

## DRAGON MINING JUNE QTR 09: RECOVERY IN PRODUCTION LEVELS.

Operational	Jun Qtr	Mar Qtr	Change
Production (oz)	19,535	15,313	28%
Head Grade (g/t)	4.34	3.89	0%
<b>Average Price (US\$/oz)</b>	<b>877</b>	<b>857</b>	<b>2%</b>
Cash Operating Cost (US\$/oz)	635	635	0%
<b>Total Cash Cost (US\$/oz)</b>	<b>582</b>	<b>635</b>	<b>-8%</b>
<b>Gross Margin (US\$/oz)</b>	<b>295</b>	<b>222</b>	<b>33%</b>
<b>Other Investment Activities</b>			
Capital Expenditure (US\$/oz)	54	15	
Exploration/Evaluation (US\$/oz)	78	50	
<b>Total Other Investment (US\$/oz)</b>	<b>132</b>	<b>65</b>	
<b>Cash Surplus (Deficit) (US\$/oz)</b>	<b>163</b>	<b>157</b>	<b>4%</b>
<b>Balance Sheet Performance</b>			
Cash Balance (A\$m)	8.0	6.1	31%
Interest Bearing Loans (A\$m)	16.8	18.8	-11%
Hedging Liability (A\$m)	1.1	2.5	-55%
<b>Share Capital</b>			
Shares Outstanding (m)	737.3	737.3	
Directors Holding	3.8	3.8	
Director Holdings (%)	0.51%	0.51%	
Share Price (A\$) (End of Qtr)	0.061	0.068	-10%

Exchange rate used to convert Australian dollars to US dollars: US\$0.8045 (Mar Qtr: US\$0.6832)

### Operational

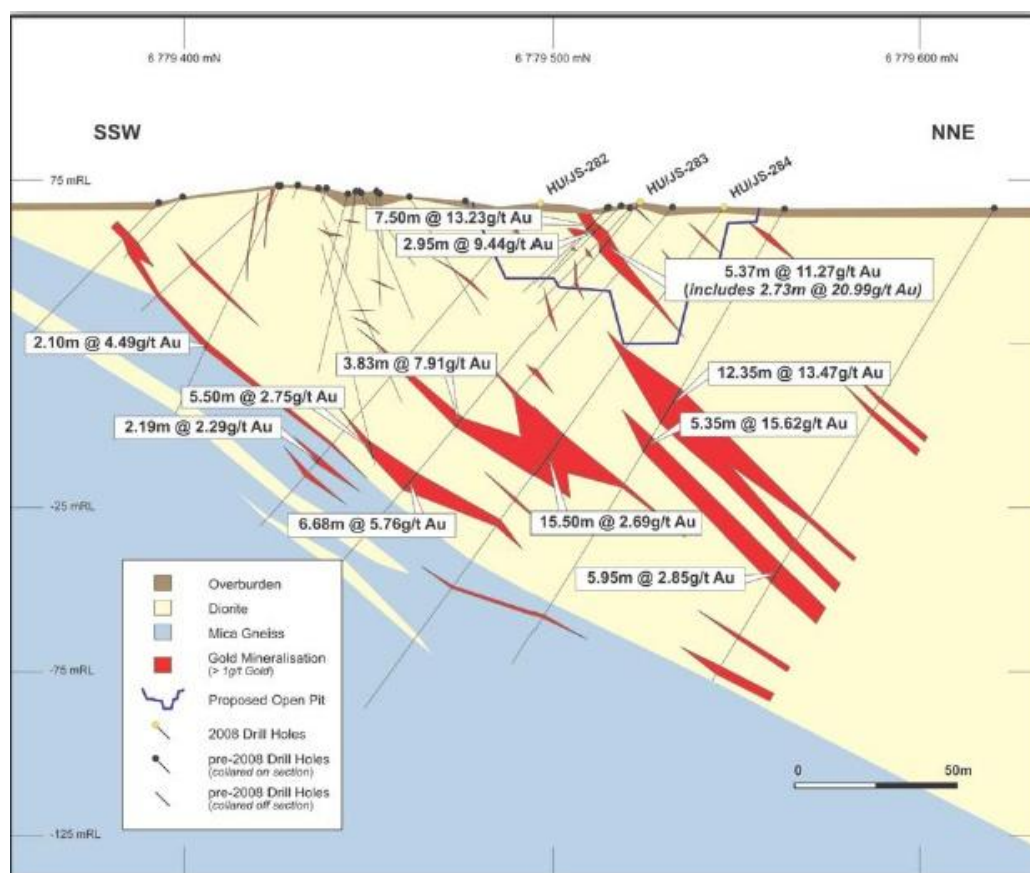
- Dragon Mining (ASX:DRA) has posted a strong quarter which resembles the record numbers they achieved in the Dec 08 quarter. Production levels at Svartliden increased 24% as the plant utilization rate lifted from 78.4% in Mar 09 to 93.1%. Throughput increased 21% as a result.

Project	Jun Qtr			Mar Qtr			Variance		
	oz	g/t	Cash Cost	oz	g/t	Cash Cost	oz	g/t	Cash Cost
Svartliden	10,098	4.1	520	8,176	4.0	525	24%	2%	-1%
Vammala	9,437	6.6	648	7,137	5.2	760	32%	27%	-15%

- Production at Vammala increased 32% thanks predominantly to a 27% increase in the grade mined. In June, the Vammala stockpiles were depleted by 65% due to a low mining rate. As movements in stockpiles are included in cash costs per ounce, the abnormal depletion in the stockpiles for the June quarter has resulted in an additional US\$76 per ounce in the reported quarterly cash cost. At US\$648/oz, this is still a 15% improvement on the previous quarter.
- The average price received for the gold increased during the quarter by 2% to US\$877/oz. This combined with the operational improvements saw a 33% increase in gross margin to US\$295/oz.

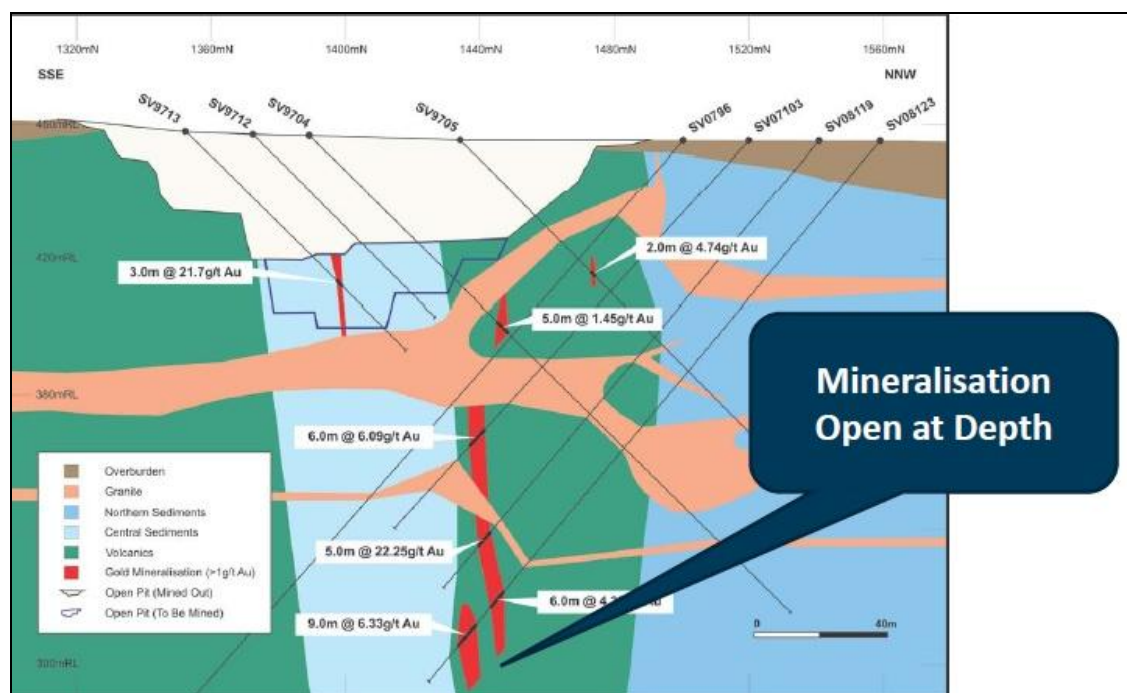
## Investment

- Capital expenditure increased to US\$54/oz (A\$1.3m v A\$0.3m) during the quarter as development of the Jokisivu mine in Finland commenced in May. This will be Dragon's third operating mine with the ore to be processed at the Vammala production centre 40km to the northeast. The project is expected to deliver annual production 8,000 oz for 2009 with the potential for 25,000 oz pending drilling success in converting existing resources to reserves. Decline development is to follow the open pit.



## Jokisivu Gold Mine

- Exploration activity also stepped up during the quarter increasing from A\$1.1m to A\$1.9m. A new resource statement was released for the Savisuo resource at the Orivesi mine in Finland. The combined resource was 66,200 oz @ 6.5g/t between the 130m and 600m level. This new resource effectively offset the depletion during the 6 months to 30 June 09. Diamond drilling continued at Sarvisuo from the 525m level with 16 holes completed for a total advance of 2,580m. The highlights included:
  - 7.3m @ 15.12g/t from 163.2m
  - 4.6m @ 5.57g/t from 111m
  - 5.4m @ 5.7g/t from 89.5m
  
- Depth extension drilling was undertaken at the Svartliden mine. Highlights included:
  - 14m @ 8.57g/t from 224m
  - 2m @ 20.5g/t from 175m
  - 5m @ 12.85g/t from 180m
  - 4m @ 12.11g/t from 155m
  - 8m @ 6.02g/t from 74m
  - 5m @ 15.9g/t from 164m
  - 5m @ 9.1g/t from 202m



**Svartliden Gold Mine Cross Section**

A maiden resource estimate for the Svartliden underground area is scheduled to be prepared for internal review in August.

## Cash Surplus/Deficit

- A cash surplus was reported for the quarter of US\$163/oz. This was more or less in line with the previous quarter as an increase in investment activity was covered by an improvement in operational performance.

## Balance Sheet

- The cash balance for the June quarter increased 31% to A\$8m. This excludes receivables in bullion and net gold concentrate of A\$6.7m (A\$6.2m in Mar Qtr 09). It also excludes restricted cash of A\$4.2m
- Debt associated with convertible notes declined another A\$2m during the quarter as Dragon continued to purchase them back on the market at a discount (cost them just A\$1.6m).
- The hedge liability continued to fall with just 1,750 oz remaining at an average price of US\$404/oz. 500 oz a month will continue to be delivered from Svartliden production.

## Share Capital

- The number of shares outstanding remained largely unchanged.
- The number of shares held by Directors also remained largely unchanged.
- The share price fell 10% over the June quarter, more than likely on the back of the disappointing March Quarter result.

## Closing Comments

Dragon Mining have enjoyed 2 out of 3 strong quarters over the last 9 months. In early July, the County Administration Board gave permission for a 1km underground exploration decline and a 100,000 tonne test mining operation under the terms of the current operating license at Svartliden. This was good news for the company, as the future of the project lies underground with just 2 years of mining reserves left. The maiden underground resource for Svartliden will be a key piece of news to be released during August. A solid number will secure future production for years to come.

Troy Schwensen  
[www.globalspeculator.com.au](http://www.globalspeculator.com.au)

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