the first stope was extended to the 420m level in ore lode number two. A small amount of mining was also conducted at the Kutema area.

Mill feed included 5,700 tonnes from Kutema pillars, 7,145 tonnes of development ore and 34,641 tonnes of ore from Sarvisuo stopes.

The Vammala Production Centre continues to operate effectively and efficiently.

DEVELOPMENT

FINLAND

Orivesi Gold Mine

To attain a better understanding of the continuation and variation of lithology and gold grade within and between mineralised pipes, a trial drilling program was completed at both Sarvisuo and Kutema using a parallel/sub-parallel orientation. A total of 405.90m from four holes was completed in the Sarvisuo area, whilst 2 holes were completed at Kutema for 282.90m targeting Pipes 2 and 5 between the 720m and 820m levels.

A further 5 horizontal holes were also completed at Kutema. The infill drill holes were drilled between the 700m and 800m levels prior to the drilling rig being moved to the 440m level at Sarvisuo at the beginning of 2009.

Results have been received from eight of the holes completed (outstanding results are expected early in 2009). The best intercept obtained at Sarvisuo was in drill hole KU-1022, where the average gold grade of the entire length of the drill hole was 7.60 g/t gold, whilst KU-1021 intersected a mineralised zone, in a new area previously unidentified. Grades obtained from Kutema drill holes KU-1023 and KU-1024 correlated well with results from historic drill holes.

**Table 3 - New intercepts from Sarvisuo at the Orivesi Mine. Reported at 1g/t gold cut-off**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
420m Level							
KU-1019	6838557.46	2508845.23	75.0	-76.5	0.13	0.87	9.80
					14.00	1.00	1.20
					28.00	3.80	3.39
					67.25	1.10	47.77
					80.00	1.45	3.85
KU-1020	6838582.31	2508847.09	28.2	-84.4	87.70	0.65	3.50
					8.00	1.00	7.00
					50.80	0.55	6.90
KU-1021	6838556.53	2508881.14	273.5	-53.8	8.00	6.35	5.44
					26.15	1.10	2.20
					30.00	1.00	1.40
					33.00	2.00	5.20
					59.40	0.75	3.10
					61.70	1.95	1.45
					64.55	1.00	2.10
					68.25	0.85	2.46
					70.90	3.10	1.76
					80.25	4.75	5.62
					<i>including 1.45m @ 11.87g/t gold from 80.75m</i>		
					90.00	8.50	10.80
					<i>including 2.95m @ 28.45g/t gold from 93.55m</i>		
KU-1022	6838551.78	2508905.26	39.4	-78.0	18.00	7.00	2.37
					29.70	21.30	28.80
					<i>including 15.90m @ 37.15g/t gold from 31.20m</i>		
					65.00	28.60	4.63

Analysis of full core was completed at the Labtium laboratory in Sodankylä, Finland. After crushing and pulverization, cyanide leach with PAL-machine using 500g sub-sample, determination of gold with FAAS technique.

Table 4 - New intercepts from Kutema at the Orivesi Mine. Reported at 1g/t gold cut-off

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
KU-1023	6838477.16	2508553.99	304.9	-72.9	7.00	1.00	1.20
					8.65	1.00	2.10
					13.55	10.15	3.43
					<i>including 1.95m @ 7.03g/t gold from 17.60m</i>		
					26.55	1.05	1.10
					36.00	5.00	1.64
					42.85	2.00	2.35
					45.85	3.05	1.33
					52.75	49.55	4.60
					<i>including 21.45m @ 5.86g/t gold from 53.55m</i>		
					<i>including 13.35m @ 5.58g/t gold from 88.00m</i>		
KU-1024	6838477.50	2508558.40	13.5	-58.4	114.25	1.55	2.85
					9.00	1.00	1.65
					11.40	1.85	1.52
					20.00	0.50	2.20
					33.80	1.00	2.40
					35.80	1.05	3.00
					38.60	1.65	1.40
					51.20	0.90	3.00
					53.00	1.05	1.00
					54.60	0.80	1.80
57.25	18.75	5.53					
					<i>including 10.10m @ 8.70g/t gold from 60.90m</i>		
					81.00	2.00	2.10
					89.00	3.00	3.13
KU-1025*	6838360.25	2508548.72	345.71	-21.7	130.00	7.25	3.30
					<i>including 4.50m @ 4.42g/t gold from 132.05m</i>		
KU-1026*	6838360.24	2508548.68	346.55	-29.9	147.05	1.00	4.98

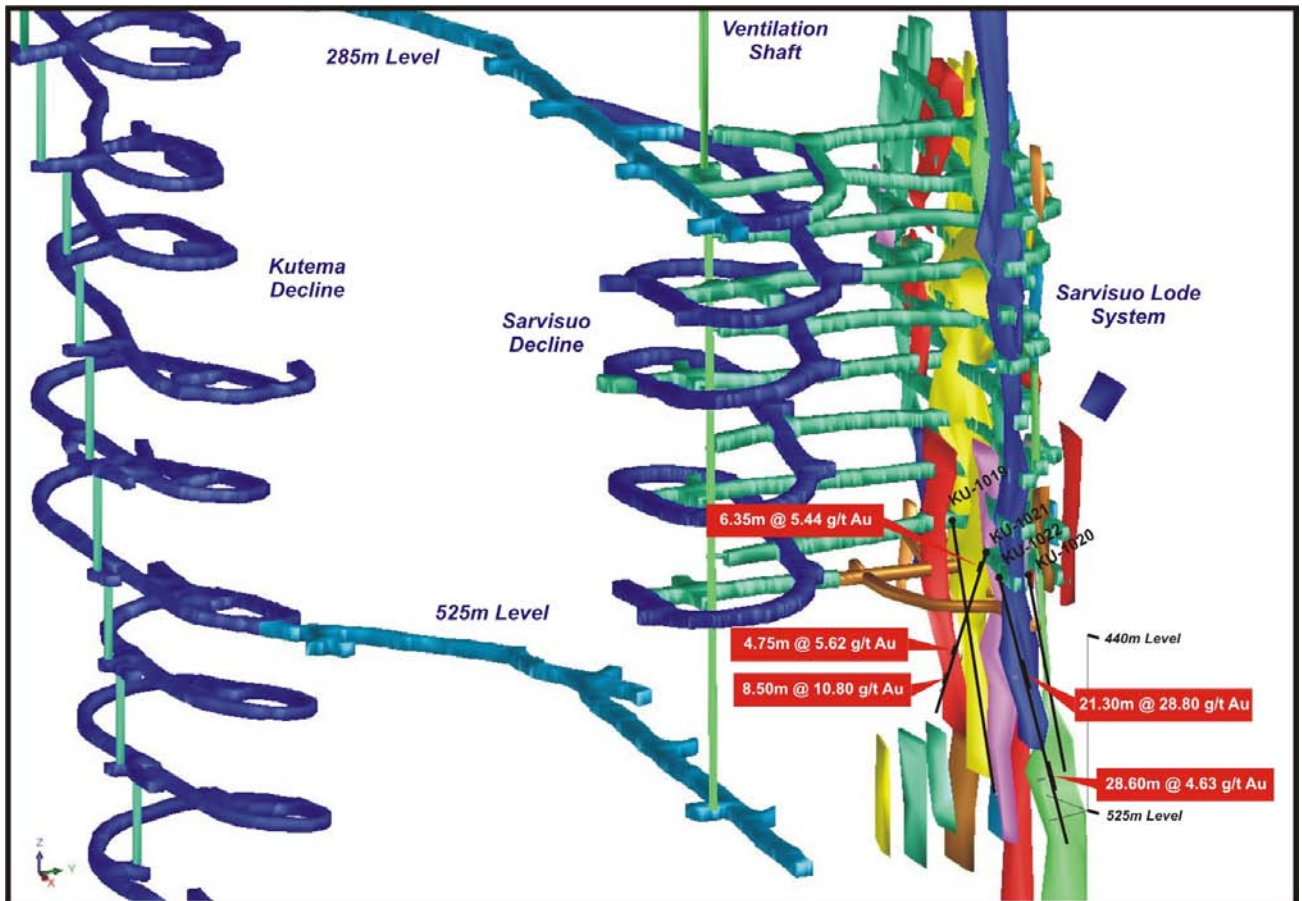
For the drill holes KU-1023 and -1024, analysis of full core was completed at the Labtium laboratory in Sodankylä, Finland. After crushing and pulverization, cyanide leach with PAL-machine using 500g sub-sample, determination of gold with FAAS technique.

For the drill holes KU-1025 and -1026, 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.

* Conventional drilling.



Figure 1 - Orivesi Gold Mine - Sarvisuo High Grade Gold Intercepts Below the 440m Level



Jokisivu Gold Project

Final results from diamond core drilling to improve confidence in the resource estimate and upgrade resource categories in preparation for open pit mining of the Kujankallio gold deposit were received. A total of 30 holes were drilled for an advance of 4,400m in this program which commenced in March 2008 and was completed during November 2008.

Work has been completed on updating the Kujankallio resource estimate following receipt of final assays and the re-optimizing, planning and scheduling of the open pits is being finalised. It is expected that this study will be completed early in 2009.

Four short channel sampling profiles were completed across an outcrop at Kujankallio, which previously had returned a historic mini-drill intercept of 1.12m @ 20.50 g/t gold. The channel samples confirmed the earlier drill result returning a best intercept of 0.60m @ 12.08 g/t gold.



Table 5 - Intercepts obtained this quarter from Kujankallio Diamond Drilling at Jokisivu. Reported at 1 g/t gold cut-off

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Section 5							
HU/JS-291	6779506.21	2425947.10	206.0	-46.0	116.10	0.25	5.13
Section 6							
HU/JS-294	6779499.34	2425966.10	206.0	-40.0	63.00	1.05	1.00
					70.30	0.95	2.54
					98.00	0.60	2.02
					104.40	0.25	12.05
					123.60	1.05	1.00
HU/JS-295	6779509.22	2425971.10	206.0	-46.0	74.45	0.95	2.21
					77.35	0.90	2.39
					124.25	0.45	17.20
HU/JS-296B	6779531.58	2425982.51	206.0	-45.0	95.65	0.80	1.45
					99.95	1.25	1.40
					129.55	0.55	5.60
Section 7							
HU/JS-297	6779495.39	2425982.80	206.0	-46.0	120.70	1.05	1.77
					148.30	3.70	3.27
HU/JS-298	6779527.28	2425999.24	206.0	-49.0	147.30	1.00	2.28
					151.50	1.20	1.79
					164.00	1.00	1.29
					198.80	1.20	1.01
Section 8							
HU/JS-299	6779469.11	2425995.65	206.0	-44.0	69.30	1.10	1.13
					104.85	0.65	4.15
					120.20	1.00	1.20
					139.40	1.25	0.99
					148.40	1.20	1.41
HU/JS-300	6779495.63	2426009.26	206.0	46.0	131.50	1.00	1.09
					133.45	0.90	1.55
Section 9							
HU/JS-301	6779490.74	2426025.21	206.0	-59.0	50.30	0.95	1.31
					98.85	0.65	1.22
					146.55	0.85	1.38
					177.80	1.10	1.23
Section 10							
HU/JS-302	6779452.05	2426031.28	206.0	-43.0	153.70	1.00	2.03
HU/JS-303	6779491.80	2426050.58	206.0	-44.0	59.90	0.70	1.80
					147.55	1.05	0.98
					157.70	1.30	1.80
					170.95	0.75	2.85
					172.75	0.80	1.93
					175.70	0.80	5.69
					179.30	1.10	1.03
Sterilization Drilling							
HU/JS-304	6779745.51	2425945.88	190	-50.0	8.00	1.20	1.61
					96.05	1.15	10.80
					98.30	1.15	2.11
HU/JS-305	6779720.89	2425941.54	190.0	-50.0	66.55	1.65	6.08
HU/JS-310	6779770.13	2425950.22	190	-50.0	3.90	1.15	1.83
					21.35	1.05	0.97
					76.20	0.60	2.69
					106.40	1.10	13.05
					113.10	1.65	2.62
HU/JS-312	6779790.41	2425979.18	190	-50.0	4.15	0.75	1.58
					17.35	1.10	1.16
					128.45	1.00	10.90
HU/JS-313	6779799.09	2425929.94	190	-50.0	42.00	1.15	2.81
					100.90	1.10	1.57
					135.45	0.90	1.65

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 Chemex facility in Outokumpu, Finland.



Vammala Nickel-Copper Project

The dewatering activities at the Vammala Nickel Mine were suspended in November 2008 as a result of the significant fall in nickel prices and the pessimistic near term projections for nickel demand.

Dewatering had commenced with the objective of assessing the condition of the decline and the main production levels to determine the practicality of reopening the Vammala nickel mine. All installed equipment including pumps, sumps and pipelines will be maintained in position for a rapid recommencement of dewatering should the outlook for nickel improve.

EXPLORATION

SWEDEN

Svartliden Gold Mine

Further results from the depth extension drilling program were received. The depth extension drill results are from areas east and west of the Central Fault and include intercept highlights **5.00m @ 11.24 g/t gold, 4.00m @ 7.39g/t gold, 4.00m @ 18.23 g/t gold and 11m @ 9.83 g/t gold.**

This phase of depth extension drilling commenced in March 2008, following-up on significant intercepts obtained from drilling programs undertaken in 2006 and 2007. A total of 28 diamond core holes (4,460.1m) and 3 reverse circulation holes (175m) have been completed during this campaign. Results remain pending for four holes, whilst one hole was abandoned and not sampled.

Significant results received in the quarter are listed in Tables 6 and 7.

Table 6 – Recent Drill Results from Depth Extension Diamond Core Drilling

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Profile 1475							
SV08138 **	7187202.06	1588240.29	161.0	-48.3	150.0	3.00	4.89
					159.0	1.00	3.13
					164.0	4.00	18.23
Profile 1650							
SV08135 *	7187248.14	1588408.90	157.0	-48.2	147.0	1.00	1.82
Profile 1675							
SV08136 *	7187257.09	1588432.09	162.0	-48.2	149.0	2.00	10.46
Profile 1775							
SV08144 *	7187166.08	1588568.93	341.6	-50.5	No Significant Results		
SV08145 *	7187174.95	1588566.03	344.0	-50.0	100.0	4.00	7.39
SV08146 **	7187185.49	1588562.21	341.0	-47.4	36.0	11.00	9.83
Profile 1825							
SV08140 *	7187206.56	1588607.84	340.0	-50.0	73.0	5.00	11.24
					83.0	5.00	2.45

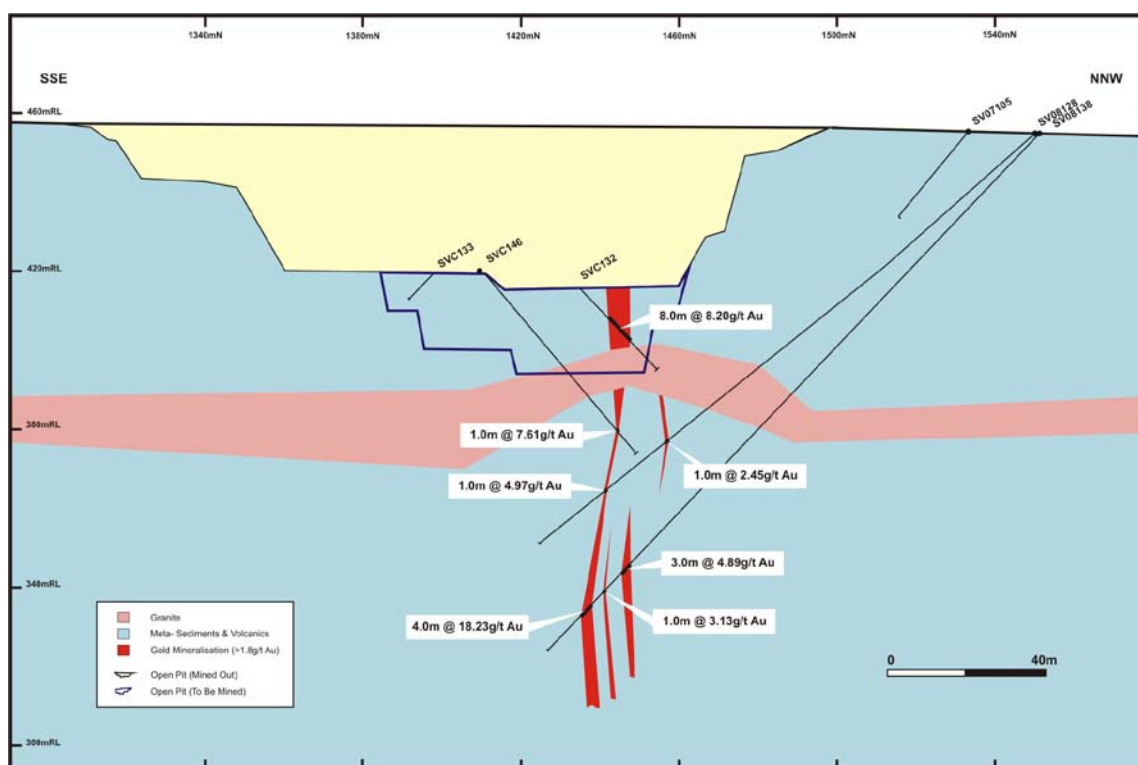
Analysis of half core was completed at ALS Chemex Laboratories at Rosia Montana, Romania () and Vancouver, Canada (**), using method Au-AA25, following sample preparation at the ALS Chemex facility in Piteå, Sweden. Reporting cut-off grade 1.8g/t gold.*

**Table 7 – Recent Drill Results from Depth Extension Reverse Circulation Drilling**

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
Profile 1475							
SVC146	7187068.17	1588408.49	341.0	-50.0	53.0	1.00	7.61
Profile 1550 (Geophysical Anomaly)							
SVC144	7186940.91	1588408.49	341.0	-50.0	No Significant Results		
Profile 1625							
SVC145	7187112.37	1588429.12	341.0	-50.0	42.0	1.00	2.93
					47.0	1.00	2.53

Analysis of RC drill cuttings 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.

Further drilling of the depth extensions will resume in January 2009 with view to defining a resource that is amenable to underground mining and hence extending the life of the Svartliden operation.

Figure 2 – Svartliden Cross Section Profile 1475, Displaying Intercepts Obtained During the Quarter

An independent update of the resource estimate for the Svartliden deposit commenced and the study is designed to better reflect the new status of this deposit. Results from this study will be available early in 2009.

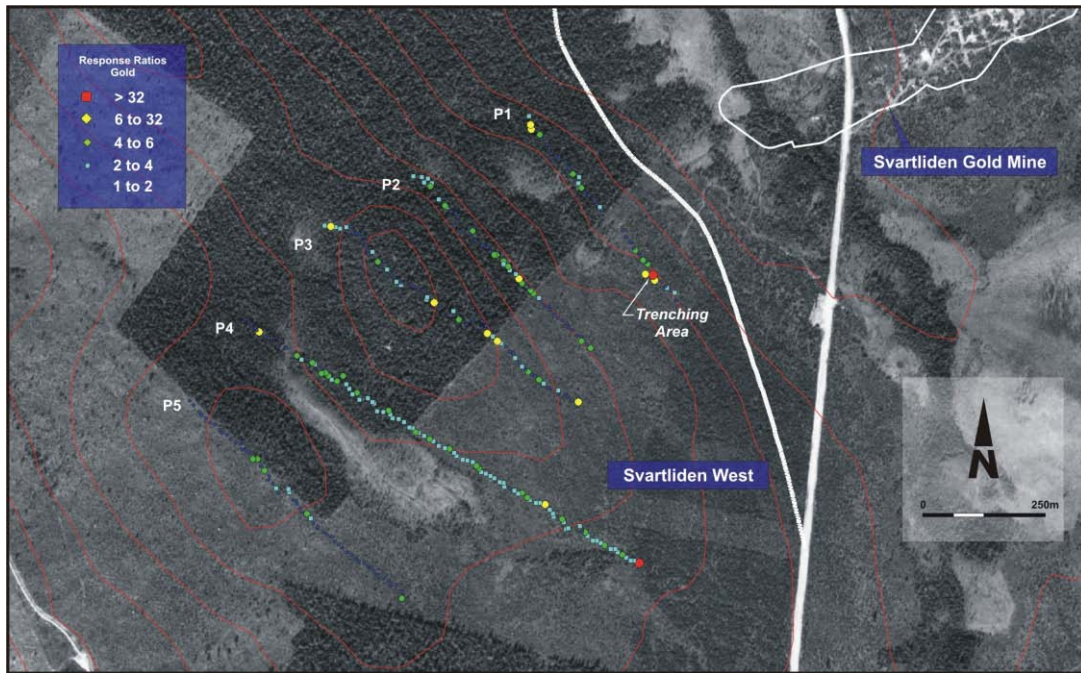
In conjunction with the exploration activities in the immediate mine area, regional exploration activities continued with the receipt of results from geochemical surveys and trenching programs undertaken during the summer field season.

All MMI results from the geochemical samples collected in the Svartliden West area have now been received. The initial review of this new dataset gives indication that though the raw gold values are of a very low-level, the results are encouraging with a number of areas of elevated gold being identified.

Response ratios (a peak to background ratio) for gold in the Svartliden West area returned a peak value of 36, whilst 19.4% of samples returned response ratios greater than 4. A number of zones have been identified, though each with what appears to be limited strike extension potential (<500m). Infill sampling has now been completed to determine the true merit of each of these zones.



Figure 3 – Results of MMI Sampling in the Svartliden West Area, Displaying Response Ratios for Gold and the Location of Recent Trenching



A small trenching program was undertaken in the area of the peak gold response ratio in the southern portion of Profile 1, in the Svartliden West area. 70m of trenching were excavated, exposing an amphibolitic sequence, portion of which contains disseminated sulphides. The trench has been mapped and sampled by shallow percussion drilling, returning an intercept of 5m @ 1.38 g/t gold (Table 8 and Figure 3) from shallow percussion drilling. In total 14 angled five metre holes were completed along the 70m long trench.

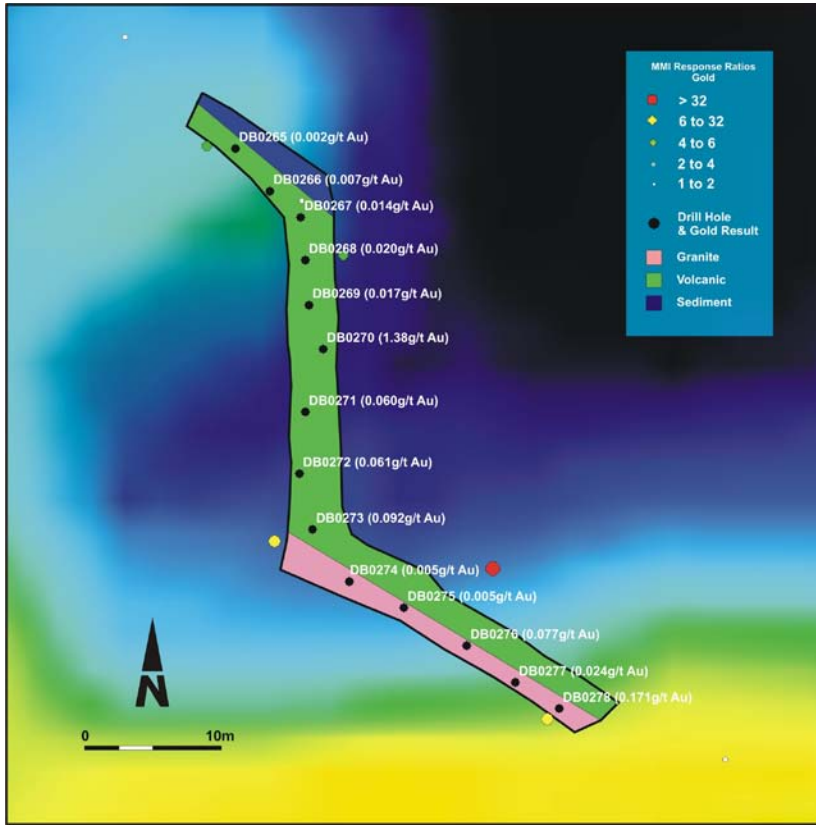
Table 8 – Drill Results from Shallow Percussion Drilling at Svartliden West

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)
DB0265	7186731	1587911	225.0	-50.0	0	5	0.002
DB0266	7186728	1587914	225.0	-50.0	0	5	0.007
DB0267	7186726	1587916	225.0	-50.0	0	5	0.014
DB0268	7186723	1587916	225.0	-50.0	0	5	0.020
DB0269	7186719	1587917	225.0	-50.0	0	5	0.017
DB0270	7186716	1587918	225.0	-50.0	0	5	1.380*
DB0271	7186712	1587916	225.0	-50.0	0	5	0.060
DB0272	7186707	1587916	225.0	-50.0	0	5	0.061
DB0273	7186703	1587917	225.0	-50.0	0	5	0.092
DB0274	7186699	1587919	225.0	-50.0	0	5	0.005
DB0275	7186697	1587923	225.0	-50.0	0	5	0.005
DB0276	7186694	1587928	225.0	-50.0	0	5	0.077
DB0277	7186692	1587932	225.0	-50.0	0	5	0.024
DB0278	7186690	1587935	225.0	-50.0	0	5	0.171

Analysis of percussion drill cuttings was completed at ALS Chemex Laboratories in Vancouver, Canada using methods Au-AA21, Au-AA25 (Method Au-AA25 utilised only when samples returned gold value >1g/t from method Au-AA21) and ME-ICP61, following sample preparation at the ALS Chemex facility in Piteå, Sweden. All analysis undertaken on five metre composite samples.*



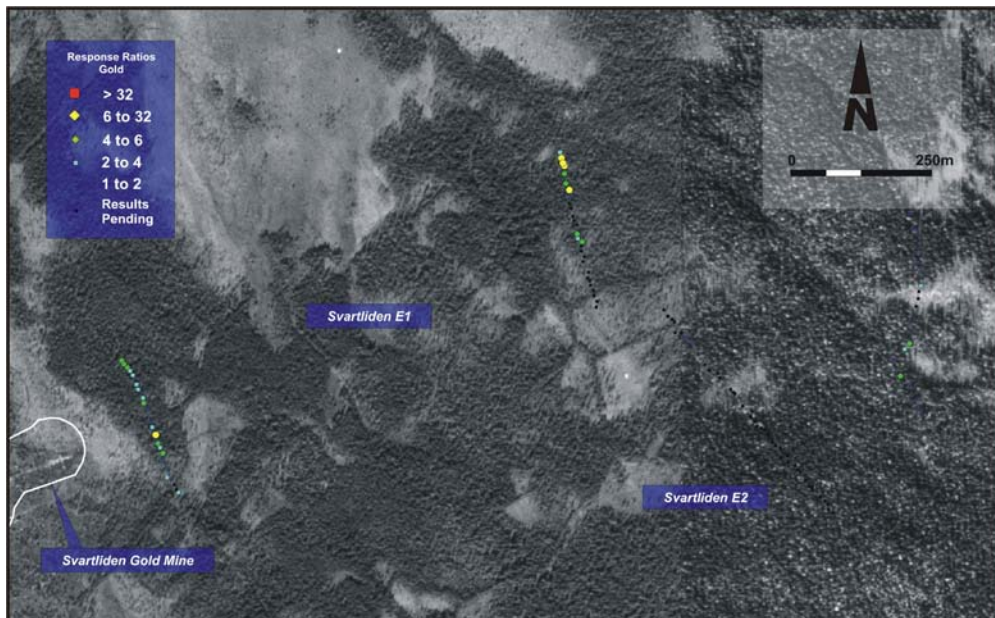
Figure 4 – Gold Results from Shallow Percussion Drilling Across Trench in the Svartliden West



Results have been received for bedrock drilling in the Svartliden West area, where 206 samples collected (103 till, 103 bedrock) from 1,137m of drilling. A review of these new results is in progress.

MMI results for geochemical surveys undertaken in the Tallberget, Tallberget South, Tallberget North, Svartliden E1 and Svartliden E2 areas have been received. The initial review of these new datasets gives indication that though the raw gold values are of a very low-level, the results are encouraging with a number of areas of elevated gold being identified.

Figure 5 – Results of MMI Surveys in the Svartliden E1 and Svartliden E2 Areas

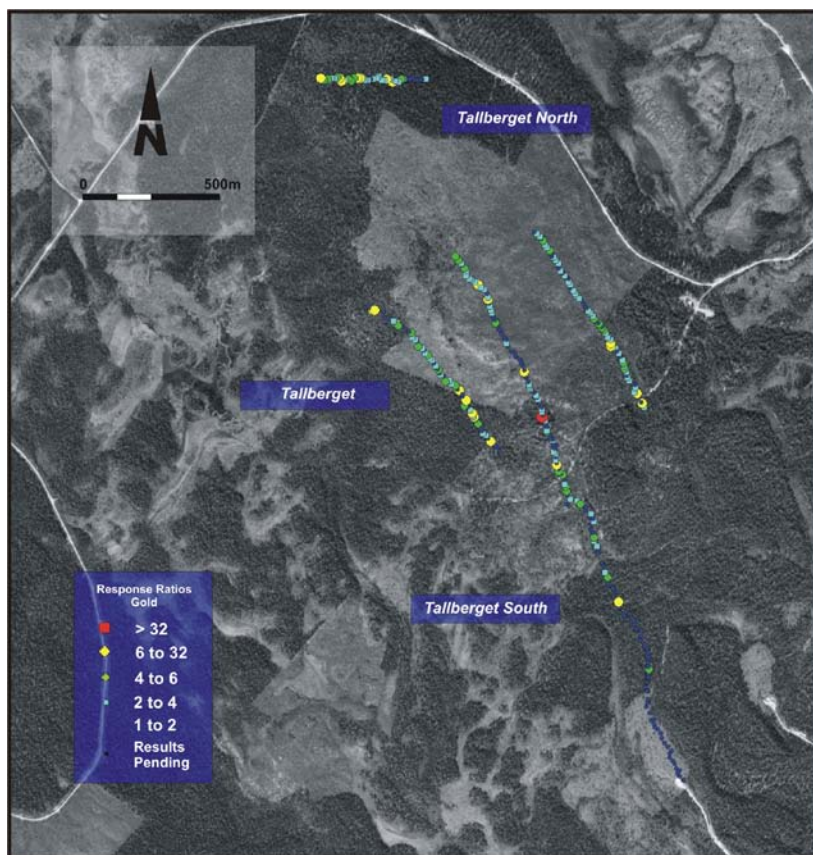




In particular the response ratios for gold in the Tallberget area returned a peak value of 64, whilst 21% of samples returned response ratios greater than 4. A subset of these elevated values are seen to follow a linear geophysical trend over a strike length of 700m and this will form one of the focuses for ongoing activities in this area.

Geochemical sampling continued in the regional areas with further sampling in the Tallberget East and Finnäs East areas. These areas were identified from the new airborne geophysical dataset with the presence of both magnetic and EM anomalies. It is expected that these samples will be dispatched along with the infill samples collected from the Svartliden West area, early in 2009.

Figure 6 – Results of MMI Surveys in the Tallberget, Tallberget North and Tallberget South Areas



The result of the initial phase of interpretation of the detailed airborne geophysical survey was completed highlighting five areas for further evaluation. It is expected that this detailed study will be completed prior to the commencement of the 2009 northern summer field season.

FINLAND

Orivesi Regional

A regional exploration program was completed consisting of bedrock chip and basal till sampling across several prospects in the Orivesi region. A total of 208 chip samples and 130 basal till samples had been collected and a total of 1,506m drilled during the course of this program.

Results from analysis of all samples have been received, indications from a preliminary review of the data that the most promising prospects appear to be Iso-Teerijärvi, Ruohosuo and Koukkujärvi.

A detailed review of the new datasets will be undertaken.



Jokisivu Gold Project Regional

A total of 25 till samples were collected from the area of the Salopäänkulma claim at the end of November. The heavy mineral fraction of Knelson-processed till samples has been shipped to ALS Chemex for analysis. Results are pending.

Kaapelinkulma Gold Project

A series of six channel samples totalling 23.90m were cut across sections within the new trenches, which contained over 1 g/t gold from shallow percussion drilling. Analysis of these samples returned three results of significance including 1.05m @ 2.88 g/t gold, 0.40m @ 1.40 g/t gold and 1.85m @ 8.77 g/t gold. The latter result is located in Trench M2EXT, where a hammered sample contained 102.76 g/t gold.

Tammijärvi Gold Project

Results were received for samples collected from historical drill holes, located in the vicinity of the SW-NE trending black schist unit, returning four narrow intercepts containing gold over 1 g/t.

Table 9 - The Intercepts from the Re-assayed Historical Drill Holes

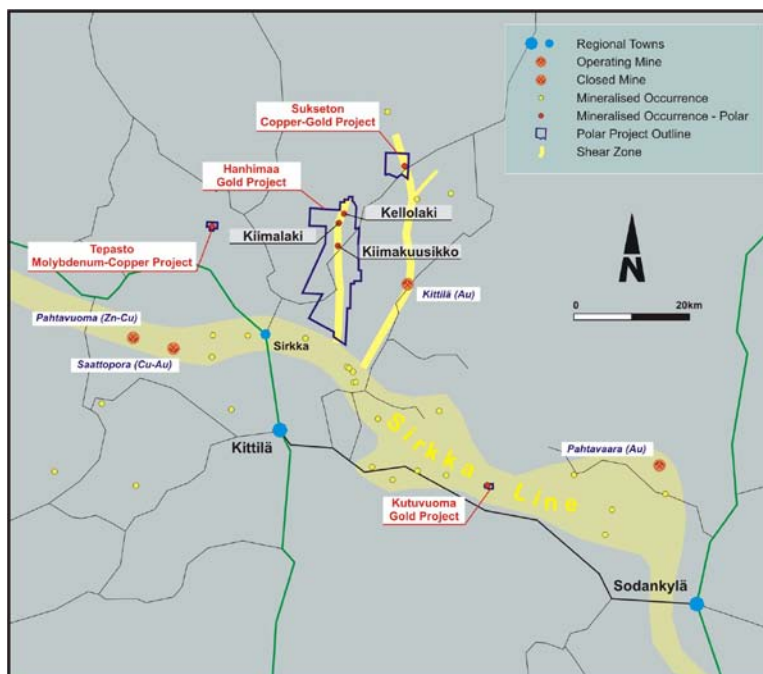
Hole	North	East	From (m)	Interval (m)	Au (g/t)
LHK/TAM-R307	6856210.0	3436800.0	50.90	0.60	2.60
LHK/TAM-R318	6856750.0	3437230.0	51.95	0.45	1.73
LHK/TAM-R320	6856607.0	3437098.2	26.40	0.75	2.05
LHK/TAM-R323	6857190.0	3437400.0	74.80	0.85	3.73

Results of channel sampling were also received, returning two significant intercepts above 1 g/t gold, including 1.00m @ 6.03 g/t and 0.55m @ 2.67 g/t.

Kuusamo Gold-Cobalt Project

Selected drill core from the Hangaslampi area was re-examined during October and November. Assay results have now been received for all 468 samples collected from 9 historical drill holes. The samples from drill hole R398 returned the highest gold content of 1.50m @ 1.3 g/t gold from 60.10m. In the other drill holes (R376, R385, R391, R394 and R398) gold content was mostly under detection limit (<0.2ppm). The highest uranium content obtained was 5.79ppm.

Figure 7 – Dragon’s Northern Finland Projects





Hanhimaa Gold Project

An eight hole (1,052.40m) diamond drill core program, which targeted the Kiimakuusikko area intercepted zones of hydrothermally altered rocks with elevated gold and silver contents, including a best intercept of **3.45m @ 3.94 g/t gold and 5.26 g/t silver**. The drilling also intersected several narrow veins containing base and precious metal mineralisation. All significant gold intercepts are listed in Table 10.

Table 10 – Significant Gold Intercepts from Kiimakuusikko

Hole	North	East	Azimuth (°)	Dip (°)	From (m)	Interval (m)	Au (g/t)	Ag (g/t)
KTÄ/HAM-45	7541700	2546022	270	-45.1	No Significant Results			
KTÄ/HAM-46	7541699	2545941	270	-44.6	16.05	0.95	2.09	0.90
KTÄ/HAM-47	7541699	2545861	270	-43.3	16.60	0.60	1.01	5.13
					79.95	2.20	1.25	0.17
KTÄ/HAM-48	7541700	2545777	270	-43.3	No Significant Results			
KTÄ/HAM-49	7541819	2545940	270	-42.3	14.00	3.45	3.94	5.26
					<i>including 1.00m @ 7.05 g/t gold from 14.00m</i>			
KTÄ/HAM-50	7541819	2545861	270	-45.0	65.10	0.15	1.19	1000.00
					<i>including 0.5% copper, 11.2% lead, 0.1% antimony, 6.8% zinc</i>			
KTÄ/HAM-51	7541619	2545941	270	-45.1	39.00	0.20	1.34	28.40
					<i>including 4.1% copper, 0.5% antimony</i>			
					87.45	0.45	1.72	5.54
					127.70	1.00	1.04	0.38
KTÄ/HAM-52	7541620	2545860	270	-44.2	44.30	0.40	4.67	6.94
					59.85	1.01	1.00	10.25

Analysis of half core 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. Copper, lead and zinc grades exceeding 1% and silver grades exceeding 100g/t reanalysed using ME-OG46 method. Reporting cut-off grade 1.0 g/t gold.

The gold potential of the Hanhimaa Shear Zone was identified in 2002 when the first indications of gold were found via geochemical sampling and trenching. Since then, three gold prospects (Kiimalaki, Kellolaki and Kiimakuusikko) have been located within the 100-200 metre wide domain of strongly sheared and hydrothermally altered rocks, in the northern part of the over 20 kilometre long, north-south trending structure. The Hanhimaa structure resembles the Kiistala Shear Zone which hosts the 5.5 million ounce Kittilä Gold Mine and several other gold occurrences.

The recent discovery of the Kiimakuusikko gold prospect underlines the potential for gold mineralisation along the Hanhimaa Shear Zone, of which the northern part is partially tested and the southern part largely untested. Efforts will continue to be directed mapping the overall gold potential of the Hanhimaa Shear Zone and later focus on the most promising prospects in order to establish a new gold resource within the project area.

Sukseton– Copper-Gold Project

Results from sampling of one of the historic trenches that remained open were received. Sampled in order to confirm the 1.93 g/t gold value obtained by Outokumpu, sampling was conducted by hand picking rocks considered representative for each respective sample interval. The intervals varied from 0.75 to 2.20m in length, depending on the rock type. In the area of the historic 1.93 g/t value, samples collected did not contain gold. In contrast, three other one-metre zones within the trench area returned values of 0.4 g/t, 2.6 g/t and 0.8 g/t, with elevated molybdenum (112ppm) and copper (0.1%) associated with the last two results respectively.

Two new trenches were excavated in the Sukseton area, one trench being a replication of a historic trench that returned results up to 7.3 g/t gold. Results from analysis of 65 samples collected from shallow percussion drilling of these trenches have been received, returning no significant gold value above 1g/t and failing to verify historical results.

Assay results for 65 samples collected from shallow percussion drilling of these trenches were received, returning elevated values with 16 samples returning values greater than 0.1 g/t gold (peak value – 0.8 g/t gold) and 15 samples contain greater than 300ppm copper (peak value – 706ppm). These results however failed to verify the historic high gold content of the historic trench.

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

Results were received for 15 geochemical profiles collected during the field season in the Kalkkooivi and Ruossakero areas. In the Kalkkooivi area results are considered disappointing with nickel contents largely less than 500ppb. Results in the Ruossakero area are encouraging, assays supporting the geophysical data collected from the same area earlier in the field season, with the better nickel concentrations following the fold-like structure.

A total of 103 chip samples were sent for analysis and results were received. Nickel contents are mainly less than 0.2% and precious metal contents are also insignificant.

A decision on the merits of the Company continuing with the Ruossakero project will be made in the coming months, following a decision by Joint Venture partner Vale-Inco Limited to not participate in exploration in this area during 2009.

Kuhmo Nickel Joint Venture (5% Free Carried Interest)

Joint Venture partner, ASX listed Vulcan Resources Limited have not advised of activities undertaken during the December quarter.

RUSSIA**OAo Kivijarvi (84.98% Interest)**

No exploration was undertaken.

ERITREA**Zara Joint Venture (20% Interest)**

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

AUSTRALIA**Weld Range Joint Ventures (Various Interests)**

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

CORPORATE**Cash Balances and Movements**

As at 31 December 2008, Dragon held;

- \$8.5m in cash. Refer to Appendix 5B for principal movements in cash.
- \$7.1m in bullion on hand and net gold concentrate receivables; and
- \$3.9m of cash lodged with Swedish authorities as a rehabilitation bond at Svartliden.

Hedging

Dragon Mining has 4,750 ounces of gold hedging remaining at a forward price of US\$409. Using the 31 December 2008 spot gold price of US\$880.95, the mark to market of the hedge book was a negative amount of US\$2.2m.

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



Gold Sales

Production from Svartliden was sold at an average cash price of US\$732 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\$798 (gross of refining costs).

Convertible Notes

During December 2008, a wholly owned subsidiary purchased 4,086,000 Dragon Mining Convertible Notes ("Notes") at an average price of \$0.676 per note for a total of \$2.77m, including costs. The purchase was funded from cash reserves.

Subsequent to the end of the quarter, a further 1,273,797 Notes were purchased at an average cost of \$0.70 per Note for a total of \$0.89m, including costs also funded from cash reserves.

The purchase provides the most beneficial capital management initiative available to the Company and will save interest payments of approximately \$1.18m and \$1.98m from the principal redemption amount due in February 2011.

Of the 23,645,289 Notes on issue, 5,359,797 Notes are now held by the subsidiary of Dragon and the net liability associated with the Notes is \$19.2m.

All the Notes remain listed on ASX and Dragon Mining intends on holding these Notes until maturity in February 2011 or in special circumstances 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. At the end of the quarter, \$1.1m had been financed.

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

ABN

19 009 450 051

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	21,424	66,079
1.2	Payments for		
	(a) exploration and evaluation	(1,229)	(6,839)
	(b) development	(604)	(1,350)
	(c) production	(13,341)	(50,577)
	(d) administration	(787)	(2,812)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	85	282
1.5	Interest and other costs of finance paid	(662)	(2,549)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	140	516
	Net Operating Cash Flows	5,026	2,750
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments*	(2,770)	(2,770)
	(c) other fixed assets	(285)	(1,196)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	1	9
1.10	Loans to other entities	-	-
	Net investing cash flows	(3,054)	(3,957)
1.13	Total operating and investing cash flows (carried forward)	1,972	(1,207)

* Purchase on market by Dragon subsidiary of 4,086,000 Dragon Convertible Notes.



1.13	Total operating and investing cash flows (brought forward)	1,972	(1,207)
	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)	(25)
1.18	Dividends paid	-	-
1.19	Advance of gold concentrate receivables**	(408)	1,100
	Net financing cash flows	(415)	1,075
	Net increase (decrease) in cash held	1,557	(132)
1.20	Cash at beginning of quarter/year to date	6,475	8,179
1.21	Exchange rate adjustments to item 1.20	464	449
1.22	Cash at end of quarter	8,496	8,496

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	246
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

** Funds loaned by Nordea Bank, Finland secured by concentrate delivered to smelter and invoiced.



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)	2,606	1,100

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	1,800
Total	3,800

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	8,496	6,475
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	8,496	6,475



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			
	2007206 Rovasenvuoma 1		100%	0%
	2007206 Rovasenvuoma 2		100%	0%
	2007205 Suokupora 1		100%	0%
	2007205 Suokupora 2		100%	0%
	2007205 Suokupora 3		100%	0%
	2007194 Saarikylä 1		5%	0%
	2007194 Saarikylä 2		5%	0%
	2007194 Saarikylä 3		5%	0%
	8049/6 Mikkosenranta		5%	0%
8049-23 Juurikkajarvi		5%	0%	
6.2 Interests in mining tenements acquired or increased	Finland			
	200895 Luovavaara		0%	100%
	200896 Hanhimaa 1		0%	100%
	200896 Hanhimaa 2		0%	100%
	200896 Hanhimaa 3		0%	100%
	8244/1 Kello 47		0%	100%
	8244/2 Kello 48		0%	100%
	8244/3 Kello 49		0%	100%
	8244/4 Kello 50		0%	100%
	8396/1 Hoika		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	750,000	-	17.5 c	8 June 2012



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

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Managing Director)
 Print name: PETER CORDIN

23 January 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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