

DRAGON MINING MARCH 2009 QTR: LACK LUSTRE PERFORMANCE.

	Mar Qtr	Dec Qtr	Change
Production (oz)	15,313	21,061	-27%
Head Grade (g/t)	3.89	4.60	-15%
Average Price (US\$/oz)	857	762	12%
Total Cash Cost (US\$/oz) *	635	520	22%
Gross Margin (US\$/oz)	222	242	-8%
Other Investment Activities			
Capital Expenditure (US\$/oz) ^	15	9	
Exploration/Evaluation (US\$/oz) ^	50	40	
Total Other Investment (US\$/oz)	65	50	
Corporate Expenditure			
Net Finance Cost (Revenue) (US\$/oz) ^	28	19	
General Administration (US\$/oz) ^	32	26	
Total Corporate Costs (US\$/oz)	60	45	35%
Cash Surplus (Deficit) (US\$/oz)	97	148	-35%
Balance Sheet Performance			
Cash Balance (A\$m)	6.1	8.5	-28%
Interest Bearing Loans (A\$m)	18.8	21.1	-11%
Hedging Liability (A\$m)	2.5	3.2	-22%
Share Capital			
Shares Outstanding (m)	737.3	737.3	
Director Holdings (%)	0.51%	0.51%	
Share Price (A\$) (End of Qtr)	0.068	0.036	89%

^ Capital expenditure, Exploration, Net Finance and General Administration were taken from the Appendix 5B. Please note these costs may not relate specifically to the quarter in question due to timing differences associated with payment.

The exchange rate used to convert AUD to USD was: 31 Dec 08: \$0.693. 31 Mar 09: \$0.6832

Dragon Mining (ASX:DRA) has reported a 27% fall in production to 15,313 oz on the back of record December quarter results. Grades fell 15% which contributed to a 22% increase in cash operating costs. At Svartliden in Sweden, 8,176 oz were produced at a head grade of 4g/t and an average cash cost of US\$525/oz (Dec Qtr: 11,332 oz @ 4.9g/t @ US\$476/oz). Production was lower than expected due to interruptions associated with the installation of a mill grate (which improves grinding performance). The grate did not perform to expectations and the plant was shut down for 2 weeks as the mill had to be reconfigured. Dragon's Vammala operation in Finland produced 7,137 oz at an average head grade of 5.3g/t and a cash cost of US\$760/oz (Dec Qtr: 9,729 oz @ 7.3 g/t @ US\$570/oz). Lower than expected grades was the primary reason given for the underperformance. The Total Cash Cost for the group came in at US\$635/oz. The

average price received for gold increased 12% to US\$857/oz. This largely negated the higher cash costs with the gross margin just 8% lower than the previous quarter.

Capital expenditure and exploration were in line with the December Quarter. A revised resource/reserve statement incorporating 2008 exploration was released. The results for Svartliden were very disappointing with an overall reduction in tonnes, grades and ounces from the previous year. Vammala was somewhat more encouraging, reporting a slight increase in the overall resource base, but unfortunately a reduction in reserves.

Svartliden

- 2008 Resource: 1.79 Mt @ 3.1g/t for 179,900 oz.
- 2007 Resource: 2.63 Mt @ 4.1g/t for 344,300 oz.

- 2008 Reserve: 0.638 Mt @ 3.7g/t for 76,300 oz.
- 2007 Reserve: 1.075 Mt @ 4.7g/t for 161,700 oz.

Vammala

- 2008 Resource: 2.94 Mt @ 6.2g/t for 588,700 oz.
- 2007 Resource: 2.84 Mt @ 6.4g/t for 582,700 oz.

- 2008 Reserve: 0.183 Mt @ 7.0g/t for 41,000 oz.
- 2007 Reserve: 0.202 Mt @ 10.2g/t for 66,200 oz.

Exploration highlights for the March quarter were as follows:

Svartliden (Targeting the North Lode to a depth of 100m below the open pit design)

- 4m @ 12.11g/t from 155m or 48.44 grade metres
- 5m @ 8.67g/t from 74m or 43.35 grade metres
- 5m @ 12.85g/t from 180m or 64.25 grade metres

These results continue to highlight the potential for higher grade mineralization below the open-pit mine and could lead to establishing an underground mining operation.

Orivesi Gold Mine (Finland)

Drilling continued at Sarvisuo from the 440m and 525m levels. 22 holes have been completed. Success could result in a decision to extend the Sarvisuo development down to the 540m level in mid 2009. Results were received for 18 of the 22 holes with the highlights as follows:

- 4.95m @ 17.95g/t from 89.85m or 88.85 grade metres.
- 2.15m @ 19.84g/t from 73.45m or 42.66 grade metres.
- 0.75m @ 55.5g/t from 102m or 41.62 grade metres.

Infill holes were also drilled between the 700 and 800m levels at Kutema with the following highlights:

- 18.3m @ 6.10g/t from 171m or 111.63 grade metres.
- 8.05m @ 3.56g/t from 137.2m or 28.66 grade metres.
- 6.5m @ 2.17 g/t from 161.5m or 14.1 grade metres.

Dragon's cash balance showed a 28% decline for the quarter. This was primarily due to the buy back of more convertible notes on the market which saw a corresponding fall in Interest Bearing Loans. These notes were purchased at a discount to their face value. In addition to this, Dragon recently started using a receivables facility with the Nordea Bank in Finland. As there is a minimum 6 week delay between shipment of gold concentrate and payment by the refiner, this accelerates the payment process. During the March quarter, Dragon did not take advantage of this facility while repaying the previous quarter's loan. This had a negative impact on the cash balance. 1,500 ounces of gold were delivered into the remaining hedge book during the quarter which served to reduce the hedge liability. As at the end of March, 3,250 oz of gold remained hedged at an average price of US\$406/oz. Dragon's balance sheet continues to strengthen as the negative effects of their hedge book decline along with their net borrowings.

Dragon's share price rose an impressive 89% on the back of the record December quarter result. The share price has since fallen back to \$0.054 on some market disappointment over the recent results. A challenge for the company moving forward appears to be the replacement of depleted Reserves and the ongoing sustainable production from its mines.

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