Dragon Mining

2008 ANNUAL REPORT

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CHAIRMAN'S REPORT

I commented last year as to how interesting the year had been. Well, this last year really topped everything! As we all know, as the year progressed, what has become known as the Global Financial Crisis really started to play havoc with the world's stock markets and towards the end of the year world currencies also came under pressure.

For your Company the news over the year has been mixed. The US Dollar gold price continued to rise and coupled with a strengthening of the US Dollar relative to most currencies had a positive impact on our cash flows. In contrast, with the collapse of the global equity markets this perversely saw our share price fall at the same time. The situation was also exacerbated by the decision of one of our major institutional shareholders to sell its entire holding late in the year. Since that time, I am happy to say, our share price has recovered somewhat and as the equity markets hopefully start to rebuild, we expect that trend to continue.

On the operating front the news over the year has been very positive.

In Sweden, the Svartliden Gold Mine continued to operate well and produced 44,495 ounces of gold at an average cash cost of US$530 an ounce. The average cash price received was US$825 per ounce.

During the year the Company continued to deliver 500 ounces of gold per month into the remaining gold hedge book with minimal impact on cash flow. At the end of the year the remaining ounces were 4,750.

In Finland, at the Orivesi Gold Mine stope production continued to build during the year with ore being produced primarily from the Sarvisuo lodes. The ore is trucked to the Vammala Plant, which continues to operate well.

As was foreshadowed last year, Polar Mining, our wholly owned subsidiary in Finland, has continued to find stope delineation underground at Orivesi to be difficult. Consequently, at times, ore grades have been below those that were projected from the reserve estimates. We are continuing to work on understanding how to manage this but notwithstanding, total gold production from the Vammala Plant for the year was 29,711 ounces in concentrate.

Given the strong gold price we are also continuing to assess the opportunity to develop the Kutema Deeps lodes at the Orevesi Gold Mine, where the resource is over 150,000 ounces of gold.

Another positive development in Finland has been the work on the feasibility of developing the Jokisivu Gold Mine. The Internal Study is expected to confirm this project will become the Company's third mine, also supplying ore to the Vammala Production Centre.

Exploration in Finland has been particularly focused on the Hanhimaa Gold area in Lapland and in the region surrounding the current operations at Vammala.

In Sweden our exploration efforts have concentrated on open cut prospects that are within trucking distance of Svartliden and testing the underground potential beneath the open pit. Results to date have been very encouraging.

In summary, your Company has two operating gold mines in Scandinavia which together produced 74,206 ounces of gold last year.

Financially Dragon is in a far better position than it was at the beginning of 2008. The Company made its third consecutive after tax profit. In 2008 a profit of A$7.5m was achieved after having written down the value of some of its assets by A$13.1m at the half year, following a review of their carrying values.

The Company has 23.4m Convertible Notes outstanding which are repayable in February 2011. Late in the year the Company, through a subsidiary, purchased on market 4.1m notes at an average price of $0.68, which is a considerable discount to the face value and provides savings to the Company on future interest payments. This on market purchase has continued and as at 9 April 2009, a total of 5.8m notes with a face value of $6.1m have been purchased.

I am pleased to report that the position for your Company is stronger than it has ever been. We have two good operations in Sweden and Finland and expect to have a third mine in Finland this year.

In these uncertain times though we also need to manage the Company carefully and remain reactive to changing circumstances.

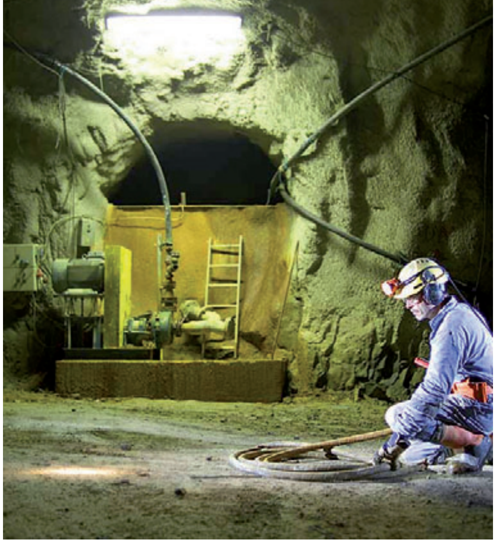
From a personnel perspective, the board and senior management team at Dragon remained stable over the past year and the Company has clearly benefited.

In Sweden and Finland we have two very experienced teams totally comprising nationals in both countries.

Dragon also appointed two new Directors to the Board last year. Michael Naylor our incumbent CFO joined as Finance Director and we were very fortunate to have Markku Mäkelä who joined us from Finland.

In closing, it would be very remiss of me not to express my sincere thanks to my fellow directors for their support and to all of the Dragon Group management and employees for their continued efforts.

Andrew Daley



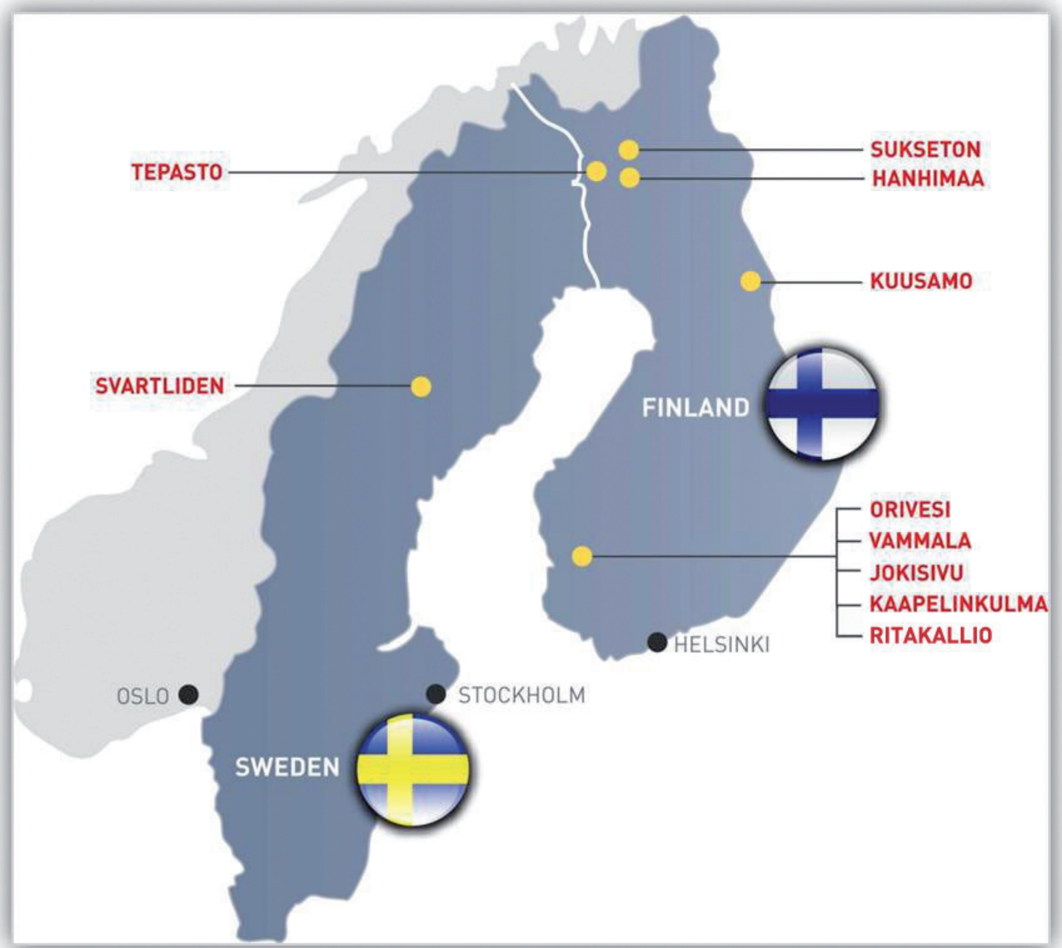
operations review

In 2008 Dragon Mining produced 74,206 ounces of gold from its two operating gold mines in Scandinavia.
In the coming year, the Company expects to produce 80,000 ounces and will bring into production a third mine at Jokisivu in southern Finland.

operations review

OPERATIONS REVIEW

Location of Projects



SVARTLIDEN GOLD MINE

The Svartliden Gold Mine is located 700 kilometres north of Stockholm and west of the world class Skellefteå Mining District, in an area that is developing into a new gold rich mineral province, referred to as the "Gold Line".

Svartliden ore is processed through a carbon in leach plant, which operates continuously and has a design capacity of 300,000 tonnes per annum.

Svartliden has produced 173,500 ounces of gold in total as at 31 December 2008.

Svartliden - Summary	2008	2007
Ore Mined (tonnes)	333,555	341,664
Ore Milled (tonnes)	280,062	346,583
Head Grade Milled (g/t)	5.36	5.09
Gold Recovery %	92.20	90.40
Gold Produced (ounces)	44,495	51,256
Cash Cost (US$/ounce)	530	424

Mining

Open cut mining activities were evenly distributed throughout the entire open pit. Total material movement was 958,185 cubic metres at a strip ratio of 7 to 1. This resulted in mining 333,555 tonnes of ore at an average grade of 4.10 g/t.

Processing

Production was hindered due to throughput limitations imposed by the Environmental Permit conditions for the months of January and February. The plant operated at half its capacity during these months.

The availability of the process plant exceeded expectations at 96.5% even with a number of planned maintenance shutdowns. A number of process plant improvements were completed to improve safety and increase efficiency including a cyanide control system to optimise the addition of cyanide to the leaching circuit and the automation of reagent addition equipment for the detoxification process. In addition, while the plant was restricted by throughput, the Company took the opportunity to undertake a number of maintenance tasks including the realignment of the mill drive train and the replacement of the mill trommel screen.

Outlook

Production in 2009 is expected to be 40,000 ounces of gold from a planned 370,000 tonnes at a head grade of 3.6 g/t and recovery of 92%.

Planned plant improvements include the installation of oxygen automation equipment to the leach tanks, installation of a soft start mill motor to meet power grid load requirements, the trial of new detoxification method with the aim of reducing detoxification costs and the installation of a discharge grate in the mill with the objective of increasing throughput.

Planned improvements for mining include an increase in pump capacity to reduce interference to production from high ground water inflows and a water treatment facility to improve the quality of mine water being pumped to the sedimentation storage facility.

In addition, an application for a new operating permit which will include underground mining has commenced and will be formally lodged in 2009.

ORIVESI GOLD MINE

Orivesi/Vammla Summary	2008	2007
Ore Mined (tonnes)	181,016	56,050
Ore Milled (tonnes)	171,387	66,900
Head Grade Milled (g/t)	6.30	6.80
Gold Recovery %	85.58	81.40
Gold Produced (ounces)	29,711	12,399
Cash Cost (US$/ounce)	696	618

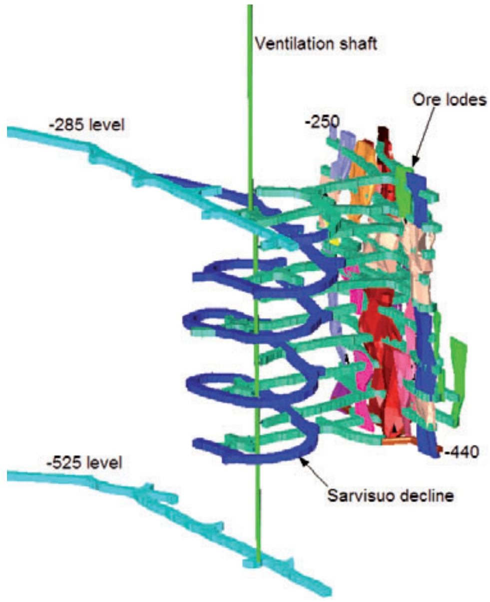
Sarvisuo Ore Lodes

Mining recommenced at the Orivesi Gold Mine from the remnant Kutema stopes and pillars in late June 2007. The ore is processed through the Vammala Production Centre, located 80 kilometres to the southwest.

Mining of the Sarvisuo lodes commenced three months late in April 2008 which resulted in cash costs initially being higher than expected. The delay in mining of the ore lodes at Sarvisuo was due to the additional infill drilling and sampling that were necessary to accurately locate the complex ore zones as well as additional development drives to access the ore. Ore grades were lower than expected primarily due to the complexity of the ore lodes.

Higher production and lower cash costs were achieved in the second half of the year as mining was predominantly from the Sarvisuo lodes. A better understanding of the ore lodes resulted in the higher grades.

Sarvisuo Ore Lode System



Outlook

Production in 2009 is expected to be 32,000 ounces from a planned 167,000 tonnes at a head grade of 7.0 g/t and recovery of 85%.

Other ore sources for the Vammala Production Centre are being assessed including open pit mining at Jokisivu as outlined in the Development Review.

VAMMALA PRODUCTION CENTRE

The Vammala Production Centre is located in the Tampere region, an area well endowed with gold and nickel mineralisation in southern Finland and within close proximity of the Orivesi and Jokisivu gold mines.

The Vammala Plant is a 600,000 tonne per annum crushing, milling and flotation facility which was successfully recommissioned in June 2007 and is being operated on a 24 hour basis, 6 days on, 4 days off roster. Ore is currently sourced solely from the Orivesi Gold Mine.

The plant operated efficiently and effectively throughout the year achieving excellent gold recoveries in concentrate of 86%.

The environmental permit for the Vammala Production Centre is valid until 2016.

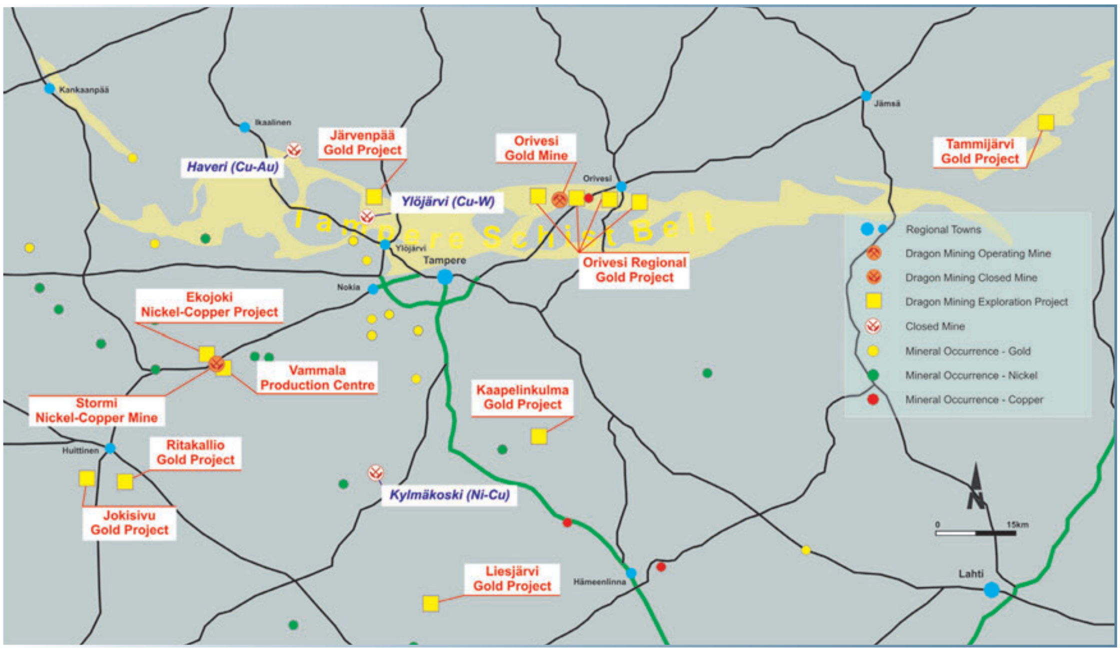
development review

Dragon Mining continues to assess the economic viability of a number of projects close to the Vammala Production Centre that are at the development stage, with the view of adding reserves and increasing mine life.

development review

DEVELOPMENT REVIEW

Location of Projects in Southern Finland



ORIVESI GOLD MINE

Sarvisuo

Activities have continued to focus on expanding the resources at Sarvisuo.

Results received from the 44 holes completed in 2008 have indicated the presence of new lode positions on and below the 420m level. In particular, high grade intercepts such as **7.55m @ 15.62 g/t gold** from the 540m level indicates that at least one high grade shoot remains open with depth.

In response to the drilling success and confidence in the structure of the ore lodes, the Sarvisuo development was extended to the 440m level.

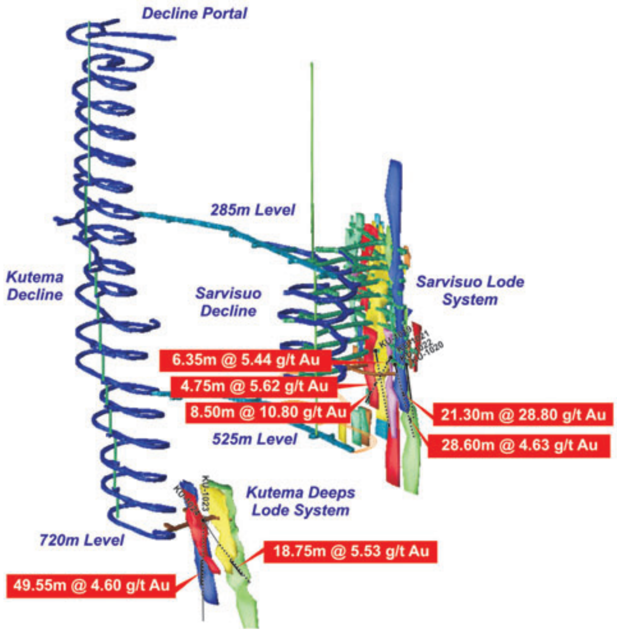
Current drilling is focused between the 440m and 540m levels and pending successful results, a decision to extend the Sarvisuo development down to the 540m level should occur in 2009. The testing of the Sarvisuo extensions between the 540m and 560m levels and deeper extensions and exploration targets close to the known ore bodies will be completed later in 2009.

The Sarvisuo resource estimate has been updated by independent consultants Runge Limited, incorporating all new drill data and resulted in a total Resource of 307,100 tonnes @ 7.1 g/t gold totalling 70,200 ounces of gold (Measured, Inferred and Indicated) between the 130m and 600m levels. The increase in resources from the 2008 drilling campaign has effectively offset production over the past twelve months.

Kutema Deeps

The 150,900 ounce gold resource for Kutema Deeps represents a substantial, medium to high grade depth extension below the existing underground mine which is developed to the 720m level. Planning of new development to deepen the mine to the 820m level continues to be considered. A significant amount of drilling is required below the 860m level to accurately define this portion of the Kutema Deeps resource, as well as assist with the overall interpretation of the lode structure. A decision to mine the Kutema Deeps resource could be made in 2009.

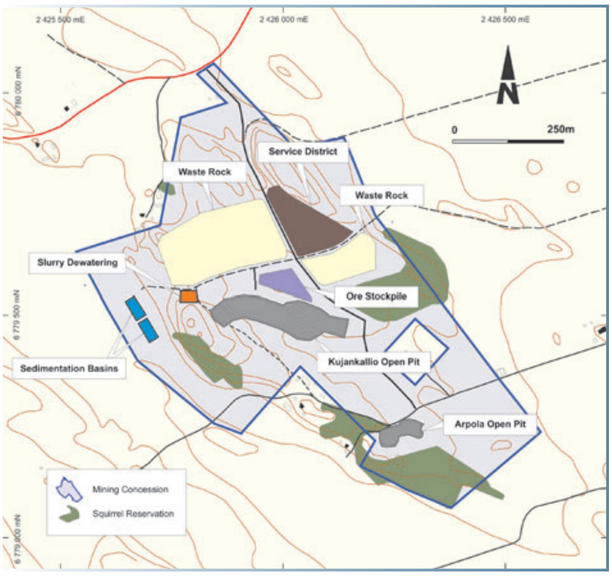
Sarvisuo and Kutema Deeps Ore Lodes Showing Drill Intercepts



Jokisivu Gold Mine

The Jokisivu Gold Mine is a greenfields discovery, where gold mineralisation has been identified, with resources totalling 325,000 ounces (Indicated and Inferred). Jokisivu is located 40 kilometres southwest of the Vammala Production Centre, near the town of Huittinen. The project should become Dragon Mining's third operating mine with capacity available at the Vammala Production Centre to process the ore. Development is expected to commence in mid-2009, initially mining by open pit followed by an underground operation from a decline.

Jokisivu Development Conceptual Layout

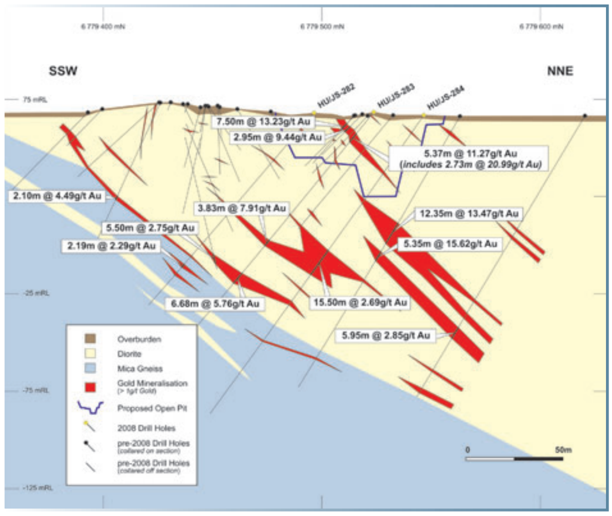


The Supreme Court of Finland granted an Environmental Permit for mining operations at Jokisivu in 2008. The Western Finland Environmental Permitting Authority originally granted environmental permission in 2004 but this decision was appealed by local residents to the Vaasa Administrative Court and subsequently to the Supreme Court. The Supreme Court has now dismissed all appeals and granted the approval in accordance with the original application.

Mineralisation is hosted within relatively undeformed and unaltered diorite, in 1 to 5 metre wide shear zones that are characterised by laminated, pinching and swelling quartz veins and a well developed moderately east-northeast plunging lineation. The Kujankallio vein sets have been shown by drilling to extend to at least 500 metres depth, though resource drilling currently extends only down to 350 metres. Arpola has only been drilled down to 200 metres.

A diamond core drilling program designed to improve confidence in the resource estimate in preparation for open pit mining of the Kujankallio gold deposit was completed in 2008. Since the commencement of the program, 30 holes were drilled for an advance of 4,400 metres, the intercepts received include highlights of **2.73m @ 20.99 g/t gold, 3.83m @ 7.91 g/t gold, 6.68m @ 5.76 g/t gold, 2.10m @ 6.39 g/t gold, 2.55m @ 7.50 g/t gold** and **2.30m @ 5.03 g/t gold.**

Kujankallio Cross Section



The Kujankallio resource update was prepared by independent consultants Runge Limited, increasing the Indicated and Inferred resource to 1,077,000 tonnes @ 6.3 g/t gold (218,200 ounces) to a vertical depth of 350 metres. The Arpola resource is unchanged at 490,000 tonnes @ 6.8 g/t gold totalling 106,700 ounces of gold (Indicated and Inferred) to a vertical depth of 200 metres.

Vammala Nickel-Copper Project

The evaluation of the nickel-copper potential of the Vammala area continued during 2008 primarily focusing on the historic Stormi and Ekojoki nickel-copper occurrences which are located in the immediate vicinity of the Vammala Production Centre.

The Stormi Nickel-Copper Mine was operated by Outokumpu Oy between 1975 and 1995, producing a total of 7.5 million tonnes of ore grading 0.68% nickel and 0.43% copper. Ore was treated at the Vammala Production Centre yielding a total of 455,000 tonnes of nickel-copper concentrate.

The mineral resource estimate for the Stormi and Ekojoki nickel-copper deposits totals 2.7 million tonnes at 0.47% nickel and 0.35% copper. The Inferred resource is based on historical drilling data compiled by Dragon Mining from areas not previously mined at the Stormi nickel-copper deposit and the unmined Ekojoki nickel-copper occurrence.

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 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 are maintained in position for a rapid recommencement of dewatering should the outlook for higher nickel prices improve.

Eastern Finland

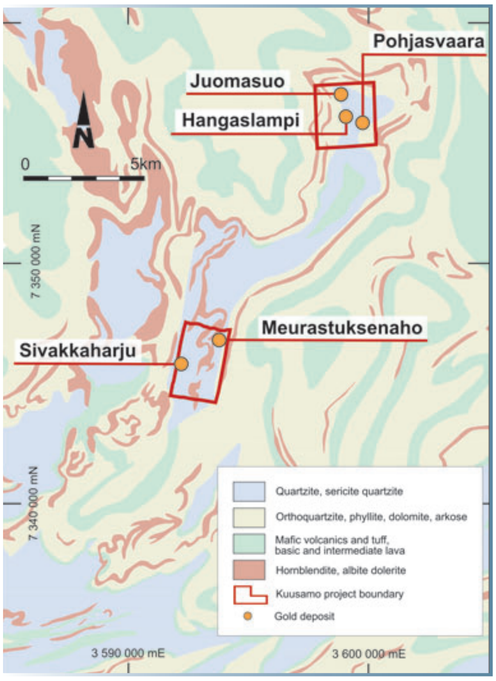
Kuusamo Gold-Cobalt Project

The Kuusamo area hosts a number of known gold-cobalt occurrences, the most significant of which is the 100,000 ounce (Inferred) Juomasuo gold deposit. Located in north-eastern Finland, Kuusamo is sited in the Proterozoic Kuusamo Schist Belt.

This Belt consists of a volcano-sedimentary package that has been folded into a series of anticlinal structures, the Käylä area being the most prospective identified to date. This area is a highly deformed anticlinal structure, with most gold mineralisation associated with quartz-sericite rocks in the central part of the anticline. The mineralised structures appear to be near vertical type lodes and because of this may have significant depth extensions, which to date have not been evaluated by drill testing.

Work commenced late in 2008 on re-evaluating the Hangaslampi deposit, with the re-logging and sampling of drill core. This work will continue in 2009.

Kuusamo Region Geology



exploration review

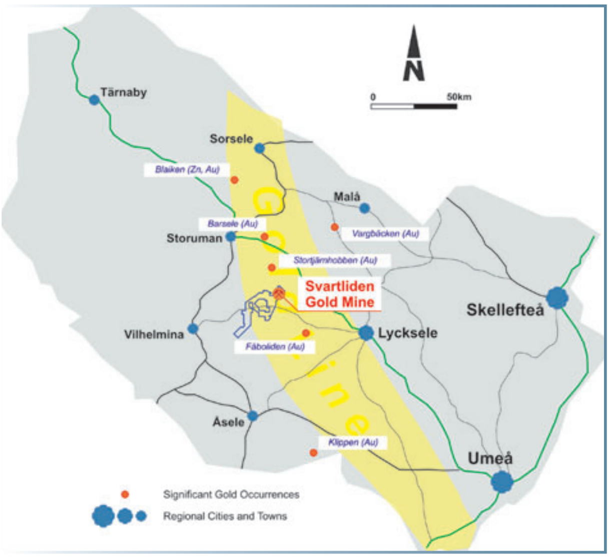
Dragon Mining completed a successful 2008 with the further advancement of exploration in areas proximal to its two operating gold mines and on its regional holdings. Results continue to highlight the potential for longer term growth through an exciting exploration project pipeline.

exploration review

SWEDEN

Svartliden Gold Mine

The Svartliden Gold Mine is located in northern Sweden, in the central part of the north-northwest trending "Gold Line". It represents a style of mineralisation previously not found in the broader region. Dragon Mining holds contiguous Exploration Permits covering 214.1 km^2 within 35 kilometres of the gold mine, encompassing prospective Palaeoproterozoic meta-sediment-volcanic rock units.

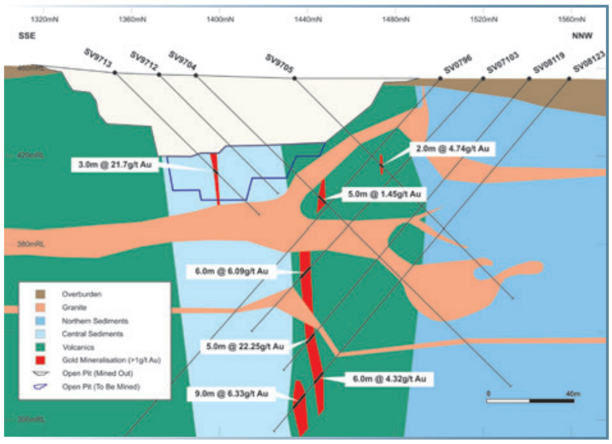


Location of the Svartliden Gold Mine in the Västerbotten Region

Exploration drilling in the immediate mine area continued to focus on testing depth extensions of the Svartliden deposit. Commencing in March 2008, the most recent campaign consisted of 28 diamond core drill holes (4,406 metres) and 3 reverse circulation drill holes (175 metres), which targeted panels of the North Lode east and west of the Central Fault. A series of significant intercepts were obtained from the program, including highlights **10.00m @ 4.65 g/t gold, 5.00m @ 22.25 g/t gold, 5.00m @ 4.78 g/t gold, 6.00m @ 8.81 g/t gold, 4.00m @ 7.15 g/t gold, 3.00m @ 24.74 g/t gold, 11.00m @ 9.83 g/t gold, 5.00m @ 11.24 g/t gold, 4.00m @ 18.23 g/t gold and 8.00m @ 15.59 g/t gold**.

Drilling of the depth extensions resumed in February 2009 with a view to defining a resource suitable for underground mining and hence extending the life of the Svartliden operation. The 2009 campaign will focus on extending mineralisation to approximately 100 metres below the base of the final open pit and proving up sufficient resources to commit to underground development.

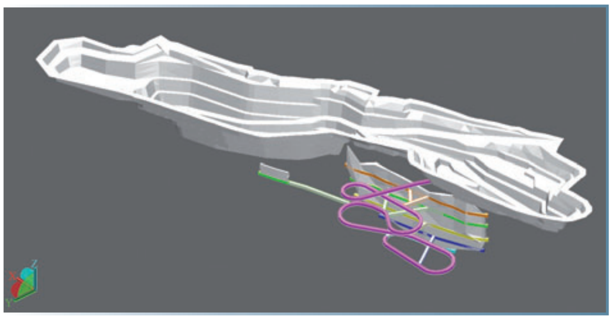
Drill Hole Cross Section of Profile 1550



An internal scoping study indicates that an underground operation is potentially feasible with the North Lode depth extensions accessed by a decline from the open pit and mining by long hole open stoping.

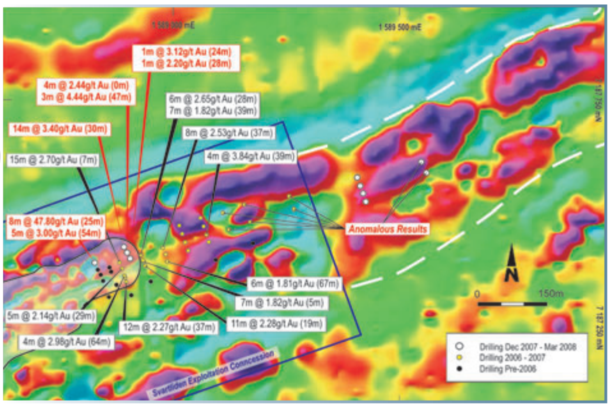
Work has commenced on a new permit for underground development, with expectations that a decision to commence activities will be made in 2009.

Conceptual Underground Development



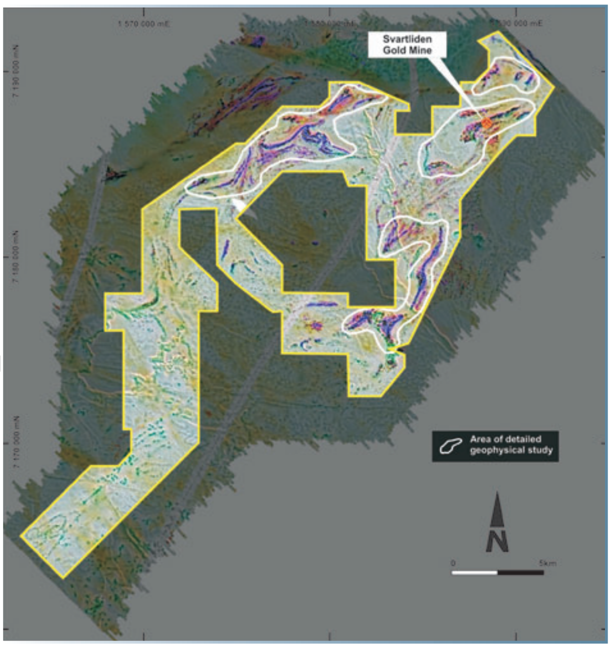
Drilling of the eastern strike extensions continued through 2007 into 2008, effectively extending known mineralisation 150 metres beyond previous known limits and 250 metres beyond the limit of previous exploration drilling. Gold anomalism and alteration sequences of varying down hole lengths and intensity were also intersected over a series of profiles, up to 250 metres beyond the eastern most boundary of the Svartliden Exploitation Concession. A short program of in-pit infill drilling across the eastern end of the Svartliden deposit returned a number of significant intersections including an intercept of **8.00m @ 47.80 g/t gold**.

Significant Results at Svartliden East



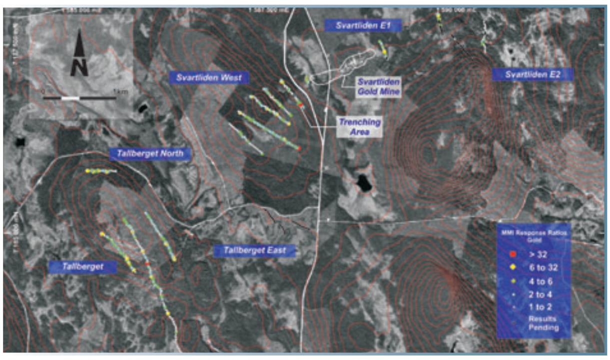
In conjunction with the exploration activities in the immediate mine area, regional exploration activities have continued with the completion of a 10,282 line kilometre detailed airborne geophysical survey over the entire exploration permit holding. Data from the survey has been processed, the images highlighting the overall prospective nature of the under-explored Svartliden region. The result of the initial phase of geophysical interpretation has highlighted a number of areas for detailed evaluation. It is expected that this work will be completed prior to the commencement of the 2009 northern summer field season.

Airborne Geophysical Image



A series of geochemical surveys were also completed across five target areas – Svartliden E1, Svartliden E2, Svartliden West, Tallberget East and Tallberget North in the immediate vicinity of the Svartliden Gold Mine.

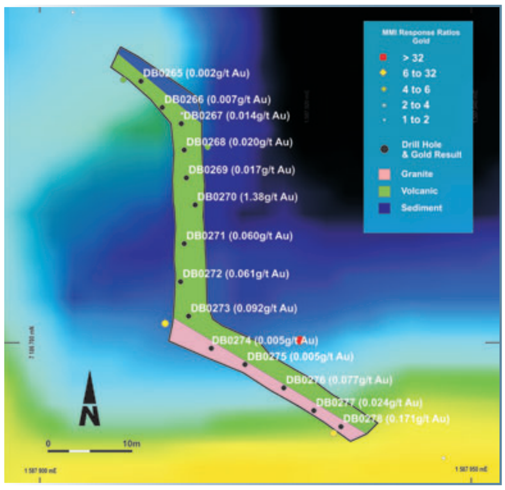
MMI Gold Response Over Near Mine Target Areas



Results from geochemical samples collected in the Svartliden West and Tallberget areas were received and the initial review of these new MMI and bedrock chip datasets indicates 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. Infill MMI sampling has been completed in the Svartliden West area to determine the merit of each of these zones, whilst a small trenching program was undertaken in the area of the peak gold response.

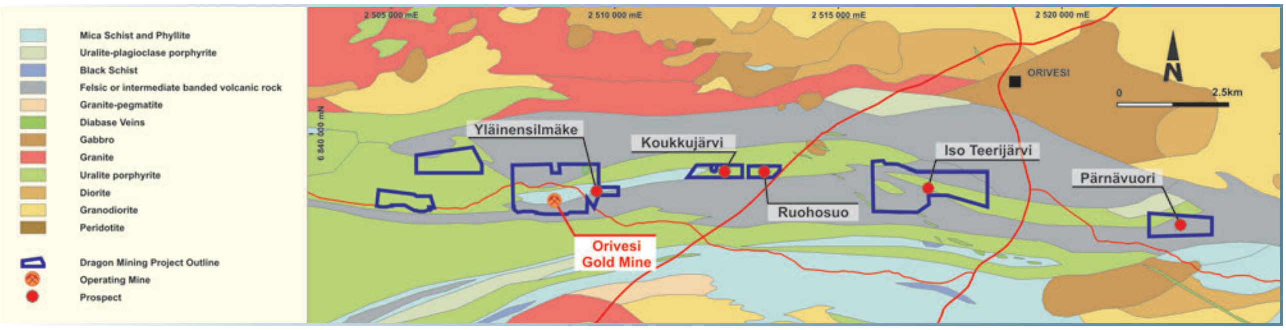
Seventy metres of trench were excavated, exposing an amphibolitic sequence, a portion of which contains disseminated sulphides. The trench has been mapped and sampled by shallow percussion drilling, returning an intercept of 5.00m @ 1.38 g/t gold. This area will be subjected to deeper drill testing during the northern spring.

Gold Results from Shallow Percussion Drilling Across Trench at Svartliden West



Geochemical sampling has continued in the regional areas with further sampling completed in the Tallberget East area and regional prospect Finnäs East. Both these areas were identified from the new airborne geophysical dataset with the presence of both magnetic and EM anomalies. Exploration activities in 2009 will see geochemical coverage extending beyond the immediate proximity of the mine site area to priority targets north, south and west of the Svartliden Gold Mine.

Orivesi Regional Geological Setting



FINLAND

Southern Finland

Orivesi Regional

Dragon Mining holds a portfolio of exploration tenements within 100 kilometres of the Vammala Production Centre, encompassing a portion of the prospective Tampere Schist and Vammala Migmatite Belts.

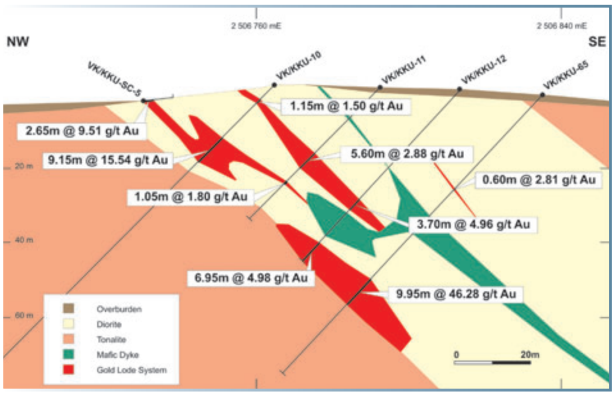
Though proximal to the Orivesi Gold Mine, exploration on the Orivesi Regional Claim holding remains at an early stage of systematic evaluation. A regional exploration program consisting of bedrock chip and basal till sampling was completed in 2008 across several prospects in this region. A total of 208 chip samples and 130 basal till samples were collected and a total of 1,506 metres drilled during the course of this program.

Results from analysis were received and the more promising prospects appearing to be Iso-Teerijärvi, Ruohosuo and Koukkujärvi which display elevated copper, lead, zinc, silver and gold values from bedrock chips. A more detailed review of these results will be carried out in early 2009 with the view to undertake follow-up geochemical and drilling activities later in the year.

Kaapelinkulma Gold Project

Mineralisation at Kaapelinkulma is associated with a north-northwest trending shear zone, which returned encouraging intercepts including recent results of **4.55m @ 13.80 g/t gold, 4.00m @ 5.19 g/t gold and 9.95m @ 46.28 g/t gold.**

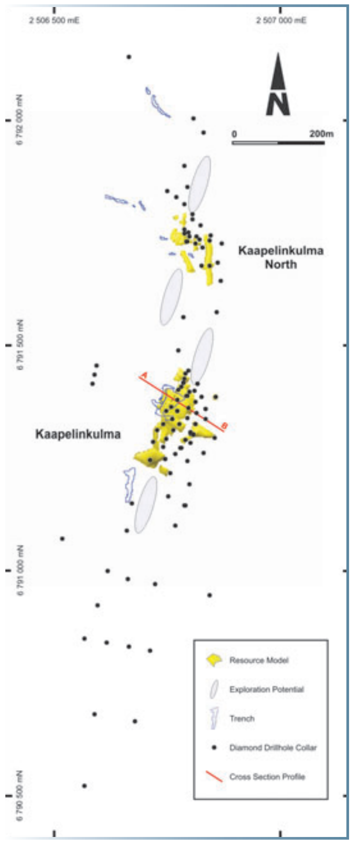
Kaapelinkulma Drill Hole Cross Section - AB



Following recent exploration results, the excavation of new trenches examining the northern extensions of known mineralisation was completed. Shallow percussion drilling of these new trenches returned a best intercept of 4.00m @ 5.88 g/t gold. Some intercepts exceeding 2.00 g/t gold were also received from the northern-most new trench, which is located approximately 250 metres north of the Kaapelinkulma North area.

Channel sampling within the new trenches, which contained over 1.00 g/t gold from shallow percussion drilling 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 a trench where a percussion drill sample contained 102.76 g/t gold.

Kaapelinkulma Project Plan



At the end of 2008 the Kaapelinkulma resource estimate was updated. The results from the diamond drilling and trenching programs have had a significant impact on the updated resource, increasing the total ounces by 63% to 32,000 ounces. The Indicated and Inferred resource totals 161,000 tonnes @ 6.20 g/t gold.

Further drilling will be undertaken at Kaapelinkulma during 2009 as this project has the potential to develop into another mine. An application for a Mining License emcompassing the known resources has been lodged with the Finnish authorities and will be progressed during 2009.

Ritakallio Gold Project (Earning 100% Interest)

The Ritakallio gold occurrence is located 5 kilometres east of the Jokisivu Gold Mine in a structural and lithological setting, with mineral assemblages and textures similar to those observed at Jokisivu.

Channel sampling of trenches and outcrops have returned encouraging intercepts of 1.20m @ 14.87 g/t gold and 2.40m @ 7.92 g/t gold and diamond core drilling programs have yielded modest returns including 3.65m @ 1.62 g/t gold.

Tammijärvi Gold Project

Since the 1940s, exploration has been conducted in the Tammijärvi area, following the discovery of boulders rich in arsenopyrite and chalcopyrite and significant amounts of tin and tungsten.

In 2008, Dragon Mining instigated a trenching and shallow percussion drilling program in this area, the location of the trenches based on historic till geochemistry, diamond drilling, outcrop and boulder samples. The best result obtained from this program was 1.00m @ 5.8 g/t gold, whilst resampling of historic drill core returned a number of narrow intercepts above 1.00 g/t gold.

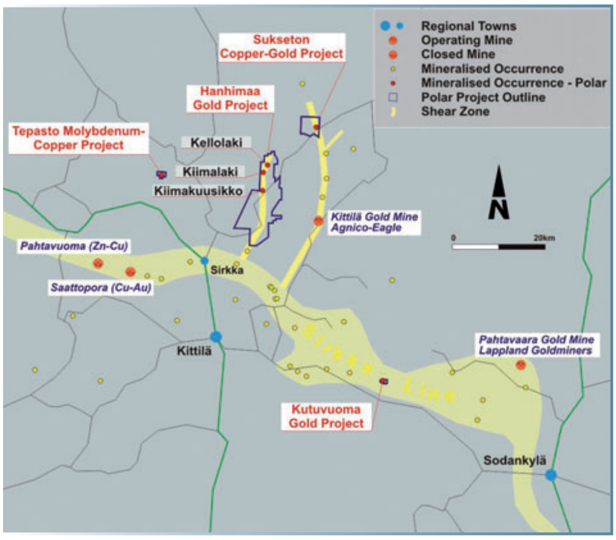
Northern Finland

Hanhimaa Gold Project

Dragon Mining holds a portfolio of exploration tenements north of the Arctic Circle, encompassing highly prospective ground on and near the mineral rich Sirkka Line. This region is host to the Company's principal exploration project, Hanhimaa, which encompasses 20 kilometres of the Hanhimaa Shear Zone.

The gold potential of the Hanhimaa Shear Zone was first identified in 2002 when the first indications of gold were found through geochemical sampling and trenching. Since then, three gold prospects have been located within the 100-200 metre wide domain of strongly sheared and hydrothermally altered rocks, in the northern part of the north-south trending structure. The Hanhimaa structure resembles the Kiistala Shear Zone 10 kilometres to the east, which hosts the 6 million ounce Suurikuusikko gold deposit (Kittilä Gold Mine) and several other gold occurrences.

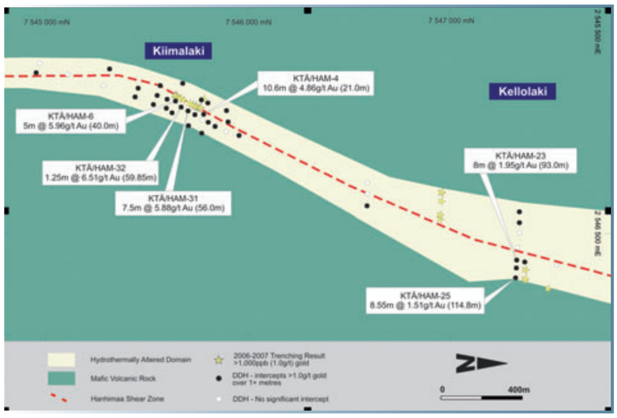
Northern Finland Projects



The exploration campaign instigated during 2007 continued into 2008 with further diamond core drilling and regional geochemical programs.

Additional diamond drilling was conducted at Hanhimaa in early 2008, with a further 17 holes completed. Ten of the holes were drilled at the Kiimalaki prospect targeting down-dip and along strike extensions of earlier drill results, yielding a number of intercepts including highlight **7.50m @ 5.88 g/t gold and 11.78 g/t silver.**

Significant Drill Results in the Kiimalaki and Kellolaki Areas



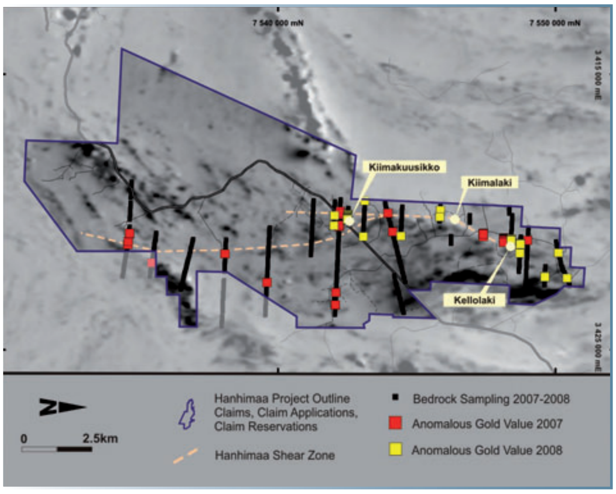
The remaining seven holes were completed on the Kellolaki prospect, some 2 kilometres northeast of Kiimalaki. Results returned from the area were generally of a lower grade, with four holes failing to return any significant results.

The diamond drilling and geochemical sampling programs have confirmed that the hydrothermally altered domain continues from Kiimalaki to Kellolaki, is open along strike, and that elevated gold values are present in narrow zones throughout the altered domain. To define higher grade zones within the 200 metre wide altered domain, further exploration is required.

North and south of the Kiimalaki and Kellolaki prospects a program of bedrock chip sampling was completed designed to test areas that displayed indications of shearing, hydrothermally altered rocks and/or containing anomalous concentrations of gold or pathfinder elements.

Results yielded numerous samples with indications of anomalous gold or silver and included the identification of a new area of precious and base metal mineralisation at Kiimakuusikko, where five trench samples returned values for gold ranging up to 3,820ppb, 106 g/t silver, 0.36% copper, 8.09% lead, 0.42% zinc, 4.28% arsenic and 1.97% antimony.

Geochemical Results on the Hanhimaa Project



The Kiimakuusikko area is located approximately four kilometres south of the Kiimalaki-Kellolaki prospects and is the third significant zone of mineralisation to have been identified along the Hanhimaa Shear Zone.

A short diamond drill core program targeting the Kiimakuusikko area late in 2008 intersected 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.

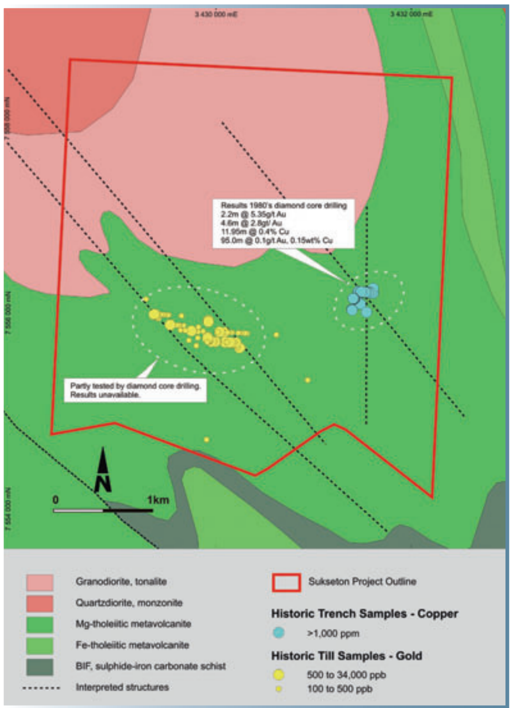
The recent discovery of the Kiimakuusikko gold prospect underlines the potential for gold mineralisation along the Hanhimaa Shear Zone, of which the northern part is partially tested and the southern part largely untested. Efforts will continue to be directed towards outlining the overall gold potential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

Sukseton Gold-Copper Project

Dragon Mining holds 1,519 hectares of claims in the Sukseton area. Encompassing a portion of the Central Lapland Greenstone belt, it is considered to be prospective for gold and base metals.

Previous exploration focused on base metals, the potential for gold not realised until the late 1980s with the discovery of a mineralised zone containing copper and gold, over 100 metres wide and along strike over several hundreds of metres. Historic drilling and trenching returned a number of encouraging results including 2.20m @ 5.35 g/t gold and 4.60m @ 2.80 g/t gold in diamond drill core, and 2.50m @ 5.90 g/t gold from channel sampling.

Sukseton Local Geology, Highlighting Historic Geochemical Results



Re-assaying of core and sample pulps from two historic drill holes from the eastern part of the claimed area, which hosts the known copper-gold mineralisation, was undertaken. In particular, drill hole SUK-1 returned mean values of 0.12 g/t gold and 0.104% copper over the entire length of the hole (233.1m), and included an intercept of 68.80m @ 0.21 g/t gold and 0.189% copper.

Three one-metre zones within the trench area returned values of 0.4 g/t, 2.6 g/t and 0.8 g/t gold, with elevated molybdenum (112 g/t) and copper (0.1%) associated with the last two results respectively.

Tepasto Molybdenum-Copper Project

The Tepasto Molybdenum-Copper Project is approximately 40 kilometres north of the town of Kittilä.

A regional chip sampling program was completed, testing regional molybdenum-copper anomalies identified during the 1970s yielding poor results from analysis, with peak values for molybdenum and copper of 27.5ppm and 218ppm, respectively. Given the tenor of the results obtained, Dragon Mining retains claims over areas of known mineralisation.

EXPLORATION REVIEW

ERITREA

Zara Joint Venture (20% Interest)

The Zara Joint Venture project area is located in the northern highlands of Eritrea on the Zara River, approximately 160 kilometres northwest of the Eritrean capital, Asmara. Encompassing several areas of artisanal gold workings, the project comprises of a series of contiguous Exploration Licences that cover a total area of 147 km^2.

Location of Zara Joint Venture Project

ASX-listed Sub Sahara Resources NL ("Sub-Sahara") is the manager of the project. Dragon Mining has been diluted to a 20% interest and is free carried through to completion of a bankable feasibility study.

In February 2008, Sub-Sahara released an updated independent Resource (Indicated and Inferred) estimate of the Koka gold deposit of 5.13 million tonnes @ 6.3 g/t gold (1.04 million ounces).

Drilling at Koka has been completed over a 600 metre strike length on a 40 metre by 20 metre grid base, with exploration activities focused on infill and down dip extension tasks. Three holes were also completed testing the southerly strike extension, the holes intersecting significant gold mineralisation up to 160 metres beyond the existing limit of grid based drilling, whilst drilling to the north appears to close off the main zone of mineralisation at Koka and failed to return any significant values from holes completed in the Koka North area.

Sub-Sahara has continued with a baseline environmental study which commenced in July 2007, whilst all other activities were suspended in late 2008.

AUSTRALIA

Weld Range Joint Ventures (8.75% - 35% Interest)

Dragon Mining retains an interest in the Weld Range Joint Ventures in the Murchison region of Western Australia. The project area encompasses the PGM bearing Parks Reef, the Weld Range laterite nickel resource, the Range Well chromite laterite resource, as well as the potential for nickel sulphide mineralisation associated with the Weld Range Layered Intrusive Complex.

The manager of the Joint Venture is ASX-listed Minara Resources Limited.

health safety environment & community relations review

Dragon Mining has a commitment to ongoing development and improvement in the areas of corporate responsibility for health, safety, environment and community relations, over and above meeting regulatory and license requirements.

health safety environment & community relations review

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY RELATIONS REPORT REVIEW

Health

In addition to meeting the high standards of regulatory requirements at its operations for occupational health, Dragon Mining has a policy of encouraging involvement of all employees in developing health initiatives. Development of site specific health initiatives is seen as an important part in achieving continuing improvement in health management of Company workplaces.

Safety

Dragon Mining is committed to creating and maintaining a safe environment at the workplace.

At each site, the safety of personnel and local communities are of fundamental concern to Dragon Mining. The Company seeks to conduct both exploration and operations in an efficient and effective manner whilst providing:

- A healthy and safe workplace;
- Information on the hazards of the workplace and training on how to work safely; and
- Consultation at all staff levels on health and safety matters.

No employee is expected to carry out work they reasonably consider to be unsafe.

In Sweden and Finland, management has developed a workplace safety culture that thoroughly engages the entire workforce, not just management and safety professionals. The Company recognises that best safety practice is not just compliance with regulatory standards and rigorous safety monitoring, but is dependant on all employees embracing responsibility for work place safety culture.

Workplace training can develop what safety professionals refer to as 'conscious competence' in a Company's workforce that results in a high level of safety. However it is possible to go further if training is coupled with the acceptance of a workplace culture of individual commitment resulting in automatic analysis of risk and implementation of risk minimisation strategies at a personal level.

Dragon Mining sees development of workplace safety as a process of continual optimisation and improvement. In Sweden, a major overhaul of the safety management processes and reporting has commenced which is a requirement of the European Seveso directive, a European Union law aimed at improving the safety on sites containing large quantities of dangerous substances.

Environmental Management

Dragon Mining operates in three national regulatory environments and the supra-national regime of the European Union. While compliance with these regulatory environments and specific operational licence conditions are the basis of the Company's environmental management procedures, Dragon Mining is committed to the principle of developing and implementing best applicable practices (BAP) in environmental design and management.

The Company has developed operations that embrace best applicable environmental design and management. Significant aspects of the Svartliden project that illustrate BAP principles include:

- Best possible integration of the site's natural characteristics with the design of the project. The project is located in a shallow valley. A compact footprint has been designed in sympathy with the morphology and hydrology of the site. This enables both the natural and process water flows to be managed in a controlled manner;
- Integration of the tailings storage facility with the waste rock storage provides optimal arrangement not only during operation but in the eventual decommissioning scenario;
- Characterisation of the ore and all waste materials prior to and during mining enables optimal handling and storage design;
- Monitoring of waste rock and tailings storage provides feedback into ongoing optimisation of site practices;
- The project recycles more than 90% of its process water;
- The eventual decommissioning has been incorporated into the design of the project to ensure that post mining, the site can ultimately be returned to an environmentally stable state; and
- The project's environmental performance is subject to reporting and review by regulators but also to independent audit.

Significant aspects of the Finnish operations that illustrate BAP principles include:

- Make up process water for the Vammala Plant is obtained from the old underground mining areas. Process water is discharged into the tailings dam and recycled to the plant;

- Excess water from the tailings dam is regularly sampled and monitored;
- Water is collected, treated and discharged into the local water course from the Orivesi Gold Mine conforming with discharge standards;
- All surface drainage water from the Vammala Plant is collected and pumped to the process water circuit; and
- Noise levels of mining at the Vammala Production Centre and the Orivesi Gold Mine are continually measured to ensure they are within the permitted levels.

The Company also seeks to contribute to the broader aspirations of mining companies and regulators in its operational theatres by participating in the dissemination and exchange of data and information in both formal and informal forums.

Community Relations

Dragon Mining recognises that its operations involve a range of community stakeholders in addition to its workforce. All facets of the Company's activities are carried out in consultation with other nearby land users and community organisations representing a wide range of local communities and organisations.

The Company is seeking to maintain dialogue between stakeholders and the Company operations. The many issues that are being successfully addressed include:

- Establishing a dialogue with indigenous persons in conjunction with the County Administration Board;
- Management of the impact on hunting ranges;
- Snow mobile access around the perimeter of the mine site; and
- Local road maintenance.

Dragon Mining continues to develop community relations around its operations in order to maximise the benefits with a wide range of local communities, organisations and individual landowners.

RESOURCES - GOLD

(Inclusive of Reserves) 31 December 2008

SVARTLIDEN

Project	Classification	Tonnes	Gold (g/t)	Gold (ounces)
Svartliden (1)	Measured	371,000	3.4	40,600
	Indicated	907,300	3.2	94,500
	Inferred	280,000	3.3	29,300
	Total	1,558,300	3.3	164,400
Svartliden - Stockpiles (2)	Measured	28,200	3.8	3,500
	Indicated	204,800	1.8	12,000
	Inferred	-	-	-
	Total	233,000	2.1	15,500
Svartliden Total	**Measured**	**399,200**	**3.4**	**44,100**
	Indicated	**1,112,100**	**3.0**	**106,500**
	Inferred	**280,000**	**3.3**	**29,300**
	Total	**1,791,300**	**3.1**	**179,900**

VAMMALA

Project	Classification	Tonnes	Gold (g/t)	Gold (ounces)
Orivesi - Kutema Pillars (3)	Measured	-	-	-
	Indicated	84,800	4.5	12,300
	Inferred	-	-	-
	Total	84,800	4.5	12,300
Orivesi - Kutema Deeps (4)	Measured	-	-	-
	Indicated	310,400	5.1	50,900
	Inferred	515,000	6.0	99,300
	Total	825,400	5.7	150,200
Orivesi - Sarvisuo Lodes (5)	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
Jokisivu - Kujankallio (6)	Measured	-	-	-
	Indicated	390,000	5.7	71,500
	Inferred	687,000	6.6	145,800
	Total	1,077,000	6.3	217,300
Jokisivu - Arpola (7)	Measured	-	-	-
	Indicated	354,000	6.3	71,700
	Inferred	136,000	8.0	35,000
	Total	490,000	6.8	106,700
Kaapelinkulma (8)	Measured	-	-	-
	Indicated	78,000	8.4	21,100
	Inferred	83,000	4.1	10,900
	Total	161,000	6.2	32,000
Vammala Total	**Measured**	**54,500**	**7.3**	**12,800**
	Indicated	**1,445,600**	**5.9**	**276,200**
	Inferred	**1,445,300**	**6.5**	**299,700**
	Total	**2,945,400**	**6.2**	**588,700**

KUUSAMO

Project	Classification	Tonnes	Gold (g/t)	Gold (ounces)
Juomasuo (9)	Measured	-	-	-
	Indicated	-	-	-
	Inferred	779,000	4.2	105,200
	Total	779,000	4.2	105,200
Hangaslampi (10)	Measured	-	-	-
	Indicated	-	-	-
	Inferred	176,000	6.0	34,000
	Total	176,000	6.0	34,000
Pohjasvaara (11)	Measured	-	-	-
	Indicated	-	-	-
	Inferred	82,000	3.2	8,400
	Total	82,000	3.2	8,400
Meurastuksenaho (12)	Measured	-	-	-
	Indicated	-	-	-
	Inferred	284,000	2.3	21,000
	Total	284,000	2.3	21,000
Sivakkaharju (13)	Measured	-	-	-
	Indicated	-	-	-
	Inferred	28,000	11.3	10,200
	Total	28,000	11.3	10,200
Kuusamo Total	**Measured**	**-**	**-**	**-**
	Indicated	**-**	**-**	**-**
	Inferred	**1,349,000**	**4.1**	**178,800**
	Total	**1,349,000**	**4.1**	**178,800**
Total - Nordic	**Measured**	**453,700**	**3.9**	**56,900**
	Indicated	**2,557,700**	**4.7**	**382,700**
	Inferred	**3,074,300**	**5.1**	**507,800**
	Total	**6,085,700**	**4.8**	**947,400**

ZARA JV (Dragon Mining 20% Interest)

Project	Classification	Tonnes	Gold (g/t)	Gold (ounces)
Koka (14)	Measured	-	-	-
	Indicated	4,270,000	6.3	866,300
	Inferred	860,000	6.3	175,000
	Total	5,130,000	6.3	1,041,300
Zara JV Total	**Measured**	**-**	**-**	**-**
	Indicated	**4,270,000**	**6.3**	**866,300**
	Inferred	**860,000**	**6.3**	**175,000**
	Total	**5,130,000**	**6.3**	**1,041,300**
Group Total*	**Measured**	**453,700**	**3.9**	**56,900**
	Indicated	**3,411,700**	**5.1**	**555,960**
	Inferred	**3,246,300**	**5.2**	**542,800**
	Total	**7,111,700**	**5.1**	**1,155,660**

* Group Total includes 20% of the Zara JV Total

RESERVES - GOLD

31 December 2008

SVARTLIDEN

Project	Classification	Tonnes	Gold (g/t)	Gold (ounces)
Svartliden (15)	Proved	283,300	3.5	31,900
	Probable	326,500	3.9	40,900
	Total	609,800	3.7	72,800
Svartliden - Stockpiles (16)	Proved	28,200	3.8	3,500
	Probable	-	-	-
	Total	28,200	3.8	3,500
Total Svartliden Reserve Inventory		**638,000**	**3.7**	**76,300**

VAMMALA

Project	Classification	Tonnes	Gold (g/t)	Gold (ounces)
Orivesi - Sarvisuo Lodes (17)	Proved	-	-	-
	Probable	176,700	7.0	39,800
	Total	176,500	7.0	39,800
Orivesi - Kutema Lodes (18)	Proved	-	-	-
	Probable	5,800	6.3	1,200
	Total	5,800	6.3	1,200
Total Orivesi Reserve Inventory		**182,500**	**7.0**	**41,000**
Group Total	**Proved**	**311,500**	**3.5**	**35,300**
	Probable	**509,000**	**5.0**	**81,900**
	Total	**820,500**	**4.4**	**117,300**

VAMMALA

Project	Classification	Tonnes	Nickel (%)	Copper (%)	Nickel (tonnes)	Copper (tonnes)
Stormi (19)	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	1,600,200	0.45	0.31	7,200	4,960
	Total	1,600,200	0.45	0.31	7,200	4,960
Ekojoki (20)	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	1,095,900	0.51	0.42	5,590	4,600
	Total	1,095,900	0.51	0.42	5,590	4,600
Vammala Total	**Measured**	**-**	**-**	**-**	**-**	**-**
	Indicated	**-**	**-**	**-**	**-**	**-**
	Inferred	**2,696,100**	**0.47**	**0.35**	**12,790**	**9,560**
	Total	**2,696,100**	**0.47**	**0.35**	**12,790**	**9,560**

KUHMO JV (Dragon Mining 5% Interest)

Project	Classification	Tonnes	Nickel (%)	Copper (%)	Nickel (tonnes)	Copper (tonnes)
Vaara (21)	Measured	-	-	-	-	-
	Indicated	2,432,000	0.37	0.03	9,000	730
	Inferred	3,694,000	0.33	0.02	12,190	740
	Total	6,126,000	0.35	0.03	21,190	1,470
Peura-aho (22)	Measured	-	-	-	-	-
	Indicated	371,000	0.42	0.20	1,560	740
	Inferred	171,000	0.44	0.23	750	390
	Total	542,000	0.43	0.21	2,310	1,130
Hietaharju (23)	Measured	-	-	-	-	-
	Indicated	413,000	0.56	0.31	2,310	1,280
	Inferred	590,000	0.38	0.19	2,240	1,120
	Total	1,095,900	0.45	0.24	4,550	2,400
Kuhmo JV Total	**Measured**	**-**	**-**	**-**	**-**	**-**
	Indicated	**3,216,000**	**0.40**	**0.09**	**12,870**	**2,750**
	Inferred	**4,455,000**	**0.34**	**0.05**	**15,180**	**2,250**
	Total	**7,671,000**	**0.37**	**0.07**	**28,050**	**5,000**
Group Total**	**Measured**	**-**	**-**	**-**	**-**	**-**
	Indicated	**160,800**	**0.40**	**0.09**	**640**	**140**
	Inferred	**2,918,850**	**0.46**	**0.33**	**13,550**	**9,680**
	Total	**3,079,650**	**0.46**	**0.32**	**14,190**	**9,810**

** Group Total includes 5% of the Kuhmo JV Total

NOTES TO RESOURCES AND RESERVES

(1)	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 Pty 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.
(2, 15 and 16)	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 mineralisation 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 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.
(3 to 6, 8, 19 and 20)	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 employees of Runge Limted 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 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.
(7)	The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Ms Ivy Chen Bsc (Hons) in 2005. Ms Ivy Chen, a Member of the Australian Institute of Mining and Metallurgy, was then a full time employee of Maxwell Geoservices Pty Ltd and has sufficient experience which is relevant to the style of mineralisation 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. The Arpola Mineral Resource remains unchanged since that date. Maxwell Geoservices Pty Ltd has verified the form and context in which the information regarding the Arpola Mineral Resource has been used and considers it to be consistent with the original work undertaken in 2005.
(9 to 10)	The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Esa Sandberg, formerly of Outokumpu Mining Services. The Juomasuo and Hangaslampi Mineral Resources has remained unchanged since estimation. 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 mineralisation 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, have verified the form and context in which the information regarding the Juomasuo and Hangaslampi Mineral Resources have been used and consider it to be consistent with the original work undertaken.
(11 to 13)	The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Jarmo Lahtinen and Rauno Hugg both formerly of Outokumpu Finnmines. The Pohjasvaara, Meurastuksenaho and Sivakkaharju Mineral Resources has remained unchanged since estimation. 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 mineralisation 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, have verified the form and context in which the information regarding the Pohjasvaara, Meurastuksenaho and Sivakkaharju Mineral Resources have been used and consider it to be consistent with the original work undertaken.
(14)	The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information as lodged with the ASX on February 25, 2008 by Sub-Sahara Resources NL "Sub-Sahara delivers 1.04 million oz gold at the Koka Deposit in Eritrea with scope for expansion" with the consent of the competent persons Dr. Bielin Shi. Dr. Bielin Shi, a Member of the Australian Institute of Mining and Metallurgy, was then a full time employee of Coffey Mining Pty Ltd and has sufficient experience which is relevant to the style of mineralisation 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. The Koka Mineral Resource remains unchanged since that date. With respect to Dragon Mining Limited's 20% share of the project, Coffey Mining Pty Ltd has verified the form and context in which the information regarding the Koka Mineral Resource has been used and considers it to be consistent with the original release by Sub-Sahara Resources NL.
(17 and 18)	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 mineralisation 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.
(21 to 23)	The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information as lodged with the ASX on August 22, 2006 by Vulcan Resources Limited "Vulcan's First Nickel Estimate Contains 30,000t Nickel and 120,000 ounces Platinum and Palladium" and "Annoucement Ammendment – First Nickel Estimate" and compiled by Snowden Mining Industry Consultants. The Vaara, Peura-aho and Hietaharju remain unchanged since that date. With respect to Dragon Mining Limited's 5% share of the projects, 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, consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

Your Directors submit the report of Dragon Mining Limited ("Dragon Mining" or "the Company") for the year ended 31 December 2008.

DIRECTORS

The names and details of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Andrew Edward Daley

BSc (Hons), Grad Dip (Geo Sc), C. Eng, FAusIMM, MIOM3
Non-Executive Chairman

Mr Daley was appointed a Non-Executive Director on 2 March 2005 and Non-Executive Chairman on 20 March 2006. He is a Chartered Engineer, a Member of IOM3 and a Fellow of the Australasian IMM. He is a Director of Investor Resources Finance Pty Limited ("IRF"), a company based in Melbourne which provides financial and corporate advisory services to the mining industry. He is also a Non-Executive Director of ASX-listed PanAust Limited (appointed August 2004), Kentor Gold Limited (appointed November 2004), Uranex NL (appointed November 2007) and AIM-listed Minerva Resources Plc (appointed July 2007).

In the past three years he has also been a director of AIM-listed Gladstone Pacific Nickel Limited (appointed February 2005 and resigned December 2007).

Mr Daley commenced his career with Anglo American on the Zambian copper belt and later worked with Rio Tinto and Conoco Minerals in Africa. He moved to Australia with Fluor Australia in 1981 and since 1983 has been focused on resource project finance with National Australia Bank, Chase Manhattan and more recently was a Director at Barclays Capital mining team in London.

Mr Daley is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

Peter George Cordin

BE, MIEAust, CPEng, FAusIMM (CP)
Managing Director and Chief Executive Officer

Mr Cordin was appointed Managing Director on 20 March 2006. He is a civil engineer with 35 years' experience in the evaluation and operation of resource projects within Australia and overseas.

He has direct experience in the construction and management of diamond and gold operations in Australia and Indonesia. Mr Cordin was Managing Director of Grant's Patch Mining Limited (100,000 ounce gold per year production) and was Director – Operations of Forsayth NL, responsible for all group operations in Australia involving the annual production of 320,000 ounces of gold from five mines. He has more recently been involved in the development of resource projects in Kazakhstan and New Caledonia. Mr Cordin is a Non-Executive Director of Coal of Africa Limited (appointed December 1997).

Mr Cordin is a member of the Remuneration and Nomination Committee.

Michael Dylan Naylor

BComm, CA
Finance Director

Mr Naylor was appointed Finance Director on 1 July 2008. He has been the Chief Financial Officer of the Company since May 2006 and was joint Company Secretary between 4 July 2007 and 1 July 2008. Mr Naylor is a Chartered Accountant with 13 years of resources related financial experience in Australia, Canada, Europe and Africa. Prior to his involvement with Dragon Mining, Mr Naylor was the Financial Controller of an ASX-listed company with extensive gold operations, and held senior management positions in both Perth and Toronto with a major international accounting firm.

DIRECTORS' REPORT (CONTINUED)

Toivo Tapani Järvinen

Lic. Tech

Non-Executive Director

Mr Järvinen was appointed a Non-Executive Director on 22 December 2003. Mr Järvinen was employed by the Outokumpu Group from 1985 until October 2006 and was a member of the Outokumpu Group Executive Committee and President of Outokumpu Technology. He is currently President and CEO of Outotec Oyj (appointed October 2006), a publicly listed company on the OMX Nordic Exchange Helsinki. Mr Järvinen is also a Board member of International Copper Association Ltd (appointed October 1995), Normet Oy (appointed March 2007), the Association of Finnish Steel & Metal Producers (appointed December 2006), Chairman of the Board of the Finnish-Latin American Trade Association (appointed November 2003), Okmetic Oyj, a publicly listed company on the OMX Nordic Exchange Helsinki (appointed March 2008) and Konecranes Plc, a publicly listed company on the NASDAQ OMX Helsinki (appointed March 2009). He was also a Board member of the Swedish mining and metals group Boliden AB (publ) (December 2003 until April 2005), the Finnish RFID–antenna producer Intune Circuits Oy (April 2005 until December 2006) and Chairman of Outokumpu Mining Oy (June 2002 until November 2006).

Dr Markku Juhani Mäkelä

Prof PhD

Non-Executive Director

Professor Mäkelä was appointed a Non-Executive Director on 13 November 2008. He majored in geology and mineralogy at the University of Helsinki in Finland and has recently retired as a Director from the Geological Survey of Finland (GTK), where he was responsible for international relations. Prior to joining GTK in 1994, he spent six years as a technical manager and Alternate Director of the United Nations Revolving Fund for Natural Resources and he remains a member of the UN Committee of Energy and Natural Resource Development. Prior to this he worked for ten years with Outokumpu Oy in various positions.

Dr. Mäkelä chaired the 2005-2007 European Network of Mining Regions, an EU Interreg IIIC project. He was on the Board of the Finnish Fund for Natural Resources Research for ten years, 2005-2007 as the Chairman. Professor Mäkelä's 35 years of professional experience was gained in a wide variety of operational and administrative activities in the geological and mining sectors.

Peter Lawson Munachen

FCA

Non-Executive Director

Mr Munachen was appointed a Non-Executive Director on 24 March 2005. Mr Munachen is a Fellow of the Institute of Chartered Accountants in Australia. He has had considerable experience in the resource industry and is a Director of Sub-Sahara Resources NL (appointed April 2004), Norwest Energy NL (appointed November 2003 and as CEO from 3 December 2008) and Newland Resources Ltd (appointed August 2001). He was formerly a Director of Pancontinental Oil & Gas NL (appointed February 1991, resigned 5 January 2009) and he is also a Director of Currie Rose Resources Inc (appointed April 2005) which is listed on the Toronto Stock Exchange (TSX).

Mr Munachen is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

Pauline Anne Collinson

Company Secretary

Mrs Collinson was appointed Company Secretary on 4 July 2007. She is also Company Secretary of ASX-listed Eurogold Limited and has over 25 years of experience in the mining industry.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of the Company and related bodies corporate were:

	Ordinary Shares		Options		Convertible Notes	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
AE Daley	-	310,000	2,000,000	-	-	70,000
PG Cordin	-	3,000,000	4,000,000	-	-	-
MD Naylor	-	447,500	1,000,000	-	-	11,500
TT Järvinen	-	-	1,000,000	-	-	-
MJ Mäkelä	-	-	-	-	-	-
PL Munachen	-	-	1,000,000	-	-	-

CORPORATE INFORMATION

Dragon Mining Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange. Dragon Mining is the ultimate parent entity.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of entities within the consolidated entity during the period were:

- Gold mining in Sweden and Finland; and
- Exploration, evaluation and development of gold projects in Europe and Eritrea.

There have been no significant changes in the nature of those activities during the period.

RESULTS

The net profit after tax and minority interests of the consolidated entity for the year ended 31 December 2008 was $7,539,000 (2007: $2,080,000). The profit for the 2008 financial year included gross profit from operations of $10,486,000, write off of capitalised exploration and development expenditure of $13,091,000, foreign currency gains of $12,960,000, derivative gains of $1,634,000, finance expenses of $3,169,000, gain on the repurchase of Dragon Mining convertible notes of $1,267,000 and other net expenses of $2,548,000.

The 2007 profit was a result of booking previously unrecognised tax losses for Dragon Mining (Sweden) AB of $5,419,000. It had become probable that these tax losses would be utilised given the substantial close out of the derivatives book and the rising USD gold price.

DIVIDENDS

No dividend has been paid or declared since the commencement of the period and no dividends have been recommended by the Directors.

REVIEW OF OPERATIONS

Production

Svartliden Gold Mine, Sweden

The Svartliden Gold Mine produced 44,495 ounces of gold for the year at a cash cost of US$530 per ounce compared to gold production of 51,256 ounces at a cash cost of US$424 per ounce in 2007.

Production was hindered and cash costs increased due to throughput limitations that were imposed by the Swedish authorities for the months of January and February 2008. The plant effectively operated at half its capacity during these months.

A number of process plant improvements were completed to increase efficiency and safety including a cyanide control system to optimise the addition of cyanide to the leaching circuit and the automation of reagent addition equipment for the detoxification process.

Vammala Production Centre, Finland

The Orivesi Gold Mine produced 29,711 ounces of gold for the year at a cash cost of US$696 per ounce (including refining costs of US$111 per ounce) compared to gold production of 12,399 ounces of gold at a cash cost of US$618 per ounce (including refining costs of US$90 per ounce) in 2007.

Production was hindered in the first half of the year due to mining remnant ore from old Kutema pillars, the extra mining associated with the development of the stopes at Sarvisuo and lower grades due to the complexity of the Sarvisuo ore lodes.

Higher production and lower cash costs were achieved in the second half of the year due to mining predominantly from the Sarvisuo lodes and a better understanding of the ore lodes which resulted in the expected higher grades.

Exploration

Exploration programs in 2008 concentrated on advancing the Company's exploration properties in Sweden and Finland, particularly concentrating on increasing the resources near existing operating facilities.

Development

Svartliden Gold Mine, Sweden

A number of high grade intercepts from depth extension drilling have highlighted the potential for high grade mineralisation below planned limits to open pit mining and provide additional information that will assist with the evaluation of establishing an underground operation.

Work has begun on a new operating licence application, which will include the potential underground mining operation and re-negotiation of the environmental conditions in the original licence. This process is expected to be completed during 2009.

Orivesi Gold Mine, Finland

As a result of the continued drilling success and confidence in the structure of the ore lodes at Sarvisuo, development was extended down to the 440m level. Further exploration to enable the evaluation of the viability of extending the decline beyond this level has commenced.

The Company also commenced the planning of a new development to deepen the Kutema Deeps mine by way of an internal feasibility study, which will review and assess the viability of mining this deposit. A decision to mine the Kutema Deeps resource is expected to be made in 2009.

Jokisivu Gold Mine, Finland

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

Jokisivu will become Dragon Mining's third operating mine, with adequate capacity available at the Vammala Production Centre to process the ore. Development, initially mining the open pits, will be followed by an underground operation from a decline.

REVIEW OF OPERATIONS (CONTINUED)

Zara Joint Venture, Eritrea (20% interest)

Joint Venture partner Sub-Sahara Resources NL has continued a baseline environmental study, which commenced in July 2007, whilst all other activities to advance Koka towards development have been suspended.

Corporate

Dragon Mining Investments Pty Ltd, a wholly owned subsidiary of Dragon Mining purchased 4,086,000 Dragon Mining convertible notes ("Notes") in late December. The Company paid $2,770,330 to repurchase Notes with a "face value" of $4,290,300.

Accounting standards require an impairment test on the carrying value of assets at each balance date. At the half year (30 June 2008), the Company wrote down the carrying value of capitalised development expenditure at the Orivesi Gold Mine by $6,037,330 as a result of the application of the test after taking into consideration reserves, a gold price of US$850 an ounce and a USD/EUR exchange rate of 1.56.

Consequently the Board determined at the half year to review the carrying value of the other assets associated with Orivesi. As a result a further write down of capitalised exploration expenditure of $6,396,611 was also taken. The large write down was attributable to the fair value allocation of assets to the Orivesi Gold Mine when Dragon Mining acquired Polar Mining Oy in 2004 for $19,549,373 in cash and shares. A large amount of the purchase price was allocated to the Orivesi Gold Mine assets.

During the second half of the year, a write down of the exploration carrying value associated with Russian exploration assets of $657,447 occurred. Other than these exploration assets, no other assets were impaired as at 31 December 2008.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company other than those listed above.

Significant Events after Period End

A further 1,273,797 Notes were purchased on 9 January 2009. The Company paid $891,700 to repurchase the Notes with a "face value" of $1,337,487.

Likely Developments and Expected Results

The likely developments in the operations of the consolidated entity and the expected results of those operations in the coming year are as follows:

- Continued production of gold from the Svartliden Gold Mine;
- Continued production of gold concentrate from ore mined at the Orivesi Gold Mine and processed at the Vammala Production Centre;
- Development and production of gold concentrate from the Jokisivu and Kutema Deeps Gold Projects; and
- Continued gold exploration in Europe.

Environmental Regulation

The consolidated entity's operations are subject to significant environmental regulations under statutory legislation in relation to its exploration and mining activities.

Management monitors compliance with environmental regulations. Other than what is stated below, the Directors are not aware of any other significant breaches during the period covered by this report.

The September 2008 quarterly report lodged with the Swedish County Administration Board ("CAB") with respect to the Svartliden Gold Project outlined elevated levels of metals and arsenic being pumped from the open pit mine into a water storage facility, termed the Clear Water Dam ("CWD"). These elevated levels of metals and arsenic exceeded the limits set by the CAB.

The Company remains committed to taking the correct measures to ensure future levels being discharged into the CWD comply with the environmental regulations.

Share Options

Unissued Shares

As at the date of this report there are 13,375,000 unissued ordinary shares in respect of which options are outstanding. These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

	Number of Options
Balance at the beginning of the period	14,125,000
Share options cancelled from 1 Jan 2008 to the date of this report	(750,000)
Total number of options outstanding as at the date of this report	13,375,000

Refer to the Remuneration Report and notes 20 and 28 for further details of Company options.

Convertible Notes

23,645,289 convertible notes were issued in 2006 at $1.05 per note. The notes have a 10% coupon rate and are redeemable or can be converted into ordinary shares in February 2011 on the basis of 6 shares for 1 convertible note.

At the date of this report, a wholly owned subsidiary of Dragon Mining had purchased 5,359,797 Dragon Mining convertible notes.

Indemnification and Insurance of Directors and Officers

The Company provides Directors' and Officers' liability insurance covering all the Directors of Dragon Mining against liability in their role as Directors of the Company, except where:

- the liability arises out of conduct involving a wilful breach of duty; or
- there has been a contravention of Sections 232(5) or (6) of the Corporations Act 2001.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

REMUNERATION REPORT (AUDITED)

The remuneration report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, including any Director (whether executive or otherwise) of the parent company, and includes the five highest paid executives in the parent and the Group:

Details of Key Management Personnel (including the five highest paid executives of the Company and Group)

(i) Directors

AE Daley	Chairman (non-executive)
PG Cordin	Managing Director
MD Naylor	Finance Director (appointed 1 July 2008)
TT Järvinen	Director (non-executive)
MJ Mäkelä	Director (non-executive) (appointed 13 November 2008)
PL Munachen	Director (non-executive)

(ii) Executives

PA Collinson	Company Secretary
NM Edwards	Chief Geologist
UO Kuronen	Manager Geology (Polar Mining Oy)
KE Marttala	Manager - Operations – Dragon Mining (Sweden) AB
HO Pöyry	Manager - Operations – Polar Mining Oy

There were no changes to Directors or key management personnel after reporting date and prior to the date when the financial report was authorised for issue.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Dragon Mining Remuneration Policy

The Board recognises that the performance of the Company depends upon the quality of its Directors and executives. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled Directors and executives.

The Company embodies the following principles in its remuneration framework:

- Provides competitive rewards to attract high calibre executives;
- Structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia;
- Benchmarks remuneration against appropriate industry groups; and
- Aligns executive incentive rewards with the creation of value for shareholders.

There are performance levels that link executives' remuneration to Company performance. Options are used as part of compensation packages to strengthen the alignment of interest between management and shareholders in an effort to enhance shareholder value.

Company Performance

The table below shows the Company's earnings per share over the last five years.

Earnings/(loss) per share (cents per share)	2008	2007	2006*	2006**	2005**
Basic	1.02	0.38	0.94	(7.21)	(6.61)
Diluted	1.02	0.38	0.94	(7.21)	(6.61)

* Denotes 6 months ending 31 December 2006.
** Denotes year ending 30 June.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangements for the Directors and the executive team.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative information and internal and independent external advice.

Remuneration Structure

In accordance with best practice governance, the structure of Non-Executive Director and senior executive remuneration is separate and distinct. The remuneration structure for the Executive Directors is the same as that of the executive team.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. Non-Executive Directors' fees not exceeding an aggregate of $300,000 per annum have been approved by shareholders at the Annual General Meeting in November 2006.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company. An additional fee is payable for each Board Committee on which a Director sits.

The Chairman of the Company receives additional fees due to the extra workload and responsibilities.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Each Non-Executive Director may also receive an equity based component where approval has been received from shareholders in a General Meeting. Non-Executive Directors have performance hurdles in order to exercise their options. During 2006 the Non-Executive Directors were issued STIs in the form of options and in order to exercise these options, the volume weighted average share price of Dragon Mining must exceed $0.25 for 5 consecutive days.

Executive Director and Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company, to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration and Nomination Committee benchmarked each executive position to determine market levels of remuneration for comparable executive roles in the mining industry.

It is the Remuneration and Nomination Committee's policy that employment contracts are in place for Executive Directors. Details of these contracts are outlined later in this report.

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration
  - Short term incentives (STI); and
  - Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Remuneration and Nomination Committee.

Options (LTIs) granted to executives do not have performance conditions attached to them, however the strike price of the options are determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of the business and individual performance, relevant comparable remuneration in the mining industry and external advice.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Company.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI is to reward performance that exceeds expectation and is linked to the achievement of the Company's performance measures (as set out below) by the executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient incentive to the executives to achieve the operational targets at a reasonable cost to the Company.

Structure

Actual STI payments granted to each executive depend on their performance over the preceding year and are determined during the annual performance appraisal process. The performance appraisal process outcomes are at the discretion of the Remuneration and Nomination Committee and take into account the following factors:

REMUNERATION REPORT (AUDITED) (CONTINUED)

- performance of business unit;
- operational performance of a business unit;
- risk management;
- health and safety; and
- leadership/team contribution.

The executive has to demonstrate outstanding performance in order to trigger payments under the short-term incentive scheme.

On an annual basis, after consideration of performance against KPIs, the overall performance of the Company and each individual business unit is assessed by the Remuneration and Nomination Committee. The individual performance of each executive is also assessed and all these measures are taken into account when determining the amount, if any, to be paid to the executive as a short-term incentive.

It is solely at the Remuneration and Nomination Committee's discretion if STI payments are granted to executives even if an executive demonstrates outstanding performance during the preceding year. In addition, the aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration and Nomination Committee. Payments are usually delivered as a cash bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives and Directors in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTIs are made to executives and Directors who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

Structure

LTI grants to executives and Directors are delivered in the form of employee share options. These options are generally issued with an exercise price at a premium to the average of Dragon Mining's ordinary share price at the date issued.

The Company prohibits Directors or executives from entering into arrangements to protect the value of any Dragon Mining Limited shares or options that the director or executive has become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure.

Employment Contracts

The Managing Director, Mr PG Cordin, is employed under contract. His employment contract has been extended by 12 months and expires on 30 November 2009. Under the terms of the contract:

- Mr Cordin may resign from his position and thus terminate this contract by giving three months' written notice.
- The Company may terminate this employment contract by providing 12 months' written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Cordin's remuneration).
- Mr Cordin receives fixed remuneration of $430,000 per annum.
- The Company will pay Mr Cordin a completion bonus of $200,000 based on certain criteria being met by the end of his contract.
- Upon completion of Mr Cordin's contract, the Board may also determine to pay Mr Cordin an additional bonus of up to $200,000 if, in the view of the Board, the Company has entered into a corporate or project acquisition that is in accordance with Dragon Mining's corporate objectives.

Mr MD Naylor, the Finance Director, is also employed under contract. His current employment contract commenced on 22 May 2006 and expires on 22 May 2009. Under the terms of the contract:

- Mr Naylor may resign from his respective position and thus terminate his contract by giving three months' written notice.
- The Company may terminate this employment contract by providing 12 months' written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Naylor's remuneration).
- Mr Naylor receives fixed remuneration of $270,000 per annum.

REMUNERATION REPORT (AUDITED) (CONTINUED)

All other executives have rolling contracts. The Company may terminate the executive's employment agreement by providing six months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. Any LTI options that have not been exercised into fully paid ordinary shares are forfeited when the executive contract is terminated.

LTI Options

All executives' and Directors' LTI options operate under the following conditions:

- On resignation by the executive, any LTI options held that have vested will need to be exercised within 30 days of termination or they will be forfeited. Any LTI options that have not vested will be forfeited.
- On termination on notice by the Company, any LTI options that have vested, or will vest during the notice period will need to be exercised within 30 days of termination or they will be forfeited. LTI options that have not vested will be forfeited.

Compensation of Key Management Personnel (Consolidated)

		Short Term			Post Employment	Long Term	Equity	
		Salary & Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Other	Share-based Payment	Total
		$	$	$ [1]	$	$	$[2]	$
Directors								
AE Daley	Dec 2008	90,000	-	-	-	-	-	90,000
	Dec 2007	86,250	-	-	-	-	-	86,250
PG Cordin	Dec 2008	310,208	-	55,042	32,615	-	-	397,865
	Dec 2007	304,601	50,000[8]	31,945	30,133	-	-	416,679
MD Naylor[3]	Dec 2008	200,612	-	26,162	19,980	-	-	246,754
	Dec 2007	170,218	-	24,523	17,145	-	16,904	228,790
TT Järvinen	Dec 2008	40,000	-	-	-	-	-	40,000
	Dec 2007	39,375	-	-	-	-	-	39,375
MJ Mäkelä[4]	Dec 2008	5,333	-	-	-	-	-	5,333
PL Munachen	Dec 2008	50,000	-	-	-	-	-	50,000
	Dec 2007	46,875	-	-	-	-	-	46,875
Executives								
P Collinson[5]	Dec 2008	16,059	-	-	-	-	-	16,059
	Dec 2007	14,667	-	1,134	1,320	-	-	17,121
NM Edwards	Dec 2008	154,857	-	-	13,937	2,679	-	171,473
	Dec 2007	139,524	-	-	12,557	2,672	16,904	171,657
HO Pöyry[6]	Dec 2008	195,379	-	416	48,303	-	-	244,098
	Dec 2007	179,982	-	9,287	46,693	-	16,904	252,866
UO Kuronen	Dec 2008	183,561	-	416	45,387	-	-	229,364
	Dec 2007	167,824	-	392	41,499	-	16,904	226,619
KE Marttala	Dec 2008	361,278	-	-	88,290	-	-	449,568
	Dec 2007	365,446	-	-	162,437	-	16,904	544,787
DW Wilkins[7]	Dec 2007	18,569	-	-	-	-	-	18,569
Total	Dec 2008	1,607,287	-	82,036	248,512	2,679	-	1,940,514
Total	Dec 2007	1,533,331	50,000	67,281	311,784	2,672	84,520	2,049,588

REMUNERATION REPORT (AUDITED) (CONTINUED)

(1) Non-monetary benefits include, where applicable, the cost to the Company of providing fringe benefits, the fringe benefits tax on those benefits and all other benefits received by the executive.

(2) Fair value of the options have been determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, Dragon Mining's ordinary share price at the date of issue, the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(3) Appointed Finance Director 1 July 2008, Chief Financial Officer from May 2006 – June 2008.

(4) Appointed 13 November 2008.

(5) Appointed 4 July 2007.

(6) Appointed 2 January 2007.

(7) Resigned 4 July 2007.

(8) The cash bonus paid to Mr Cordin in 2007 was based on performance and represented 12% of his total remuneration. His annual performance appraisal was conducted by the Chairman. Mr Cordin was assessed based on his contribution to operational performance, risk management and company leadership.

Compensation Options: Granted and Vested During the Period (Consolidated)

No options vested or were granted during the year ended 31 December 2008.

Executive options vested and granted during the year ended 31 December 2007 were as follows:

	Granted	Terms & Conditions for each Grant						
12 months to 31 Dec 2007	No.	Grant Date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	First exercise date	Last exercise date	Vested during the year
Executives								
MD Naylor	500,000	8 Jun 2007	0.03	0.175	8 Jun 2012	8 Jun 2007	8 Jun 2012	500,000
N Edwards	500,000	8 Jun 2007	0.03	0.175	8 Jun 2012	8 Jun 2007	8 Jun 2012	500,000
HO Poyry	500,000	8 Jun 2007	0.03	0.175	8 Jun 2012	8 Jun 2007	8 Jun 2012	500,000
UO Kuronen	500,000	8 Jun 2007	0.03	0.175	8 Jun 2012	8 Jun 2007	8 Jun 2012	500,000
KE Marttala	500,000	8 Jun 2007	0.03	0.175	8 Jun 2012	8 Jun 2007	8 Jun 2012	500,000
Total	2,500,000							2,500,000

	Value of options granted during year	Value of options exercised during year	Value of options lapsed during year	% remuneration consisting of options for the year
Executives				
MD Naylor	16,904	-	-	7
N Edwards	16,904	-	-	10
HO Poyry	16,904	-	-	7
UO Kuronen	16,904	-	-	7
KE Marttala	16,904	-	-	3

Shares Issued on Exercise of Remuneration Options (Consolidated)

No Director or key management personnel exercised remuneration options in the year ended 31 December 2008 or 31 December 2007.

End of Remuneration Report.

DIRECTORS' REPORT (CONTINUED)

Directors' Meetings

The number of Directors' and Board Committee meetings held and the number of meetings attended by each of the Directors of the Company during the period were:

	Board		Audit and Risk Management		Remuneration and Nomination	
	Held	Attended	Held	Attended	Held	Attended
AE Daley	11	10	2	2	3	3
PG Cordin	11	11	-	-	3	3
MD Naylor(1)	5	5	-	-	-	-
TT Järvinen	11	7	-	-	-	-
MJ Mäkelä(2)	2	2	-	-	-	-
PL Munachen	11	11	2	2	3	3

(1) Appointed 1 July 2008.
(2) Appointed 13 November 2008.

The details of the functions of the other committees of the Board are presented in the Corporate Governance Statement.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and the consolidated entity are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the parent entity.

	12 months to 31 Dec 2008 $
Tax compliance services	17,884

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2008. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

PL Munachen
Director

18 March 2009

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Dragon Mining Limited, I state that:

1. In the opinion of the Directors:

(a) The financial statements and notes and the additional disclosures included in the Directors' report designated as audited of the Company and of the consolidated entity, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance, for the year ended on that date; and

(i) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration is made after receiving the declarations required to be made to Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2008.

This declaration is made in accordance with a resolution of the Board of Directors.

PL Munachen
Director

18 March 2009

CORORATE GOVERNANCE STATEMENT

The Board of Directors of Dragon Mining Limited is responsible for establishing the corporate governance framework of the consolidated entity having regard to the ASX Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has adopted the second edition of the "Corporate Governance Principles and Recommendations" established by the ASX Corporate Governance Council and published by the ASX in August 2007, other than in relation to the matter specified below.

Recommendation Reference	Notification of Departure	Explanation for Departure
4.2: The structure of the Audit Committee should consist of at least three members.	There are only two members of the Audit Committee.	Due to the structure and size of the Board and the location of the other independent Directors, the Audit and Risk Management Committee only has two members.

Unless otherwise stated, Dragon Mining Limited's corporate governance practices were in place throughout the year ended 31 December 2008.

There is a corporate governance section on the Company's website which sets out the various policies, charters and codes of conduct which have been adopted to ensure compliance with the principles and recommendations referred to above.

A description of the Company's main corporate governance practices are set out below.

THE BOARD OF DIRECTORS

Board Role and Responsibilities

In accordance with ASX Principle 1, the Board has established a "Statement of Board and Senior Executive Functions" which is available on the Company website. This outlines the functions reserved to the Board and those delegated to senior executives and demonstrates that the responsibilities and functions of the Board are distinct from senior executives.

The key responsibilities of the Board include:

- appointing and removing the Managing Director ("MD");
- where appropriate, ratifying the appointment and the removal of senior executives;
- providing input into and final approval of senior executives' development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- overseeing the management of safety and occupational health, environmental issues, native title, cultural heritage and community development;
- monitoring senior executives' performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- reviewing and approving remuneration of the MD and senior executives;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- appointment, re-appointing or removing the Company's external auditors (on the recommendation of the Audit and Risk Management Committee); and assuring itself that proper audit procedures are in place; and
- monitoring and overseeing the management of shareholder and community relations.

BOARD OF DIRECTORS (CONTINUED)

Board Composition

The Board is comprised of four Non-Executive Directors including the Chairman and two Executive Directors being the MD and Finance Director.

The table below sets out the detail of the tenure of each Director at the date of this report.

Director	Role of Director	First Appointed	Non-Executive	Independent
Andrew Edward Daley	Non-Executive Chairman	March 2005	Yes	Yes
Peter George Cordin	Managing Director	March 2006	No	No
Michael Dylan Naylor	Finance Director	July 2008	No	No
Toivo Tapani Järvinen	Non-Executive Director	December 2003	Yes	Yes
Markku Juhani Mäkelä	Non-Executive Director	November 2008	Yes	Yes
Peter Lawson Munachen	Non-Executive Director	March 2005	Yes	Yes

Details of the members of the Board including their experience, expertise and qualifications are set out in the Directors' Report under the heading "Directors".

Review of Performance of Senior Executives

Details of the performance review process for senior executives are set out in the Remuneration Report, which forms part of the Directors' Report.

STRUCTURE OF THE BOARD

Independence

As outlined in ASX Principle 2, Directors are expected to contribute independent views to the Board.

The Board has adopted specific principles in relation to the Directors' independence. These state that to be deemed independent, a Director must be a Non-Executive and:

- Not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- Not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Must have no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- Not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is based on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed to be material if knowledge of it impacts the shareholders' understanding of the Director's performance.

The Board has reviewed and considered the positions and associations of each of the six Directors in office at the date of this report and consider that four of the Directors are independent. Mr PG Cordin and Mr MD Naylor are not considered to be independent. As such the majority of the Board are independent and the Chairman is an independent Director.

STRUCTURE OF THE BOARD (CONTINUED)

Chairman and Managing Director

The roles of the Chairman and the MD are not exercised by the same individual. The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The Board has delegated responsibility for the day-to-day activities to the MD and senior executives. The Remuneration and Nomination Committee ensure that the Board members are appropriately qualified and experienced to discharge their responsibilities and have in place procedures to assess the performance of the MD and senior executives. The MD is accountable to the Board for all authority delegated to that position and senior executives.

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Board Evaluation Process

The Board reviews its performance and the performance of individual Directors (including the Managing Director), the committees of the Board, the Company and senior executives regularly (this is achieved with the assistance of the Remuneration and Nomination Committee). This is an important element of the Boards monitoring role, especially with regard to long term growth of the Company of shareholder value.

Due to the fact that the Company has six Directors, the costs associated with engaging an external consultant is not seen to be beneficial to the Company. As such, the Directors have agreed to undertake the performance evaluation process themselves.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee consists of two Non-Executive Directors, Mr AE Daley and Mr PL Munachen (Chairman) and one executive Director, Mr PG Cordin.

The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the MD and senior executives. The MD is excluded from determining his own salary. In addition, the Committee is responsible for reviewing the appropriateness of the size of the Board relative to its various responsibilities. Recommendations are made to the Board on these matters. Further roles and responsibilities of this Committee can be found in the Committee's charter which is posted on the Company website.

CODE OF CONDUCT

The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all Directors and employees of the consolidated entity. As such, the Company has developed a Code of Conduct which has been fully endorsed by the Board and applies to all Directors and employees. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety. The Directors and senior executives have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity. This concerns the propriety of decision making in conflict of interest situations and quality decision making for the benefit of shareholders.

Refer to the Company website for the specific Code of Conduct.

SECURITIES TRADING

The Board has adopted the "Security Dealings Policy" (refer website) (which is driven by the Corporations Act 2001 requirements) that applies to all Directors, officers and employees of the Company. Under this policy and the Corporations Act 2001, it is illegal for Directors, officers or employees who have price sensitive information relating to the Group which has not been published or which is not otherwise 'generally available' to:

- Buy, sell or otherwise deal in Company shares, convertible notes or options ("Company securities");
- Advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell Company securities; or
- Pass on information to any other person, if one knows or ought reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) Company securities.

CORPORATE REPORTING

In accordance with ASX Principle 7, the MD and Finance Director have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating efficiently in all material respects.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee consists of two Non-Executive Directors, Mr AE Daley and Mr PL Munachen (Chairman).

The Committee operates under a charter approved by the Board which is posted to the corporate governance section of the website. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records and identifying and controlling risks to ensure that they do not have a negative impact on the Company. The Committee also provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports.

The Audit and Risk Management Committee is also responsible for:

- Ensuring compliance with statutory responsibilities relating to accounting policy and disclosure;
- Liaising with, discussing and resolving relevant issues with the auditors;
- Assessing the adequacy of accounting, financial and operating controls;
- Reviewing half-year and annual financial statements before submission to the Board; and
- Overseeing risk management strategies in relation to gold hedging, currency hedging, debt management, capital management, cash management and insurance.

Annually the Board reviews the risks facing the Company, assesses these risks and ensures there are controls for these risks which are designed to reduce identified risk to an acceptable level. In accordance with the ASX Principle 7, the Board has established a Risk Management policy, available on the Company website, which is designed to safeguard the assets and interests of the Company and to ensure the integrity of reporting.

The MD and Finance Director will inform the Board annually in writing that:

- The sign off given on the financial statements is founded on a sound system of risk management and internal control compliance which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control systems is operating effectively and efficiently in all material respects.

EXTERNAL AUDITORS

The Company's current external auditors are Ernst & Young. As noted in the Audit and Risk Management Committee charter, the performance and independence of the auditors is reviewed by the Audit and Risk Management Committee.

Ernst & Young's existing policy requires that its audit team provide a statement as to their independence. This statement was received by the Audit and Risk Management Committee for the period ended 31 December 2008.

CONTINUOUS DISCLOSURE

In accordance with ASX Principle 5, the Board has an established disclosure policy which is available on the Company website.

The Company is committed to:

- Ensuring that stakeholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market about the Company's activities; and
- Complying with the obligations contained in ASX Listing Rules and the Corporations Act 2001 relating to continuous disclosure.

The MD, Finance Director and the Company Secretary have been nominated as the people responsible for communication with the ASX. This involves complying with the continuous disclosure requirements outlined in ASX Listing Rules, ensuring that disclosure with the ASX is co-ordinated and being responsible for administering and implementing the policy.

SHAREHOLDER COMMUNICATION

In accordance with ASX Principle 6, the Board has established a communications strategy which is available on the Company website.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary and kept informed of all major developments affecting the Company in a timely and effective manner. Information is communicated to the market and shareholders through:

- The annual report which is distributed to shareholders on request and is available as an interactive document on the Company's website, www.dragon-mining.com.au;
- Half yearly and quarterly reports and all ASX announcements which are posted on the Company website;
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate; and
- Continuous disclosure announcements made to the ASX.

Further, it is a CLERP 9 requirement that the auditor of the Company attends the annual general meeting. This provides shareholders the opportunity to question the auditor concerning the conduct of the audit and the preparation and content of the Auditor's Report.

REMUNERATION POLICIES

This policy governs the operations of the Remuneration and Nomination Committee. The Committee reviews and reassesses the policy at least annually and obtains the approval of the Board.

The details of the Directors' and executives' remuneration policies are provided in the Directors' Report under the heading "Remuneration Report".

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Entity 2008 $'000	Consolidated Entity 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Revenue from gold sales		69,980	45,489	-	-
Cash costs of production		(49,566)	(34,812)	-	-
Gross profit before depreciation and amortisation		20,414	10,677	-	-
Depreciation and amortisation	2(c)	(9,928)	(7,998)	-	-
Gross profit		10,486	2,679	-	-
Other revenue	2(a)	760	764	4,208	4,578
Other income	2(b)	306	407	-	3,643
Exploration expenditure written off		(7,054)	(154)	-	-
Development expenditure written off		(6,037)	(322)	-	-
Other expenses	2(e)	(2,986)	(3,738)	(10,701)	(20,249)
Loss before foreign exchange, derivatives, tax and finance costs		(4,525)	(364)	(6,493)	(12,028)
Finance costs	2(d)	(3,169)	(2,876)	(2,901)	(2,899)
Gain on buyback of convertible notes		1,267	-	-	-
Loss before foreign exchange, derivatives and tax		(6,427)	(3,240)	(9,394)	(14,927)
Foreign exchange – gains/(losses)		12,960	122	12,130	144
Derivatives – gains/(losses)	2(f)	1,634	(217)	-	-
Profit/(loss) before tax		8,167	(3,335)	2,736	(14,783)
Income tax benefit/(expense)	3	(627)	5,419	-	-
Profit/(loss) after income tax		7,540	2,084	2,736	(14,783)
Attributable to:					
Minority interest	18	1	4	-	-
Members of the Parent		7,539	2,080	2,736	(14,783)
Earnings per share (cents per share)					
Basic earnings per share	22	1.02	0.38		
Diluted earnings per share	22	1.02	0.38		

The above Income Statement should be read in conjunction with the accompanying notes

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Consolidated Entity		Parent Entity	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT ASSETS					
Cash and cash equivalents	4	8,534	7,975	4,564	2,591
Trade and other receivables	5	9,907	4,775	22	19
Inventories	6	6,156	4,174	-	-
Other assets	11	409	372	45	35
TOTAL CURRENT ASSETS		25,006	17,296	4,631	2,645
NON-CURRENT ASSETS					
Trade and other receivables	5	-	-	59,007	57,475
Property, plant and equipment	9	10,788	12,325	8	11
Mineral exploration costs	10	29,269	25,779	-	-
Development costs	10	10,398	17,890	463	771
Investments and other financial assets	7	-	-	4,402	4,402
Deferred tax assets	3	4,857	5,147	-	-
Other assets	11	4,603	3,378	-	-
TOTAL NON-CURRENT ASSETS		59,915	64,519	63,880	62,659
TOTAL ASSETS		84,921	81,815	68,511	65,304
CURRENT LIABILITIES					
Trade and other payables	12	9,827	6,101	867	824
Interest bearing loans and borrowings	13	1,129	25	-	-
Provisions	14	1,443	846	67	76
Derivative financial instruments	29	3,245	4,771	-	-
Other liabilities	15	-	110	-	-
TOTAL CURRENT LIABILITIES		15,644	11,853	934	900
NON-CURRENT LIABILITIES					
Trade and other payables	12	-	95	-	-
Interest-bearing loans and borrowings	13	19,928	23,575	23,955	23,540
Provisions	14	5,175	4,453	73	51
Other liabilities	15	11	10	-	-
TOTAL NON-CURRENT LIABILITIES		25,114	28,133	24,028	23,591
TOTAL LIABILITIES		40,758	39,986	24,962	24,491
NET ASSETS		44,163	41,829	43,549	40,813
EQUITY					
Contributed equity	16	103,488	103,488	103,488	103,488
Reserves	17	(3,903)	1,303	2,779	2,779
Accumulated losses		(55,431)	(62,970)	(62,718)	(65,454)
Total parent entity interest		44,154	41,821	43,549	40,813
Minority interest	18	9	8	-	-
TOTAL EQUITY		44,163	41,829	43,549	40,813

The above Balance Sheet should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2008

	Attributable to Equity Holders of the Parent					
	Contributed Equity	Accumulated Losses	Reserves	Total	Minority Interests	Total Equity
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2007	71,677	(65,050)	1,532	8,159	4	8,163
Currency translation differences	-	-	(432)	(432)	-	(432)
Total expense for the period recognised directly in equity	-	-	(432)	(432)	-	(432)
Profit for the period	-	2,080	-	2,080	4	2,084
Total recognised income and expense for the period	-	2,080	(432)	1,648	4	1,652
Issue of capital	33,384	-	-	33,384	-	33,384
Share capital issue costs recognised directly in equity	(1,573)	-	-	(1,573)	-	(1,573)
Share based payment	-	-	203	203	-	203
At 31 December 2007	103,488	(62,970)	1,303	41,821	8	41,829
Currency translation differences	-	-	(5,206)	(5,206)	-	(5,206)
Total expense for the period recognised directly in equity	-	-	(5,206)	(5,206)	-	(5,206)
Profit for the period	-	7,539	-	7,539	1	7,540
Total recognised income and expense for the period	-	7,539	(5,206)	2,333	1	2,334
At 31 December 2008	103,488	(55,431)	(3,903)	44,154	9	44,163
Parent						
At 1 January 2007	71,677	(50,671)	2,576	23,582	-	23,582
Loss for the period	-	(14,783)	-	(14,783)	-	(14,783)
Total recognised income and expense for the period	-	(14,783)	-	(14,783)	-	(14,783)
Issue of capital	33,384	-	-	33,384	-	33,384
Share capital issue costs recognised directly in equity	(1,573)	-	-	(1,573)	-	(1,573)
Share based payment	-	-	203	203	-	203
At 31 December 2007	103,488	(65,454)	2,779	40,813	-	40,813
Profit for the period	-	2,736	-	2,736	-	2,736
Total recognised income and expense for the period	-	2,736	-	2,736	-	2,736
At 31 December 2008	103,488	(62,718)	2,779	43,549	-	43,549

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2008

	Note	Consolidated Entity		Parent Entity	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Receipts from customers		64,978	42,250	-	-
Payments to suppliers and employees		(50,751)	(36,566)	(1,904)	(1,831)
Interest received		528	524	177	333
Interest expenses		(2,706)	(2,463)	(2,484)	(2,486)
Payment of environmental bonds		(952)	(589)	-	-
Net Operating Cash Flows	4	11,097	3,156	(4,211)	(3,984)
Cash flows from investing activities					
Payments for property, plant and equipment		(1,442)	(1,409)	(4)	(4)
Proceeds from sale of property, plant and equipment		9	413	-	2
Proceeds from sale of available-for-sale financial assets		-	2,051	-	-
Payments for mineral exploration		(6,908)	(4,496)	-	-
Payments for development		(1,529)	(8,472)	-	-
Advances from/(to) controlled entities		-	-	6,152	(30,894)
Repayments from other entities		-	734	-	734
Net Investing Cash Flows		(9,870)	(11,179)	6,148	(30,162)
Cash flows from financing activities					
Buyback of convertible notes		(2,770)	-	-	-
Proceeds from short-term factoring facility		1,103	-	-	-
Repayment of bank loans		(25)	(187)	-	-
Proceeds from issue of shares		-	33,384	-	33,384
Share issue costs		-	(1,573)	-	(1,573)
Partial close-out of derivative book		-	(26,895)	-	-
Purchase of call option		-	(275)	-	-
Net Financing Cash Flows		(1,692)	4,454	-	31,811
Net increase/(decrease) in cash and cash equivalents		(465)	(3,569)	1,937	(2,335)
Cash and cash equivalents at the beginning of the period		7,975	11,553	2,591	4,783
Effects of exchange rate changes on cash and cash equivalents		1,024	(9)	36	143
Cash and cash equivalents at the end of the period	4	8,534	7,975	4,564	2,591

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

The financial report of Dragon Mining Limited(the "consolidated entity" or "Group") for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors on 18 March 2009.

Dragon Mining Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on the Australian Securities Exchange.

The nature of operations and principal activities of the Group are described in the Directors' Report.

(b) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments measured at fair value through profit and loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The consolidated accounts have been prepared on the going concern basis of accounting, which assumes that the consolidated entity will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

(c) Compliance Statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Dragon Mining Limited and its subsidiaries (the "consolidated entity" or "Group") as at the end of each reporting period.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date which control is transferred out of the consolidated entity.

Investments in subsidiaries held by Dragon Mining Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Minority interests represent a portion of profit or loss and net assets in Kivijarvi OAO, a subsidiary of Polar Mining Oy, not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue Recognition (continued)

Bullion and Concentrate sales

Revenue is recognised when the risk has passed from the Group to an external party and the selling price can be determined with reasonable accuracy. Sales revenue represents gross proceeds receivable from the customer. Certain sales are initially recognised at estimated sales value when the bullion/gold concentrate is dispatched. Adjustments are made for variations in commodity price, assay and weight between the time of dispatch and time of final settlement.

Revenue from the sale of by-products such as silver is included in sales revenue.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(f) Income Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and for unused tax losses.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

Tax consolidation legislation

Dragon Mining Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Foreign Currency Transactions and Balances

Functional & Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is Dragon Mining Limited's functional and presentation currency.

Transaction & Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any monetary items that form part of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Trade and Other Receivables

Trade receivables, which generally have 45 to 60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the transaction. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default are considered indicators that the trade receivable is impaired. The amount of the

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and Other Receivables (continued)

provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Receivables from related parties are recognised and carried at the nominal amount due. Where interest is charged it is taken up as income in profit and loss and included in other income.

(j) Inventories

Finished goods, gold concentrate, gold in circuit and stockpiles of unprocessed ore have been valued at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to gold concentrate stockpiles, unprocessed ore stockpiles and gold in circuit items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

(k) Property, Plant and Equipment

Cost and Valuation

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land. The depreciation rates used for each class of depreciable assets are:

Mining plant and equipment	10-33%
Other plant and equipment	5-50%
Buildings	4-33%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount through the income statement.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, Plant and Equipment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit). A reversal of impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carry amount of the asset) is included in the income statement in the year the asset is derecognised.

(l) Joint Ventures

The consolidated entity's share of the assets, liabilities and expenses of jointly controlled assets are included in the appropriate items of the consolidated balance sheet and income statement.

The consolidated entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in the joint venture entities are brought to account using the cost method.

(m) Exploration & Development Expenditure

Areas in Exploration and Evaluation

Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area of interest are current and provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

Areas in Development

Areas in development represent the costs incurred in preparing mines for production. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining leases.

Periodically, pre-strip and waste removal costs are incurred to enable mining of a new resource or a substantial re-design of a current pit. These pre-strip costs are deferred and amortised over the remaining life of the particular pit in accordance with the life of the pit strip ratio.

(n) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments and Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through the income statement, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost, computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date.

Purchases and sales of investments are recognised on trade-date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments and Other Financial Assets (continued)

the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(p) Recoverable Amount of Non-Financial Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

(q) Trade and Other Payables

Trade and other payables are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(r) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Employee Benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with "wages, salaries and annual leave" above. The liability for long service leave expected to be settled more than 12 months from the reporting date

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee Benefits (continued)

is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments

Equity-based compensation plans are provided to employees via the Group's share option plan. Under AASB 2 Share Based Payments, the Group determines the fair value of options issued to Directors, executives and members of staff as remuneration and recognises that amount as an expense in the income statement over the vesting period with a corresponding increase in equity.

The fair value at grant date is determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Superannuation

Contributions made by the Group to employee superannuation funds are charged to the income statement in the period employees' services are provided.

(t) Restoration and Rehabilitation Costs

The consolidated entity records the present value of the estimated cost of legal and constructive obligations (such as those under the consolidated entity's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwinding of the effect of discounting on the provision is recorded as a finance cost in the income statement. The carrying amount capitalised is depreciated over the life of the related asset.

(u) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred, except where borrowing costs incurred are directly associated with the construction, purchase or acquisition of a qualifying asset, in which case the borrowing costs are capitalised as part of the cost of the asset.

(v) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Interest-Bearing Loans and Borrowings (continued)

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(w) Derivative Financial Instruments

Derivative financial instruments are used by the consolidated entity to manage exposures to gold prices and exchange rates. The consolidated entity does not apply hedge accounting.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately.

(x) Convertible Notes

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Interest on the liability component of the convertible note is recognised as an expense in the income statement.

(y) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which effectively transfer to the consolidated entity all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the consolidated entity is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction in the lease liability.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charges directly against income. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiation of an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement over the lease term.

(z) Earnings per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(ab) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ac) Significant Accounting Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus. IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(ad) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Mine Rehabilitation provision

The consolidated entity assesses its mine rehabilitation provision half-yearly in accordance with the accounting policy stated in note 1(t). Significant judgment is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known, which in turn would impact future financial results.

Fair valuations of derivative financial instruments

The Group assesses the fair value of its forward gold sale agreements and foreign exchange contracts in accordance with the accounting policy note stated in note 1(w). Fair values have been determined based on well established valuation models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in the assumptions concerning interest rates, gold prices and volatilities could have significant impact on the fair valuation attributed to the Group's forward gold sale agreements and foreign exchange contracts. When these assumptions change or become known in the future, such differences will impact asset/liability carrying values and profit and loss in the period in which they change or become known.

Impairment of assets

The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value in use and fair value less costs to sell.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Significant Accounting Estimates and Assumptions (continued)

Given the nature of the consolidated entity's mining activities, future changes in long term assumptions upon which these estimates are based, may give rise to material adjustments to the carrying value of the CGU. This could lead to a reversal of part, or all, of impairment losses recorded during the year, or the recognition of additional impairment losses in the future (refer to note 31 for details of impairment losses). The inter-relationships of the significant assumptions upon which estimated future cash flows are based, however, are such that it is impractical to disclose the extent of the possible effects of a change in a key assumption in isolation. Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of each CGU, relatively modest changes in one or more assumptions could require a material adjustment to the carrying value of the related non-current assets within the next reporting period.

Write-downs of loans to controlled entities are based upon the net assets of the Company's subsidiaries.

Income taxes

The consolidated entity is subject to income taxes in Australia, Sweden and Finland. The Group's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investment, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Exploration expenditure

Expenditure and development expenditure that does not form part of the cash generating units assessed for impairment has been carried forward on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable reserves are not assessed as being present, this expenditure will be expensed to the income statement.

Life-of-mine stripping ratio

The Group has adopted a policy of deferring production stage stripping costs and amortising them in accordance with the life-of-mine strip ratio. Significant judgment is required in determining this ratio for each mine. Factors that are considered include:

- any proposed changes in the design of the mine;
- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Share-based payments

The Group measures the cost of cash settled transactions with employees by reference to the fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 28(b).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) New Accounting Standards and Interpretations

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 31 December 2008, and no change to the Group's accounting policy is required:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	AASB 8 will result in significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance.	1 January 2009	The Group has not yet determined the impact on the Group's financial statements.	1 January 2009
Revised AASB 123	Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	The revised AASB 123 has removed the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	The Group's accounting policy is currently to capitalise all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, so there will be no impact on the Group.	1 January 2009
AASB 101	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet, this one being as at the beginning of the comparative period.	1 January 2009	The Group has not yet determined the impact on the Group's financial statements.	1 January 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the terms 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 January 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-2	Amendment to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 January 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, now will it give rise to a gain or a loss in the Group's income statement.	1 January 2010
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 January 2010
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in the recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	If the Group were to enter into a business combination(s) during the next financial year it may consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 January 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB indentified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effectively from 1 July 2009	The Group has not yet determined the impact of the amendments, if any.	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Group has not yet determined the impact on the Group's financial statements.	1 January 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners and consequential amendments to other Australian Accounting Standards	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	The Group has not yet determined the impact on the Group's financial statements.	1 January 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognized by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 January 2009

The new and revised Accounting Standards and Interpretations mandatory for the period beginning 1 January 2008 have been adopted but have no impact on the Group's accounting policies.

2 REVENUE AND EXPENSES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Other revenue				
Finance revenue	528	465	4,058	4,508
Management fees	-	-	150	70
Rent and service income	232	299	-	-
	760	764	4,208	4,578
Breakdown of finance revenue				
Bank and external interest	528	465	177	273
Subsidiaries	-	-	3,881	4,235
	528	465	4,058	4,508
(b) Other income				
Gain on sale of plant and equipment	9	148	-	2
Loan from subsidiary forgiven	-	-	-	3,641
Other	297	259	-	-
Total other income	306	407	-	3,643
(c) Depreciation and amortisation				
Depreciation of mine properties, plant and equipment	4,036	3,618	-	-
Amortisation of development costs	5,892	4,380	-	-
	9,928	7,998	-	-
(d) Finance costs				
Interest	2,707	2,463	2,487	2,486
Non-cash interest on convertible notes	414	413	414	413
Other	48	-	-	-
	3,169	2,876	2,901	2,899
(e) Other expenses				
Management and administration expenses	2,486	3,119	1,713	1,763
Depreciation of non-mine site assets	154	127	7	7
Exploration expensed	325	34	-	-
Amortisation of development costs	-	-	308	309
Impairment of plant and equipment	21	169	-	-
Fair value change of held-for-trading investments	-	289	-	-
Write down of subsidiary loans	-	-	8,673	15,152
Write off of investment in subsidiary	-	-	-	3,018
	2,986	3,738	10,701	20,249

2 REVENUE AND EXPENSES (CONTINUED)

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(f) Derivatives				
Gain on gold forward contracts	1,634	58	-	-
Call option expense	-	(275)	-	-
	1,634	(217)	-	-
(g) Employee benefits				
Wages and salaries	9,489	7,540	851	792
Defined contribution superannuation expense	1,378	1,209	72	63
Share-based payments expense	-	204	-	34
Other employee benefits	1,182	970	24	65
	12,049	9,923	947	954
(h) Lease payments included in income statement				
Minimum lease payments – operating leases	642	171	-	-
	642	171	-	-

3 INCOME TAX

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
The major components of income tax are:				
Income statement				
Current income tax				
Current income tax charge	-	-	-	-
Deferred income tax				
Relating to utilisation/(recognition) of tax losses	627	(5,419)	-	-
Income tax expense/(benefit) reported in the income statement	627	(5,419)	-	-
Amounts charged or credited directly to equity				
Share issue costs	-	(472)	-	(472)
Unrecognised tax losses	-	472	-	472
Income tax benefit reported in equity	-	-	-	-
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit/(loss) before income tax	8,167	(3,335)	2,736	(14,783)
At the Group's statutory income tax rate of 30% (2007: 30%)	2,450	(1,000)	821	(4,435)
Share based payments	-	61	-	10
Unrealised foreign exchange	(3,639)	-	(3,639)	-
Effect of different rates of tax on overseas income	368	177	-	-
Non-deductible exploration expenditure written off	1,103	-	-	-
Gain on purchase of convertible notes	(380)	-	-	-
Provision for non-recoverability of intercompany loans	-	-	2,602	4,554
Investment in subsidiary written off	-	-	-	905
Other	118	49	35	49
Forgiveness of debt	-	-	-	(1,083)
Previously unrecognised tax losses booked	-	(5,419)	-	-
Tax losses not brought to account	607	713	181	-
Income tax expense/(benefit) reported in the income statement	627	(5,419)	-	-

3 INCOME TAX (CONTINUED)

	Balance Sheet		Income Statement	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deferred income tax				
Deferred income tax at reporting date relates to the following:				
CONSOLIDATED				
Deferred tax assets				
Share issue costs	346	560	214	253
Convertible note issue costs	188	277	89	89
Convertible note interest	188	188	-	-
Leave entitlements	42	38	(4)	(16)
Rehabilitation provision	597	450	(147)	(123)
Property, plant and equipment	2	1	(1)	10
Exploration expenditure	878	-	(878)	-
Unrealised losses on gold forward contracts	627	1,336	709	7,518
Other	43	18	(25)	2
Tax asset utilised to offset deferred tax liabilities	(653)	(986)	(333)	(57)
Recognised tax losses	4,857	5,419	627	(5,419)
Unrecognised deferred tax assets	(2,258)	(2,154)	376	(7,367)
Gross deferred tax assets	4,857	5,147		
Deferred tax liabilities				
Prepayments	(14)	(11)	3	2
Capitalised exploration expenditure	(377)	(589)	(212)	(244)
Convertible note borrowing costs	(262)	(386)	(124)	(124)
Deferred tax asset netted off against deferred tax liability	653	986	333	57
Gross deferred tax liabilities	-	-		
Deferred tax expense/(benefit)			627	(5,419)
PARENT				
Deferred tax assets				
Share issue costs	346	560	214	253
Convertible note issue costs	188	277	89	89
Convertible note interest	188	188	-	-
Leave entitlements	42	38	(4)	(16)
Property, plant and equipment	2	1	(1)	10
Other	43	18	(25)	2
Tax asset utilised to offset deferred tax liabilities	(415)	(628)	(213)	(214)
Unrecognised deferred tax assets	(394)	(454)	(60)	(124)
Gross deferred tax assets	-	-		
Deferred tax liabilities				
Prepayments	(14)	(11)	3	2
Capitalised exploration expenditure	(139)	(231)	(92)	(92)
Convertible note borrowing costs	(262)	(386)	(124)	(124)
Deferred tax asset netted off against deferred tax liability	415	628	213	214
Gross deferred income tax liabilities	-	-		
Deferred tax expense/(benefit)			-	-

3 INCOME TAX (CONTINUED)

Future benefits of tax losses total approximately $18,383,810 (2007: $14,243,000) (consolidated) and $2,995,688 (2007: $2,719,000) (parent). Only benefits to the extent of the projected profit over the life of mine at Dragon Mining (Sweden) AB, totalling $4,857,000, have been brought to account. The consolidated and parent entities have available capital losses at a tax rate of 30% amounting to $3,767,101 (2007: $3,767,101).

The benefits of the tax losses will only be obtained by the companies if:

- they continue to comply with the provisions of the Income Tax Legislation relating to the deduction of losses of prior periods;
- they earn sufficient assessable income to enable the benefits of the deductions to be realised; and
- there are no changes in Income Tax Legislation adversely affecting the Company's ability to realise the benefits.

Tax consolidation

Effective July 1 2003, for the purpose of income taxation, Dragon Mining Limited and its 100% Australian owned subsidiaries formed a tax consolidation group. Members of the group have entered into a tax sharing and funding arrangement whereby each entity in the tax consolidated group has agreed to pay a tax equivalent amount to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group. For the year ended 31 December 2008, there are no tax consolidation contribution adjustments (2007: nil). The nature of the tax funding arrangement for the Dragon Mining Limited tax consolidated group is such that no tax consolidation contributions by (or distributions to) equity participants would be expected to arise. The head entity of the tax consolidation group is Dragon Mining Limited. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

4 CASH AND CASH EQUIVALENTS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank and on hand	5,751	7,938	1,781	2,554
Short-term deposits	2,783	37	2,783	37
	8,534	7,975	4,564	2,591

Cash at bank earns interest at floating rates based on daily deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is $8,533,523.

4 CASH AND CASH EQUIVALENTS (CONTINUED)

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Net profit/(loss) after tax	7,539	2,080	2,736	(14,783)
Adjustments for:				
- Depreciation and amortisation	10,082	8,125	315	316
- Impairment of plant and equipment	21	169	-	-
- Exploration expenditure written off	7,054	154	-	-
- Development expenditure written off	6,037	322	-	-
- Group loans provided for	-	-	8,673	15,152
- Loan from subsidiary forgiven	-	-	-	(3,641)
- Investment in subsidiary written off	-	-	-	3,018
- Gain on gold forward contracts	(1,634)	(58)	-	-
- Net foreign currency gains	(12,960)	(122)	(12,130)	(144)
- Gain on buyback of convertible notes	(1,267)	-	-	-
- Net profit on disposal of property, plant and equipment	(9)	(148)	-	(2)
- Net profit on disposal of investment	-	(64)	-	-
- Purchase of call option	-	275	-	-
- Fair value change on held-for-trading investments	-	289	-	-
- Tax	627	(5,419)	-	-
- Share option expenses	-	203	-	34
- Non-cash interest on convertible notes	414	413	414	413
- Movement in minority interest	1	4	-	-
Changes in assets and liabilities				
- (Increase) in receivables	(5,132)	(2,329)	(384)	(200)
- (Increase) in interest receivable	-	-	(3,881)	(4,235)
- (Increase)/decrease in other current assets	(37)	133	(10)	(4)
- (Increase) in inventories	(1,982)	(1,827)	-	-
- Increase/(decrease) in trade creditors and accruals	1,724	140	43	41
- Increase in provisions	619	816	13	51
Net operating cash flows	11,097	3,156	(4,211)	(3,984)

5 TRADE AND OTHER RECEIVABLES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Trade debtors [(i)]	8,137	3,034	-	-
Other debtors [(ii)]	1,667	1,537	22	19
Bullion on hand	103	204	-	-
	9,907	4,775	22	19
Non-current				
Receivables from controlled entities [(iii)]	-	-	115,116	104,911
Allowance for doubtful debts	-	-	(56,109)	(47,436)
	-	-	59,007	57,475
Movements in allowance for doubtful debts				
Balance at the beginning of period	-	-	47,436	32,494
Charge for the year	-	-	8,673	15,152
Amounts written off	-	-	-	(210)
Balance at the end of the period	-	-	56,109	47,436

(i) Trade debtors are non-interest-bearing and generally on 45-60 day terms.
(ii) Other debtors are non-interest bearing and generally on 30 day terms.
(iii) For terms and conditions relating to receivables from controlled entities refer to note 23.

No current receivables are past due or impaired.

6 INVENTORIES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Work in progress – at cost				
- Ore and concentrate stockpiles	3,027	977	-	-
- Gold in circuit	1,632	1,978	-	-
Raw materials and stores – at cost	1,497	1,219	-	-
	6,156	4,174	-	-

7 INVESTMENTS AND OTHER FINANCIAL ASSETS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-current				
At cost				
- Shares in subsidiaries – unlisted	-	-	12,519	12,519
- Allowance for write-down	-	-	(8,117)	(8,117)
	-	-	4,402	4,402

8 INVESTMENTS IN SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding		Cost of Parent Entity's Investment	
			2008 %	2007 %	2008 $'000	2007 $'000
Dragon Resources Ltd	Australia	Ord	100	100	5,097	5,097
Less: Provision for diminution in value					(5,097)	(5,097)
					-	-
Dragon Mining (Eritrea) Ltd	Australia	Ord	100	100	-	-
Dragon Mining Investments Pty Ltd	Australia	Ord	100	-	-	-
Dragon Mining (Sweden) AB	Sweden	Ord	80	80	2,844	2,844
Viking Gold & Prospecting AB	Sweden	Ord	100	100	-	-
Polar Mining Oy	Finland	Ord	100	100	4,578	4,578
Less: allowance for impairment					(3,020)	(3,020)
					4,402	4,402
Kivijärvi OAO	Russia	Ord	84.98	84.98	-	-
					4,402	4,402

9 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Land				
At cost	1,710	1,471	-	-
	1,710	1,471	-	-
Buildings				
At cost	1,580	1,068	-	-
Less accumulated depreciation	(591)	(294)	-	-
	989	774	-	-
Mine properties, plant and equipment				
At cost	24,982	22,139	54	50
Less accumulated depreciation	(16,893)	(12,059)	(46)	(39)
	8,089	10,080	8	11
Total property, plant and equipment	10,788	12,325	8	11

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Land				
Carrying amount at beginning of period	1,471	1,451	-	-
Additions	-	31	-	-
Net foreign exchange movement	239	(11)	-	-
Carrying amount at end of period	1,710	1,471	-	-
Buildings				
Carrying amount at beginning of period	774	604	-	-
Additions	329	274	-	-
Depreciation	(229)	(102)	-	-
Impairment	(10)	-	-	-
Net foreign exchange movement	125	(2)	-	-
Carrying amount at end of period	989	774	-	-
Mine properties, plant and equipment				
Carrying amount at beginning of period	10,080	13,392	11	14
Additions	1,113	1,104	4	4
Disposals	-	(254)	-	-
Impairment	(11)	(169)	-	-
Reclassification from development costs	94	-	-	-
Depreciation	(3,961)	(3,643)	(7)	(7)
Net foreign exchange movement	774	(350)	-	-
Carrying amount at end of period	8,089	10,080	8	11

Impairment Loss

The impairment loss represents the write down of certain property, plant and equipment to recoverable amount under AASB 136 "Impairment of Assets" (refer to note 1 and note 31).

Borrowing Costs

There are no borrowing costs capitalised into the cost of property, plant and equipment held on the balance sheet as at 31 December 2008 (2007: nil).

Property, Plant and Equipment Pledged as Security for Liabilities

Property, plant and equipment is encumbered to the extent set out in Notes 13 and 29(f).

10 MINERAL EXPLORATION AND DEVELOPMENT COSTS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Exploration and evaluation				
Balance at beginning of financial period	25,779	21,267	-	-
Current period expenditure	6,583	4,462	-	-
Expenditure written off [(i)]	(7,054)	(188)	-	-
Transfers to development	(375)	-	-	-
Net foreign exchange movement	4,336	238	-	-
Total exploration expenditure	29,269	25,779	-	-
Development				
Balance at beginning of financial period	17,890	15,282	771	1,080
Current period expenditure	1,529	8,472	-	-
Expenditure written off [(i)]	(6,037)	(322)	-	-
Transfers from exploration	375	-	-	-
Reclassification to property, plant & equipment	(94)	-	-	-
Amortisation	(5,892)	(4,380)	(308)	(309)
Movement in deferred waste	1,681	(1,138)	-	-
Net foreign exchange movement	946	(24)	-	-
Total development expenditure	10,398	17,890	463	771
Total mineral exploration and development expenditure	39,667	43,669	463	771

(i) Refer to note 31(b) for details of expenditure written off.

The costs deferred in respect of exploration and development expenditure are dependent upon successful development and commercial exploitation of the respective area of interest.

Borrowing Costs

There are no borrowing costs capitalised into the cost of mineral exploration and development costs held on the balance sheet as at 31 December 2008 (2007: nil).

11 OTHER ASSETS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Prepayments	409	317	45	35
Environmental bonds receivable	-	55	-	-
	409	372	45	35
Non-current				
Environmental bonds receivable	4,603	3,354	-	-
Other assets	-	24	-	-
	4,603	3,378	-	-

The environmental bonds relate to cash that has been deposited with Swedish and Finnish government authorities.

12 TRADE AND OTHER PAYABLES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Trade payables and accruals	9,827	6,101	867	824
Non-current				
Other payables	-	95	-	-

Trade payables are non-interest bearing and are normally settled on 30 day terms. For terms and conditions relating to related party loans, refer to note 23.

13 INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Consolidated Entity		Parent Entity	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current					
Bank loans (i)	2010	26	25	-	-
Factoring facility drawn down (ii)		1,103	-	-	-
		1,129	25	-	-
Non-current					
Bank loans (i)	2010	10	35	-	-
Convertible notes (iii)	2011	19,918	23,540	23,955	23,540
		19,928	23,575	23,955	23,540

(i) This loan was used to purchase plant and machinery at Svartliden and is secured over the plant and machinery that was acquired as part of this loan.

(ii) In Finland, there is a minimum six week delay between shipment of gold concentrate and payment by the refiner. In order to access funds for working capital, the Company established a factoring facility where funds can be drawn down from Nordea Bank for up to a maximum of 75% of gold concentrate delivered to the refiner. Interest is payable at Euribor plus a credit margin of 1.30% on funds drawn down. In addition the facility attracts a collateral management fee and a credit insurance fee which insures 90% of the nominal value of an assigned invoice.

(iii) 23,645,289 convertible notes were issued in 2006 at $1.05 per note. The notes have a 10% coupon rate and are redeemable or convertible into ordinary shares in February 2011 on the basis of 6 shares for 1 convertible note. The convertible note is secured by a second ranking deed of fixed and floating security but does not include certain Finnish assets or any foreign securities held by Dragon Mining Limited. Dragon Mining Investments Pty Ltd, a wholly owned subsidiary of Dragon Mining, purchased 4,086,000 Dragon Mining convertible notes ("Notes") in late December. The Company paid $2,770,330 to repurchase Notes with a "face value" of $4,290,300.

14 PROVISIONS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Employee entitlements	1,443	846	67	76
Non-current				
Employee entitlements	73	51	73	51
Rehabilitation	5,102	4,402	-	-
	5,175	4,453	73	51

	Rehabilitation $'000
Balance at 1 January 2008	4,402
Rehabilitation borrowing cost unwound	173
Utilised	-
Net foreign exchange movement	527
Balance at 31 December 2008	5,102

A provision for rehabilitation is recorded in relation to the gold mining operations for the rehabilitation of the disturbed mining area to a state acceptable to various Swedish and Finnish authorities. While rehabilitation is ongoing, final rehabilitation of the disturbed mining area is not expected until the cessation of mining.

Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted based on rates that reflect current market assessments and the risks specific to that liability.

Rehabilitation provisions are subject to an inherent amount of uncertainty in both timing and amount and as a result are continuously monitored and revised.

15 OTHER LIABILITIES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Accrued derivatives fee income	-	110	-	-
Non-current				
Other	11	10	-	-

16 CONTRIBUTED EQUITY

	2008	2007	2008	2007
	Thousands of Shares		$'000	$'000
Share Capital				
Ordinary shares, fully paid	737,345	737,345	103,488	103,488

Ordinary shares have the right to receive dividends as declared and entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The Company has granted options to Directors and executives to subscribe for the Company's shares. Details of the options are provided at note 28.

(a) Ordinary Shares Movements During the Period

	2008	2007	2008	2007
	Thousands of shares		$'000	$'000
Balance at beginning of period	737,345	440,394	103,488	71,677
Shares issued:				
At $0.10 per share for cash pursuant to a placement	-	51,000	-	5,100
At $0.115 per share for cash pursuant to a rights issue	-	245,951	-	28,284
Transaction costs arising from share issues	-	-	-	(1,573)
	737,345	737,345	103,488	103,488

(b) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group monitors the adequacy of capital by analysing cash flow forecasts over the term of the life of mine for each of its projects. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The gearing ratio is calculated as net debt (including convertible notes) divided by total capital. Net debt is defined as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Balance Sheet (including minority interest) plus net debt.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
Gearing ratio	47%	59%	57%	61%

The Group is not subject to any externally imposed capital requirements.

17 RESERVES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Foreign currency translation reserve (i)	(6,682)	(1,476)	-	-
Option reserve (ii)	711	711	711	711
Convertible note premium reserve (iii)	2,068	2,068	2,068	2,068
	(3,903)	1,303	2,779	2,779
(i) Movements in foreign currency translation reserve				
Balance at the beginning of period	(1,476)	(1,044)	-	-
Translation of foreign entities' balance sheets	(5,206)	(432)	-	-
Balance at the end of period	(6,682)	(1,476)	-	-
(ii) Movements in option reserve				
Balance at the beginning of period	711	508	711	508
Value of options vested	-	203	-	203
Balance at the end of the period	711	711	711	711
(iii) Movements in convertible note premium reserve				
Balance at the beginning of period	2,068	2,068	2,068	2,068
Balance at the end of the period	2,068	2,068	2,068	2,068

Nature and Purpose of Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Option Reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 28 for further details of these benefits.

Convertible Note Premium Reserve

The convertible note premium reserve is used to record the equity component of the convertible notes.

18 MINORITY INTEREST IN CONTROLLED ENTITIES

	2008 $'000	2007 $'000
Minority interest comprises:		
- Share capital	4	4
- Accumulated profit	4	-
- Current profit for the period	1	4
	9	8

19 DIVIDENDS PAID OR PROVIDED FOR

There were no dividends paid or provided for during the period.

20 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Directors

AE Daley	Chairman (non-executive)
PG Cordin	Managing Director
MD Naylor	Finance Director (appointed 1 July 2008)
TT Järvinen	Director (non-executive)
MJ Mäkelä	Director (non-executive) (appointed 13 November 2008)
PL Munachen	Director (non-executive)

Executives

PA Collinson	Company Secretary
NM Edwards	Chief Geologist
HO Pöyry	Manager Operations - Polar Mining Oy
UO Kuronen	Manager Geology - Polar Mining Oy
KE Marttala	Manager Operations - Dragon Mining (Sweden) AB

There were no changes to Directors or key management personnel after reporting date and prior to the date when the financial report was authorised for issue.

(b) Compensation of Key Management Personnel

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Key Management Personnel				
Short-term	1,689,323	1,650,612	948,273	927,681
Post-employment	248,512	311,784	66,532	61,155
Other long term benefits	2,679	2,672	2,679	2,672
Share-based payment	-	84,520	-	33,808
	1,940,514	2,049,588	1,017,484	1,025,316

20 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(c) Option Holdings of Key Management Personnel

	Balance at beginning of period 1 January 2008	Granted as remuneration	Options exercised	Forfeited	Balance at end of period 31 December 2008	Vested as at 31 December 2008	
						Exercisable	Not Exercisable
Directors							
AE Daley	2,000,000	-	-	-	2,000,000	-	-
PG Cordin	4,000,000	-	-	-	4,000,000	4,000,000	-
MD Naylor (i)	1,000,000	-	-	-	1,000,000	1,000,000	-
TT Järvinen	1,000,000	-	-	-	1,000,000	-	-
MJ Mäkelä (ii)	-	-	-	-	-	-	-
PL Munachen	1,000,000	-	-	-	1,000,000	-	-
Executives							
NM Edwards	500,000	-	-	-	500,000	500,000	-
HO Pöyry	500,000	-	-	-	500,000	500,000	-
UO Kuronen	500,000	-	-	-	500,000	500,000	-
KE Marttala	500,000	-	-	-	500,000	500,000	-
Total	11,000,000	-	-	-	11,000,000	7,000,000	-

(i) Appointed Finance Director 1 July 2008.
(ii) Appointed 13 January 2008.

	Balance at beginning of period 1 January 2007	Granted as remuneration	Options exercised	Forfeited	Balance at end of period 31 December 2007	Vested as at 31 December 2007	
						Exercisable	Not Exercisable
Directors							
AE Daley	2,000,000	-	-	-	2,000,000	-	-
PG Cordin	4,000,000	-	-	-	4,000,000	4,000,000	-
TT Järvinen	1,000,000	-	-	-	1,000,000	-	-
PL Munachen	1,000,000	-	-	-	1,000,000	-	-
Executives							
MD Naylor (i)	500,000	500,000	-	-	1,000,000	1,000,000	-
NM Edwards	-	500,000	-	-	500,000	500,000	-
HO Pöyry	-	500,000	-	-	500,000	500,000	-
UO Kuronen	-	500,000	-	-	500,000	500,000	-
KE Marttala	-	500,000	-	-	500,000	500,000	-
Total	8,500,000	2,500,000	-	-	11,000,000	7,000,000	-

(i) Appointed Finance Director 1 July 2008.

(d) Ordinary Shareholdings of Key Management Personnel

Shares held in Dragon Mining Limited	Balance 1 Jan 2008	Granted as remuneration	Net change other	Held at the date of resignation	Balance 31 December 2008
(number)	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
AE Daley	310,000	-	-	-	310,000
PG Cordin	2,000,000	-	1,000,000	-	3,000,000
MD Naylor (i)	447,500	-	-	-	447,500
Total	2,757,500	-	1,000,000	-	3,757,500

Shares held in Dragon Mining Limited	Balance 1 Jan 2007	Granted as remuneration	Net change other	Held at the date of resignation	Balance 31 December 2007
(number)	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
AE Daley	-	-	310,000	-	310,000
PG Cordin	-	-	2,000,000	-	2,000,000
Executives					
MD Naylor (i)	-	-	447,500	-	447,500
Total	-	-	2,757,500	-	2,757,500

(i) Appointed Finance Director 1 July 2008.

(e) Holdings of Convertible Notes of Key Management Personnel

Convertible Notes issued by Dragon Mining Limited held (number)	Balance 1 Jan 2008	Granted as remuneration	Net change other	Held at the date of resignation	Balance 31 December 2008
Directors					
AE Daley	70,000	-	-	-	70,000
MD Naylor(i)	11,500	-	-	-	11,500
Total	81,500	-	-	-	81,500

Convertible Notes issued by Dragon Mining Limited held (number)	Balance 1 Jan 2007	Granted as remuneration	Net change other	Held at the date of resignation	Balance 31 December 2007
Directors					
AE Daley	40,000	-	30,000	-	70,000
Executives					
MD Naylor(i)	-	-	11,500	-	11,500
Total	40,000	-	41,500	-	81,500

(i) Appointed Finance Director 1 July 2008.

All equity transactions with key management personnel other than those arising from remuneration share options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

21 REMUNERATION OF AUDITORS

The auditor of Dragon Mining Limited is Ernst & Young.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
Remuneration of Ernst & Young (Australia) for:				
- auditing or reviewing accounts	80,300	64,500	65,000	64,500
- tax consulting	17,884	54,050	17,884	54,050
	98,184	118,550	82,884	118,550
Remuneration of Ernst & Young (other than Australia) for:				
- auditing or reviewing accounts	61,756	41,450	-	-
- tax consulting	6,685	-	-	-
	68,441	41,450	-	-
Remuneration of non-Ernst & Young audit firms for:				
- other services	9,992	16,391	-	2,368

22 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to ordinary shareholders (after adding back interest of convertible notes) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options and dilutive convertible notes).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated Entity	
	2008 $	2007 $
Basic earnings per share		
Profit used in calculation of basic EPS ($'000)	7,539	2,080
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	737,345,151	540,818,551
Basic EPS (cents per share)	1.02	0.38
Diluted earnings per share		
Profit used in calculation of basic EPS ($'000)	7,539	2,080
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	737,345,151	540,818,551
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	737,345,151	540,818,551
Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS	155,246,734	155,996,734
Diluted EPS (cents per share)	1.02	0.38

22 EARNINGS PER SHARE (CONTINUED)

There are no instruments (e.g., share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

23 RELATED PARTY TRANSACTIONS

(a) Director Related Transactions

The Directors of Dragon Mining Limited at any time during the period were:

AE Daley
PG Cordin
MD Naylor (appointed 1 July 2008)
TT Järvinen
MJ Mäkelä (appointed 13 November 2008)
PL Munachen

(i) Golden Valley Services Pty Ltd, a subsidiary company of Coal of Africa Limited of which Mr PG Cordin is a Non-Executive Director, rents office premises to the Company. The rental amounted to $81,750 for the year ended 31 December 2008 (2007: $67,302).

(ii) The Company has effected Directors' and Officers' Liability Insurance.

(iii) The Company has a joint venture with Sub-Sahara Resources NL ("Sub-Sahara"), of which Mr PL Munachen is a Director. Refer to Note 25 for more details on the Zara Joint Venture.

(b) Wholly Owned Group

Proceeds were transferred from Dragon Mining Limited to Dragon Resources Ltd, Dragon Mining (Sweden) AB ("DMS") (80% owned) and Polar Mining Oy ("Polar") to fund exploration and development activities. Ownership interests in these controlled entities are set out in note 8.

No interest is charged on the loan to Dragon Resources Ltd and an allowance for non-recoverability of the majority of this loan has been raised as it is believed the amount may not be recovered.

Interest is charged at 10% (2007: 10%) on the loan to DMS giving rise to interest of $1,848,302 for the year ended 31 December 2008 (2007: $2,621,825). A 187,000,000 Swedish krona capital loan has been advanced to DMS that does not attract interest.

Interest is charged at 10% (2007: 10%) on the loan to Polar, payable on first written demand of the lender. Interest of $2,032,472 for the year ended 31 December 2008 (2007: $1,613,461) has arisen as a result of this loan. A 20,000,000 euro capital loan has been advanced to Polar, which is repayable on 31 October 2010 and does not attract interest.

Dragon Mining Investments Pty Ltd, a wholly owned subsidiary of Dragon Mining, purchased 4,086,000 Dragon Mining convertible notes ("Notes") in late December. Proceeds were transferred to Dragon Mining Investments Pty Ltd to fund the purchase of the Notes. The Group paid $2,770,330 to repurchase Notes with a "face value" of $4,290,300. Interest is charged at 10% on this loan.

The balance of the inter-entity loan accounts between Dragon Mining Limited and its controlled entities is disclosed in note 5.

24 SEGMENT REPORTING

The consolidated entity operates predominantly in three geographical segments, being Sweden, Finland and Australia, and in one business segment, being gold mining and exploration.

Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between geographical segments. These transfers are eliminated on consolidation.

24 SEGMENT REPORTING (CONTINUED)

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2008 and 31 December 2007.

	Australia 2008 $'000	Sweden 2008 $'000	Finland 2008 $'000	Russia 2008 $'000	Total 2008 $'000
Revenue					
Sales	-	43,249	26,731	-	69,980
Other revenue	-	303	235	-	538
Total segment revenue	-	43,552	26,966	-	70,518
Unallocated revenue					528
Total revenue					71,046
Results					
Pre-tax segment profit/(loss)	12,956	10,143	(14,933)	-	8,166
Income tax					(627)
Consolidated entity profit					7,539
Assets	5,145	33,478	46,298	-	84,921
Liabilities	20,932	11,718	8,108	-	40,758
Acquisition of non-current assets	4	3,696	5,854	-	9,554
Depreciation and amortisation	7	5,871	4,204	-	10,082
Other significant non-cash expenses					
Development expenditure written off	-	-	6,037	-	6,037
Exploration expenditure written off	-	-	6,397	657	7,054

	Australia 2007 $'000	Sweden 2007 $'000	Finland 2007 $'000	Russia 2007 $'000	Total 2007 $'000
Revenue					
Sales	-	36,642	8,847	-	45,489
Other revenue	-	338	368	-	706
Total segment revenue	-	36,980	9,215	-	46,195
Unallocated revenue					465
Total revenue					46,660
Results					
Pre-tax segment profit/(loss)	44	2,132	(5,515)	-	(3,339)
Income tax					5,419
Consolidated entity profit					2,080
Assets	3,928	29,256	48,235	396	81,815
Liabilities	24,490	11,115	4,381	-	39,986
Acquisition of non-current assets	4	2,226	12,113	-	14,343
Depreciation and amortisation	7	5,592	2,526	-	8,125
Other significant non-cash expenses					
Development expenditure written off	-	-	322	-	322
Exploration expenditure written off	-	47	107	-	154

25 JOINT VENTURES

The consolidated entity has interests in two unincorporated joint ventures. The joint ventures are not separate legal entities. They are contractual arrangements in which participants are earning an interest in a project by expenditure on that project, or share the cost in proportion to the interests in a project.

(a) Weld Range/Range Well (Nickel, Platinum Group and Chrome) - Western Australia

Minara Resources Limited ("Minara") holds a 75% interest in the Weld Range Project together with Sons of Gwalia Limited (In Liquidation) (16.25%) and Dragon Resources Ltd (8.75%). Minara carries all the project costs until the completion of a feasibility study. Platinum Group Metal (PGM) rights on the same Weld Range tenements are retained by Sons of Gwalia Limited (In Liquidation) (65%) and Dragon Resources Ltd (35%). In addition, Dragon Resources retains a 25% interest and Minara a 75% interest in all mineral rights to a depth of 20 metres on Mining Lease M51/546 in the Weld Range Project Area.

(b) Zara (Gold) - Eritrea

The Zara Joint Venture comprises a single license covering an area of 147km^2 situated in northern Eritrea, approximately 160km northwest of Asmara city. The project is managed by Sub-Sahara Resources NL ("Sub-Sahara"). Dragon Mining has a 20% interest in the project and is free carried through to completion of a bankable feasibility study.

Mr PL Munachen is a Director of Sub-Sahara.

26 EXPENDITURE COMMITMENTS

(a) Exploration Commitments

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the parent entity and consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate minimum level of exploration requirements are detailed below.

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	990	1,010	-	-
One year or later and no later than five years	2,724	5,525	-	-
	3,714	6,535	-	-

(b) Operating Lease Expense Commitments

Future operating lease commitments not provided for in the financial statements and payable are as follows:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	670	575	-	-
One year or later and no later than five years	24	179	-	-
	694	754	-	-

26 EXPENDITURE COMMITMENTS (CONTINUED)

(c) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	836	542	836	542
One year or later and no later than five years	133	86	133	86
	969	628	969	628

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Directors and executives referred to in the Remuneration Report section of the Directors' Report that are not recognised as liabilities and are not included in the Directors' or executives' remuneration.

(d) Derivative Commitments

Gold forwards

Under the terms of Dragon Mining's gold forward sale contracts, at 31 December 2008 the Company is obligated to deliver 4,750 ounces of gold into gold forward sale contracts at a price of US$409 per ounce. Refer to note 29 for more details.

27 CONTINGENT ASSETS AND LIABILITIES

Sami Claim

The Svartliden Gold Mine is located in the reindeer-herding area of the Vapsten Sami Community, which has appealed the Mines Inspector's decision concerning financial compensation for infringement on their reindeer-herding rights. The Regional Property Court has decided to award Vapsten compensation of SEK 480,000 (A$89,500) which is approximately 120% more than the amount recommended by the Mines Inspector. Vapsten has appealed this decision. Court initiated and managed mediation took place in April 2008. The response from the Vapsten Sami included terms which are not acceptable to the Company and the case will be referred back to the High Court of Appeal.

28 SHARE-BASED PAYMENT PLANS

(a) Recognised Share-Based Payment Expenses

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Arising from equity-settled share-based payment transactions	-	203	-	34
Total expense arising from share-based payment transactions	-	203	-	34

(b) Director and Executive Share Options

Directors, executives and certain members of staff of the consolidated entity hold options over ordinary shares of the Company. Each option entitles the holder to one ordinary share upon exercise. The options were issued for nil consideration and vest immediately. The options cannot be transferred without the Company's prior approval and the Company does not intend to list the options on the ASX. No options provide dividend or voting rights to the holders.

28 SHARE-BASED PAYMENT PLANS (CONTINUED)

The following share options were on issue as at 31 December 2008:

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
22 May 2006 (i)	500,000	22 May 2006	22 May 2006	n/a	$0.175	$0.05
7 Dec 2006 (ii)	1,000,000	7 Dec 2006	7 Dec 2006	n/a	$0.14	$0.05
7 Dec 2006 (ii)	1,000,000	7 Dec 2006	7 Dec 2006	n/a	$0.175	$0.04
7 Dec 2006 (ii)	6,000,000	7 Dec 2006	7 Dec 2006	n/a	$0.21 (iii)	$0.04
8 Feb 2007 (iv)	75,000	8 Feb 2007	8 Feb 2007	21 Dec 2011	$0.21	$0.05
8 June 2007 (v)	4,800,000	8 June 2007	8 June 2007	8 June 2012	$0.175	$0.03
Options balance at end of period	13,375,000					

(i) Issued to Mr MD Naylor.
(ii) Issued to Directors as outlined in the Directors' Report and Note 20.
(iii) 4,000,000 of these options were issued with terms specifying that in order to exercise the options, the volume weighted share price of Dragon Mining Limited must exceed $0.25 for 5 consecutive days.
(iv) Issued to an employee in place of partly paid shares which were cancelled in 2006.
(v) Issued to key employees in accordance with Dragon Mining Group Employee Incentive Option Plan.

(i) Option valuation

No share options were granted during the period.

The weighted average fair value of the share options granted during 2007 was $0.03. The fair value of the options were priced using the Black-Scholes option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the Dragon Mining Limited ordinary share price at the date of issue, the expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected life used in the model was three years, and assumes that options are exercised when financially optimal. This is not necessarily indicative of exercise patterns that may occur.

Due to the lack of exchange traded data for option prices of Dragon Mining Limited and many other gold mining companies of similar size, historical volatility has been used for the purposes of the valuation. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield is assumed to be nil on the basis that no dividends have been declared for the period due to the large ongoing capital commitment.

The following table gives the assumptions made in determining the fair value of options granted during 2007:

Grant date	Dividend yield	Expected volatility	Risk free interest rate	Expected life of option	Option exercise price	Share price at grant date
8 Feb 2007	0%	50%	6.0%	5 years	$0.21	$0.14
8 June 2007	0%	57%	6.4%	3 years	$0.175	$0.12

28 SHARE BASED PAYMENT PLANS (CONTINUED)

The following table reconciles the outstanding share options granted at the beginning and the end of the period:

WAEP = weighted average exercise price

	2008		2007	
	Number	WAEP	Number	WAEP
Outstanding at start of period	14,125,000	$0.19	8,500,000	$0.20
Granted during period	-	-	5,975,000	$0.175
Forfeited during period	(750,000)	$0.175	(350,000)	$0.175
Balance at end of period	13,375,000	$0.19	14,125,000	$0.19
Exercisable at the end of period	13,375,000	$0.19	14,125,000	$0.19

(ii) Balance at end of period

The share options on issue at the end of the period had an exercise price of between $0.14 and $0.21. The 4,875,000 options with an expiry date had a weighted average remaining life of 3.4 years. The remaining 8,500,000 options had no expiry date.

29 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies and Objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and commodity price risk), credit risk, liquidity risk, and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance without limiting the Group's potential upside.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign currency and gold price risk and assessments of market forecasts for foreign exchange and gold prices. Liquidity risk is measured through the development of rolling future cash flow forecasts at various gold prices and foreign exchange rates.

Risk management is carried out by executive management with guidance from the Audit and Risk Management Committee under policies approved by the Board. The Board also provides regular guidance for overall risk management, including guidance on specific areas, such as mitigating commodity price, foreign exchange, interest rate and credit risks, by using derivative financial instruments.

The consolidated entity also has a risk management programme to manage its financial exposures that includes, but is not limited to, the use of derivative products, principally forward gold sales contracts. The Company does not enter into financial instruments, including derivative financial instruments, for trade or speculative purposes.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in economic derivatives, hedging coverage of foreign currency and gold, credit allowances, and future cash flow forecast projections.

(b) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1, with the exception of convertible notes. The fair values of the convertible notes are shown in the table below and represent the market values as at 31 December 2008 and 31 December 2007.

29 FINANCIAL INSTRUMENTS (CONTINUED)

	Consolidated Entity		Parent Entity	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
2008				
Convertible notes	19,918	13,692	23,955	16,552
2007				
Convertible notes	23,540	18,679	23,540	22,581

(c) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposures to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.

While the Group has policies in place to ensure that sales of its products are made to customers with an appropriate credit history, it does have a concentration of credit risk in relation to its gold concentrate sales in Finland due to dependence for a significant volume of its sales revenues on a few principal buyers. There is generally a six week delay between shipment of gold concentrate and payment from a gold concentrate customer. The Company reduces its credit risk in relation to gold concentrate receivables in Finland by insuring 90% of the nominal value of an assigned or internal invoice with a reputable high credit quality Scandinavian financial institution.

However, as invoices are raised at the end of each month and shipments occur frequently throughout the month, there is credit exposure to the smelting company for the value of one month of shipments as insurance coverage commences when an invoice is raised.

In relation to managing other potential credit risk exposures, the Group has in place polices that aim to ensure that derivative counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to any one financial institution is limited as far as is considered commercially appropriate.

Since the consolidated entity trades only with recognised third parties, there is no requirement for collateral.

(d) Interest Rate Risk

At balance date, the Group had the following financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Cash and cash equivalents	8,534	7,975	4,564	2,591
Environmental bonds	4,603	3,409	-	-
	13,137	11,384	4,564	2,591
Financial liabilities				
Bank loans	26	60	-	-
Factoring facility drawn down	1,103	-	-	-
	1,129	60	-	-

29 FINANCIAL INSTRUMENTS (CONTINUED)

The Group's policy is to manage its exposure to interest rate risk by holding cash in short term, fixed rate deposits and variable rate deposits with reputable high credit quality financial institutions.

The liability associated with factoring is short term (up to six weeks) and there is no intention to enter into interest rate swaps.

The Group constantly analyses its interest rate exposure. Consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

(e) Foreign Exchange Risk

As the Group sells its bullion and gold concentrate in US dollars and the majority of costs are denominated in Swedish krona (SEK) and euro (EUR), an appreciating EUR and SEK, or a weakening US dollar exposes the Group to risks related to movements in the SEK/USD and EUR/USD exchange rates.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

Management, in conjunction with guidance from the Board, regularly reviews the need for foreign exchange hedging. Management will continue to monitor movements in exchange rates and may enter into derivative instruments if necessary. At present, the Group does not specifically hedge its exposure to foreign currency exchange rate movements.

At balance date, the Group had the following exposure to foreign currencies on financial instruments that are not designated as cash flow hedges:

(i) US dollar

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Cash and cash equivalents	1,408	365	1,068	136
Trade and other receivables	8,240	3,209	-	-
	9,648	3,574	1,068	136
Financial liabilities				
Factoring facility drawn down	1,103	-	-	-
Gold forward contracts	3,245	4,771	-	-
Accrued derivatives income	-	110	-	-
	4,348	4,881	-	-
Net exposure	5,300	(1,307)	1,068	136

(ii) Euro

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Cash and cash equivalents	1,228	-	1,228	-
Trade and other receivables	-	-	57,366	44,515
Net exposure	1,228	-	58,594	44,515

29 FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Swedish krona

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Trade and other receivables	-	-	34,859	33,309
Net exposure	-	-	34,859	33,309

(f) Commodity Price Risk

The Group is exposed to movements in the gold price.

As part of the initial financing of the Svartliden Gold Mine in Sweden, the Group entered into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. Though the majority of these gold forward contracts were closed out in 2007, a residual amount remains and the Company will deliver into the remainder of these forward contracts over the next 9 months.

Management, in conjunction with guidance from the Board, regularly reviews the need for gold derivatives. Management will continue to monitor movements in the gold price and may enter into derivative instruments if necessary.

The following tables summarise the US dollar gold derivatives facility held with Macquarie Bank Limited ("MBL").

	2008		2007	
	Volume Ounces	Forward Price US$	Volume Ounces	Forward Price US$
3 months or less*	4,750	409.09	9,950	413.00

* The forward contracts are on a monthly spot deferred basis.

The security for this facility consists of:

- a first ranking fixed and floating charge over all the assets and undertakings of Dragon Mining Limited, Dragon Mining (Sweden) AB and Svartliden Gold Project assets together with a registered first ranking mortgage over the Svartliden Gold Project Exploitation Concessions and any other material tenements.
- a secured guarantee from Dragon Mining, including a first ranking share mortgage over Dragon Mining's shares in Dragon Mining (Sweden) AB, a fixed charge over the proceeds and the gold account.
- a first ranking fixed and floating charge over all the assets and undertakings of Polar including mortgages over key tenements together with a share mortgage over Dragon Mining's shares in Polar, a Guarantee and Indemnity granted by Polar in favour of MBL in support of the Facility.

The number of ounces sold forward represents 4.1% of the Group's gold reserves as at 31 December 2008 (2007: 4.4%).

The following table summarises the unrealised gains and losses recognised in the income statement on forward gold sales entered into as part of the initial financing of the Svartliden Gold Mine in Sweden, showing the periods in which they are expected to be realised:

	31 December 2008	
	Gains/(Losses) US$'000	Gains/(Losses) A$'000
3 months or less	(2,241)	(3,245)

29 FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2007	
	Gains/(Losses) US$'000	Gains/(Losses) A$'000
3 months or less	(4,183)	(4,771)

At 31 December 2008, the gold price was US$880.95/oz (31 December 2007: US$832.90/oz).

(g) Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk, foreign exchange risk and gold price risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax profit and equity would have been affected as shown. The analysis has been performed on the same basis for 2008 and 2007.

		Interest Rate Risk		Interest Rate Risk		Foreign Exchange Risk		Foreign Exchange Risk		Gold Price Risk		Gold Price Risk	
		-1%		+1%		-10%		+10%		-10%		+10%	
Consolidated 31 Dec 2008	**Note**	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	i	(85)	(85)	85	85	293	293	(240)	(240)	-	-	-	-
Trade and other receivables	ii	-	-	-	-	916	916	(749)	(749)	(463)	(463)	463	463
Environmental bonds	iii	(46)	(46)	46	46	-	-	-	-	-	-	-	-
Financial liabilities													
Interest-bearing loans and borrowings	iv	11	11	(11)	(11)	(123)	(123)	100	100	-	-	-	-
Derivative financial instruments	v	-	-	-	-	(361)	(361)	295	295	606	606	(606)	(606)
Total increase/(decrease)		(120)	(120)	120	120	725	725	(594)	(594)	143	143	(143)	(143)

(i) Cash and cash equivalents include deposits at call at floating and short-term fixed interest rates. At balance date, A$1.4m was denominated in USD, A$2.9m was denominated in SEK, A$2.0m was denominated in euros and A$2.2m was denominated in AUD.

(ii) Trade and other receivables include A$0.1m of gold bullion and A$8.1m of gold concentrate receivables denominated in USD.

(iii) Interest-bearing environmental cash bonds that have been deposited with Swedish and Finnish government authorities.

(vi) A$1.1m of the Group's borrowings are at a floating rate and are denominated in USD.

(v) Derivative financial instruments are gold forward contracts. The close-out value of these agreements is affected by the USD/AUD exchange rate, the gold price and lease rates.

29 FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated 31 Dec 2007	Note	Interest Rate Risk -1%		Interest Rate Risk +1%		Foreign Exchange Risk -10%		Foreign Exchange Risk +10%		Gold Price Risk -10%		Gold Price Risk +10%	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets													
Cash and cash equivalents	i	(80)	(80)	80	80	41	41	(33)	(33)	-	-	-	-
Trade and other receivables	ii	-	-	-	-	357	357	(292)	(292)	(113)	(113)	113	113
Environmental bonds	iii	(34)	(34)	34	34	-	-	-	-	-	-	-	-
Financial liabilities													
Interest-bearing loans and borrowings	iv	1	1	(1)	(1)	-	-	-	-	-	-	-	-
Derivative financial instruments	v	-	-	-	-	(542)	(542)	424	424	934	934	(956)	(956)
Accrued derivatives income	vi	-	-	-	-	(12)	(12)	10	10	-	-	-	-
Total increase/(decrease)		(113)	(113)	113	113	(156)	(156)	109	109	821	821	(821)	(821)

(i) Cash and cash equivalents include deposits at call at floating and short-term fixed interest rates. At balance date, A$0.4m was denominated in USD, A$0.5m was denominated in SEK, A$4.6m was denominated in euros, and A$2.5m was denominated in AUD.
(ii) Trade and other receivables include A$0.2m of gold bullion and A$3.0m of gold concentrate receivables denominated in USD.
(iii) Interest-bearing environmental cash bonds that have been deposited with Swedish government authorities.
(iv) A$0.1m of the Group's borrowings are at a floating rate.
(v) Derivative financial instruments are gold forward contracts. The close-out value of these agreements is affected by the USD/AUD exchange rate, the gold price and lease rates.
(vi) Denominated in USD.

Parent 31 Dec 2008	Note	Interest Rate Risk -1%		Interest Rate Risk +1%		Foreign Exchange Risk -10%		Foreign Exchange Risk +10%	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	i	(46)	(46)	46	46	255	255	(209)	(209)
Receivables from controlled entities	ii	-	-	-	-	10,247	10,247	(8,384)	(8,384)
Total increase/(decrease)		(46)	(46)	46	46	10,502	10,502	(8,593)	(8,593)

Parent 31 Dec 2007	Note	Interest Rate Risk -1%		Interest Rate Risk +1%		Foreign Exchange Risk -10%		Foreign Exchange Risk +10%	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	i	(26)	(26)	26	26	15	15	(12)	(12)
Other receivables		-	-	-	-	-	-	-	-
Receivables from controlled entities	ii	-	-	-	-	8,728	8,728	(7,141)	(7,141)
Total increase/(decrease)		(26)	(26)	26	26	8,743	8,743	(7,153)	(7,153)

(i) Cash and cash equivalents are denominated in AUD, euros and USD and include deposits at call at floating and short-term fixed interest rates.
(ii) Intercompany loans are denominated in AUD, SEK and euros.

29 FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity Risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes and equity raisings.

The contractual maturities of the Group's financial liabilities are as follows:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	16,255	13,472	3,350	3,307
One year or later and no later than five years	22,832(i)	30,219	27,590(i)	30,071
Later than five years	11	10	-	-
	39,098	43,701	30,940	33,378

(i) A subsidiary of Dragon Mining holds Dragon Mining convertible notes with a face value of $4,290,300 that have been excluded from the consolidated balance.

For derivative financial instruments the market value is presented, while for all other obligations undiscounted cash flows for the respective years are presented.

Management and the Board monitor the Group's liquidity reserve on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the Board includes:

(i) Annual cash flow budgets;
(ii) Three year cash flow forecasts; and
(iii) Monthly rolling cash flow forecasts.

30 SIGNIFICANT EVENTS AFTER PERIOD END

A further 1,273,797 Dragon Mining Limited convertible notes ("Notes") were purchased on 9 January 2009. The Company paid $891,700 to repurchase the Notes with a "face value" of $1,337,487.

No other circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the financial statements.

31 IMPAIRMENT

The following are non-current assets that are subject to impairment testing as required under AASB 136 Impairment of Assets for the consolidated entity.

(a) Property, Plant and Equipment

At 31 December 2008 and 31 December 2007, certain items of property, plant and equipment were written down as they were considered obsolete.

(b) Capitalised Development and Exploration and Evaluation Expenditure

Accounting standards require an impairment test on the carrying value of assets at each balance date. At the half year (30 June 2008), the Company wrote down the carrying value of capitalised development expenditure at the Orivesi Gold Mine by $6,037,330.

31 IMPAIRMENT (CONTINUED)

Certain estimates and assumptions were required to be made including:

Estimate/Assumption	Basis – 2008 Half Year
Future cash flows	Life of mine plan
Future realised gold price	US$850 per ounce
USD/EUR spot exchange rate	1.56
Discount rate	Industry Weighted Average Cost of Capital (WACC) of 10% real pre-tax.
Economically recoverable ore reserves	Ore reserves and mineral resource estimates in accordance with Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves as revised June 2005.

The recoverable amount testing at the 2008 half year was triggered by delays in production from the Sarvisuo ore lodes, additional development access to the ore zones and initial or grades being lower than forecast.

Consequently the Board determined at the half year to review the carrying value of the other assets associated with Orivesi. As a result a further write down of capitalised exploration expenditure of $6,396,611 was also taken. The large write down was attributable to the fair value allocation of assets to the Orivesi Gold Mine when Dragon Mining acquired Polar Mining Oy in 2004 for $19,549,373 in cash and shares. A large amount of the purchase price was allocated to the Orivesi Gold Mine assets.

During the second half of the year, a write down of the exploration carrying value associated with Russian exploration assets of $657,447 occurred. Other than these exploration assets, no other assets were impaired during the second half ended 31 December 2008.

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Independent auditor's report to the members of Dragon Mining Limited

Report on the financial report

We have audited the accompanying financial report of Dragon Mining Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. In Note 1(c), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's opinion

In our opinion:

1. The financial report of Dragon Mining Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the financial position of Dragon Mining Limited and the consolidated entity at 31 December 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the Remuneration Report included in pages 30 to 35 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Dragon Mining Limited for the year ended 31 December 2008, complies with section 300A of the Corporations Act 2001.

Ernst & Young

R J Curtin
Partner
Perth
18 March 2009

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Auditor's independence declaration to the directors of Dragon Mining Limited

In relation to our audit of the financial report of Dragon Mining Limited for the year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
18 March 2009

ASX ADDITIONAL INFORMATION

Additional information as required by the Australian Securities Exchange and not shown elsewhere in this Report is as follows. The information is current as at 26 March 2009.

STATEMENT OF LISTED SHAREHOLDINGS

The distribution of ordinary fully paid shares in the Company is as follows:

Spread of Holdings	Number of Holdings	Number of Units	Number of Total Issued Capital %
1 - 1,000	85	9,445	0.00
1,001 - 5,000	202	758,488	0.10
5,001 - 10,000	330	2,818,300	0.38
10,001 - 100,000	919	33,011,387	4.48
100,001 & over	197	700,747,531	95.04
	1,733	**737,345,151**	**100.00**

The number of shareholders holding less than a marketable parcel is 387.

Top 20 shareholders of ordinary shares

		Number of Shares	% Shares Issued
1.	ANZ Nominees Limited	417,715,111	63.97
2.	National Nominees Limited	49,521,592	6.72
3.	HSBC Custody Nominees Limited	33,528,724	4.55
4.	Citicorp Nominees Pty Limited	31,524,039	4.28
5.	Miningnut Pty Ltd	16,900,000	2.29
6.	Merrill Lynch Nominees Pty Ltd	12,542,597	1.70
7.	HSBC Custody Nominees Limited-Account 2	7,699,600	1.04
8.	Eurogold Limited	5,000,000	0.68
9.	Wolfgang Feldhus	4,200,000	0.57
10.	Cordin Pty Ltd	3,000,000	0.41
11.	Ignatius Lip Pty Ltd	2,500,000	0.34
12.	JP Morgan Nominees	1,990,472	0.27
13.	John Lees Needham	1,808,334	0.25
14.	Evangelos Louizidis	1,500,000	0.20
15.	Lastrane Pty Ltd	1,400,000	0.19
16.	Geok Khim Goh	1,000,000	0.14
17.	Florence Lynette Kellett	1,000,000	0.14
18.	Kenneth Roy Kellett	1,000,000	0.14
19.	William Michael Ernest Lambert	1,000,000	0.14
20.	Rivista Pty Ltd	1,000,000	0.14

The portion of shares held by the 20 largest shareholders in the Company is 88.16%.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

ASX ADDITIONAL INFORMATION

The distribution of convertible notes in the Company is as follows:

Spread of Holdings	Number of Holdings	Number of Units	Number of Total Issued Capital %
1 - 1,000	1	1,000	0.00
1,001 - 5,000	41	115,500	0.49
5,001 - 10,000	10	86,378	0.37
10,001 - 100,000	19	674,532	2.85
100,001 & over	11	22,767,879	96.29
	82	**23,645,289**	**100.00**

The number of convertible note holders holding less than a marketable parcel is nil.

TOP 20 CONVERTIBLE NOTE HOLDERS

		Number of Notes	% Notes Issued
1.	ANZ Nominees Limited	8,345,560	35.29
2.	Dragon Mining Investments Pty Ltd	5,783,497	24.46
3.	HSBC Custody Nominees Limited	3,406,954	14.41
4.	National Nominees Limited	3,369,212	14.25
5.	Peter Alfred Ternes	462,000	1.95
6.	J P Morgan Nominees Australia Limited	300,000	1.27
7.	Mannwest Group Pty Ltd	300,000	1.27
8.	Mannkal Economic Education Foundation	250,000	1.06
9.	Goffacan Pty Ltd	200,656	0.85
10.	Parkes Holdings Pty Ltd	200,000	0.85
11.	Merrill Lynch (Australia) Nominees Pty Limited	150,000	0.63
12.	Aldershot Pty Ltd	80,000	0.34
13.	Andrew Daley & Ineke Daley	70,000	0.30
14.	Carmant Pty Ltd	57,422	0.24
15.	Gabriel Berger	53,400	0.23
16.	Peter Lynton Gunzburg	50,000	0.21
17.	Nefco Nominees Pty Ltd	50,000	0.21
18.	Malcom Albert Parkes Thom & Ian William Parkes Thom	47,615	0.20
19.	Paul Michael Feldhus JR	40,000	0.17
20.	Operandi Pty Ltd	40,000	0.17

The portion of convertible notes held by the 20 largest convertible note holders in the Company is 98.36%.

VOTING RIGHTS

One vote for each note, but limited to matters affecting the rights of such notes.

OPTION HOLDERS

Name	Number of Options	Number of Holders
Employees of Dragon Mining Limited's subsidiary companies		
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.175 per share.	3,800,000	17
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.21 per share.	75,000	1
Employees of Dragon Mining Limited		
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.175 per share.	500,000	1
Directors of Dragon Mining Limited		
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.21 per share. Hurdles apply.	4,000,000	3
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.14 per share. No hurdle.	1,000,000	1
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.175 per share. No hurdle.	2,000,000	2
- Entitle the holder to subscribe for ordinary shares at an exercise price of $0.21 per share. No hurdle.	2,000,000	1

VOTING RIGHTS

Option holders have no voting rights.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders pursuant to the provisions of the Corporations Act are as follows:

Name	Number of Shares	% of Contributing Shares
Nicolas Mathys	130,141,865	17.65

There were no unquoted equity securities shareholdings greater than 20%.

TENEMENT SCHEDULE

As at 26 March 2009

	TENEMENT	TYPE	INTEREST	COMMODITY
SWEDEN				
Västerbotten County				
Svartliden - 21,410.5 hectares				
	Svartlidengruvan K nr 1	Exploitation Concession	80%	Au
	Svartliden nr 2	Exploration Permit	80%	Au
	Tallberget	Exploration Permit	80%	Au
	Pauträsk nr 1	Exploration Permit	80%	Au
	Pauträsk nr 2	Exploration Permit	80-100%	Au
	Pauträsk nr 3	Exploration Permit	80-100%	Au
	Pauträsk nr 4	Exploration Permit	80%	Au
	Pauträsk nr 5	Exploration Permit	100%	Au
	Näversjön nr 1	Exploration Permit	100%	Au
	Bredberget nr 2	Exploration Permit	100%	Au
	Järvsjö nr 1	Exploration Permit	100%	Au
FINLAND				
Vammala Region				
Orivesi - 536.6 hectares				
2676	Seri	Mining Licence	100%	Au
2676	Seri	Mining Licence	100%	Au
2676	Seri	Mining Licence	100%	Au
7340/1	Iso-Teerijärvi	Claim	100%	Au
7654/1	Yläinensilmäke	Claim	100%	Au
7654/2	Koukkujärvi	Claim	100%	Au
7654/3	Ruohosuo	Claim	100%	Au
7689/1	Pärnävuori	Claim	100%	Au
7898/1	Sarvisuo 1	Claim	100%	Au
7898/2	Sarvisuo 2	Claim	100%	Au
7941/2	Peräjärvi	Claim	100%	Au
7941/1	Pukala	Claim	100%	Au
8352/1	Sarvisuo 3	Claim Application	100%	Au
8451/1	Iso Teerijärvi 2	Claim Application	100%	Au
Jokisivu - 440.2 hectares				
7407	Jokisivu	Mining Licence	100%	Au
7244/1	Jokisivu 2	Claim	100%	Au
7407/1	Jokisivu 3/1	Claim	100%	Au
7407/1	Jokisivu 3/2	Claim	100%	Au
7788/1	Jokisivu 4	Claim	100%	Au
7788/2	Jokisivu 5	Claim	100%	Au
7788/3	Katinhäntä	Claim	100%	Au
7788/4	Salopää	Claim	100%	Au
Kaapelinkulma - 173.3 hectares				
7094/1	Kaapelinkulma	Claim	100%	Au
7094/2	Perkoonsuo 1	Claim	100%	Au
7942/1	Kairankorpi	Claim	100%	Au
	Kaapelinkulma	Mining Licence Application	100%	Au
Järvenpää - 121.7 hectares				
7238/1	Järvenpää 1	Claim	100%	Au
7238/2	Järvenpää 2	Claim	100%	Au
Liesjärvi - 133.7 hectares				
7530/1	Valinsuo	Claim	100%	Au
8202/1	Liesjärvi	Claim	100%	Au
Tammijärvi - 363.0 hectares				
8004/1	Lepola	Claim	100%	Au
8004/2	Sydänmaa 1	Claim	100%	Au
8004/3	Sydänmaa 2	Claim	100%	Au
8004/4	Tammijärvi	Claim	100%	Au
Ritakallio - 576.5 hectares				
7864/1	Ritakallionmaa 1	Claim	100%	Au
7864/2	Ritakallionmaa 2	Claim	100%	Au
7926/1	Ritakallionmaa 3	Claim	100%	Au
7926/2	Ritakallionmaa 4	Claim	100%	Au
7926/3	Ritakallionmaa 5	Claim	100%	Au
7926/4	Ritakallionmaa 6	Claim	100%	Au

	TENEMENT	TYPE	INTEREST	COMMODITY
Vammala - 444.1 hectares				
1895	Stormi 1	Mining Licence	100%	Ni, Cu
1895	Stormi 1	Mining Licence	100%	Ni, Cu
1895	Stormi 1	Mining Licence	100%	Ni, Cu
1895	Stormi 1	Mining Licence	100%	Ni, Cu
1895	Stormi 1	Mining Licence	100%	Ni, Cu
1895	Stormi 1	Mining Licence	100%	Ni, Cu
1895	Stormi 1	Mining Licence	100%	Ni, Cu
8543/1	Eko	Claim Application	100%	Ni, Cu
8543/2	Kärmeenmaa	Claim Application	100%	Ni, Cu
8543/3	Ahonoja	Claim Application	100%	Ni, Cu
8543/4	länkaikkisuudenmäki	Claim Application	100%	Ni, Cu
Ekojoki - 110.1 hectares				
7967/1	Ekojoki	Claim	100%	Ni, Cu
8469/1	Sievari	Claim Application	100%	Ni, Cu
Central Lapland Region				
Hanhimaa - 9,327.1 hectares				
7632/1	Jaukkaraselkä 1	Claim	100%	Au
7632/2	Jaukkaraselkä 2	Claim	100%	Au
7632/3	Jaukkaraselkä 3	Claim	100%	Au
7632/4	Kielisenmaa	Claim	100%	Au
7647/1	Kello 1	Claim	100%	Au
7647/10	Kello 10	Claim	100%	Au
7647/11	Kello 11	Claim	100%	Au
7647/2	Kello 2	Claim	100%	Au
7647/3	Kello 3	Claim	100%	Au
7647/4	Kello 4	Claim	100%	Au
7647/5	Kello 5	Claim	100%	Au
7647/6	Kello 6	Claim	100%	Au
7647/7	Kello 7	Claim	100%	Au
7647/8	Kello 8	Claim	100%	Au
7647/9	Kello 9	Claim	100%	Au
7673/1	Kello 12	Claim	100%	Au
7673/2	Kello 13	Claim	100%	Au
7673/3	Kello 14	Claim	100%	Au
7747/10	Kello 24	Claim	100%	Au
7747/11	Kello 25	Claim	100%	Au
7747/12	Kello 26	Claim	100%	Au
7747/13	Kello 27	Claim	100%	Au
7747/14	Kello 28	Claim	100%	Au
7747/15	Kello 29	Claim	100%	Au
7747/16	Kello 30	Claim	100%	Au
7747/17	Kello 31	Claim	100%	Au
7747/18	Kello 32	Claim	100%	Au
7747/19	Kello 33	Claim	100%	Au
7747/20	Kello 34	Claim	100%	Au
7747/21	Kello 35	Claim	100%	Au
7747/23	Kello 37	Claim	100%	Au
7747/25	Kello 39	Claim	100%	Au
7747/26	Kello 40	Claim	100%	Au
7747/27	Kello 41	Claim	100%	Au
7747/28	Kello 42	Claim	100%	Au
7747/29	Kello 43	Claim	100%	Au
7747/3	Kello 17	Claim	100%	Au
7747/30	Kello 44	Claim	100%	Au
7747/4	Kello 18	Claim	100%	Au
7747/6	Kello 20	Claim	100%	Au
7747/7	Kello 21	Claim	100%	Au
7747/8	Kello 22	Claim	100%	Au
7747/9	Kello 23	Claim	100%	Au
8244/1	Kello 47	Claim	100%	Au
8244/2	Kello 48	Claim	100%	Au
8244/3	Kello 49	Claim	100%	Au
8244/4	Kello 50	Claim	100%	Au
200896	Hanhimaa 1	Claim Reservation	100%	Au

	TENEMENT	TYPE	INTEREST	COMMODITY
200896	Hanhimaa 2	Claim Reservation	100%	Au
200896	Hanhimaa 3	Claim Reservation	100%	Au
8398/1	Kello 51	Claim Application	100%	Au
8398/2	Kello 52	Claim Application	100%	Au
8398/3	Kello 53	Claim Application	100%	Au
8536/1	Kello 54	Claim Application	100%	Au
8536/2	Kello 55	Claim Application	100%	Au
8536/3	Kello 56	Claim Application	100%	Au
8536/4	Kello 57	Claim Application	100%	Au
8536/5	Kello 58	Claim Application	100%	Au
8536/6	Kello 59	Claim Application	100%	Au
8536/7	Kello 60	Claim Application	100%	Au
8536/8	Kello 61	Claim Application	100%	Au
8536/9	Kello 62	Claim Application	100%	Au
8536/10	Kello 63	Claim Application	100%	Au
8536/11	Kello 64	Claim Application	100%	Au
8536/12	Kello 65	Claim Application	100%	Au
8536/13	Kello 66	Claim Application	100%	Au
8536/14	Kello 67	Claim Application	100%	Au
8536/15	Kello 68	Claim Application	100%	Au
8536/16	Kello 69	Claim Application	100%	Au
8536/17	Kello 70	Claim Application	100%	Au
8536/18	Kello 71	Claim Application	100%	Au
8536/19	Kello 72	Claim Application	100%	Au
8536/20	Kello 73	Claim Application	100%	Au
8536/21	Kello 74	Claim Application	100%	Au
8536/22	Kello 75	Claim Application	100%	Au
8652/1	Kello 76	Claim Application	100%	Au
8652/2	Kello 77	Claim Application	100%	Au
8716/1	Kello 78	Claim Application	100%	Au
Sukseton - 1,518.8 hectares				
8020/1	Suksee 1	Claim	100%	Au
8204/1	Suksee 2	Claim	100%	Au
8204/2	Suksee 3	Claim	100%	Au
8204/3	Suksee 4	Claim	100%	Au
8204/4	Suksee 5	Claim	100%	Au
8204/5	Suksee 6	Claim	100%	Au
8204/6	Suksee 7	Claim	100%	Au
8204/7	Suksee 8	Claim	100%	Au
8204/8	Suksee 9	Claim	100%	Au
8204/9	Suksee 10	Claim	100%	Au
8204/10	Suksee 11	Claim	100%	Au
8204/11	Suksee 12	Claim	100%	Au
8204/12	Suksee 13	Claim	100%	Au
8204/14	Suksee 14	Claim	100%	Au
8204/15	Suksee 15	Claim	100%	Au
8204/17	Suksee 16	Claim	100%	Au
Saattopora-Aakenusvaara - 382.5 hectares				
8319/1	Aakenusvaara	Claim Application	100%	Cu, Au
8365/1	Saattopora 1	Claim Application	100%	Cu, Au
8365/2	Saattopora 3	Claim Application	100%	Cu, Au
8365/3	Saattopora 2	Claim Application	100%	Cu, Au
Tepasto - 200.0 hectares				
8641/1	Kokonpesänvaara 1	Claim Application	100%	Mo, Cu
8641/2	Kokonpesänvaara 2	Claim Application	100%	Mo, Cu
Hormuoja - 2,699.0 hectares				
200873	Hormuoja 1	Claim Reservation	100%	Cu, Au
200873	Hormuoja 2	Claim Reservation	100%	Cu, Au
200873	Hormuoja 3	Claim Reservation	100%	Cu, Au
Luovavaara - 896.0 hectares				
200895	Luovavaara	Claim Reservation	100%	Cu, Au
Kutuvuoma - 97.2 hectares				
4843	Kutuvuoma	Mining Licence	100%	Au
7556/1	Kutuvuoma 3	Claim	100%	Au
CVRD-Inco Nickel Alliance - 2,282.0 hectares				
8330/8	Ruossa 1	Claim Application	100%	Ni
8330/9	Ruossa 2	Claim Application	100%	Ni
8330/10	Ruossa 3	Claim Application	100%	Ni
8330/11	Ruossa 4	Claim Application	100%	Ni
8330/12	Ruossa 5	Claim Application	100%	Ni
8330/13	Ruossa 6	Claim Application	100%	Ni
8330/14	Ruossa 7	Claim Application	100%	Ni
8330/15	Ruossa 8	Claim Application	100%	Ni
8330/16	Ruossa 9	Claim Application	100%	Ni
8330/17	Ruossa 10	Claim Application	100%	Ni
8330/18	Ruossa 11	Claim Application	100%	Ni
8330/19	Ruossa 12	Claim Application	100%	Ni
8330/20	Ruossa 13	Claim Application	100%	Ni
8330/21	Ruossa 14	Claim Application	100%	Ni
8330/22	Ruossa 15	Claim Application	100%	Ni
8330/23	Ruossa 16	Claim Application	100%	Ni
8330/1	Sarvi 1	Claim Application	100%	Ni
8330/2	Sarvi 2	Claim Application	100%	Ni
8330/3	Sarvi 3	Claim Application	100%	Ni
8330/4	Sarvi 4	Claim Application	100%	Ni
8330/5	Sarvi 5	Claim Application	100%	Ni
8330/6	Sarvi 6	Claim Application	100%	Ni
8330/7	Sarvi 7	Claim Application	100%	Ni
Kainuu Region				
Kuusamo - 1,236.4 hectares				
2899	Lemmonlampi	Mining Licence	100%	Au
3965	Juomasuo	Mining Licence	100%	Au
3965	Pohjasvaara	Mining Licence	100%	Au
4013	Sivakkaharju	Mining Licence	100%	Au
4909	Meurastuksenaho	Mining Licence	100%	Au
7584/1	Hangaslampi 1	Claim	100%	Au
7584/2	Hangaslampi 2	Claim	100%	Au
7584/3	Hangaslampi 3	Claim	100%	Au
7584/4	Hangaslampi 4	Claim	100%	Au
7584/5	Hangaslampi 5	Claim	100%	Au
7584/6	Hangaslampi 6	Claim	100%	Au
7584/10	Mutka-Aho 4	Claim	100%	Au
7584/11	Mutka-Aho 5	Claim	100%	Au
7584/12	Mutka-Aho 6	Claim	100%	Au
7584/13	Mutka-Aho 7	Claim	100%	Au
7584/14	Mutka-Aho 8	Claim	100%	Au
7584/9	Mutka-Aho 3	Claim	100%	Au
Kuhmo Nickel Joint Venture - 21,575.9 hectares				
7789/1	Vaara	Claim	5%	Ni, Cu, Pt, Pd
8049/1	Kotisuo	Claim	5%	Ni, Cu, Pt, Pd
8049/2	Kauniinlampi	Claim	5%	Ni, Cu, Pt, Pd
8049/3	Hoikkalampi	Claim	5%	Ni, Cu, Pt, Pd
8049/4	Rytys	Claim	5%	Ni, Cu, Pt, Pd
8049/5	Vaara North	Claim	5%	Ni, Cu, Pt, Pd
8396/1	Hoikka	Claim	5%	Ni, Cu, Pt, Pd
7922/1	Peura-Aho	Claim	5%	Ni, Cu, Pt, Pd
8033/1	Peura-Aho East	Claim	5%	Ni, Cu, Pt, Pd
8033/2	Peura-Aho NE	Claim	5%	Ni, Cu, Pt, Pd
8033/3	Peura-Aho North	Claim	5%	Ni, Cu, Pt, Pd
8033/4	Peura-Aho South	Claim	5%	Ni, Cu, Pt, Pd
8033/5	Peura-Aho SW	Claim	5%	Ni, Cu, Pt, Pd
8047/4	Luokkivaara	Claim	5%	Ni, Cu, Pt, Pd
8055/1	Luokkipuro	Claim	5%	Ni, Cu, Pt, Pd
8055/2	Hyyrylainen	Claim	5%	Ni, Cu, Pt, Pd
8049/7	Sika-aho	Claim	5%	Ni, Cu, Pt, Pd
8049/8	Paatola	Claim	5%	Ni, Cu, Pt, Pd
8049/9	Likosuo	Claim	5%	Ni, Cu, Pt, Pd
8049/10	Karsikkosuo	Claim	5%	Ni, Cu, Pt, Pd
8049/11	Lehdonmaa	Claim	5%	Ni, Cu, Pt, Pd
8049/12	Harju	Claim	5%	Ni, Cu, Pt, Pd
8049/13	Yhteisenaho	Claim	5%	Ni, Cu, Pt, Pd
8049/14	Selkäjärvi	Claim	5%	Ni, Cu, Pt, Pd
8049/15	Kaartilanvaara	Claim	5%	Ni, Cu, Pt, Pd
8049/16	Kaivolampi	Claim	5%	Ni, Cu, Pt, Pd
8049/17	Paatolaislampi	Claim	5%	Ni, Cu, Pt, Pd

TENEMENT SCHEDULE

	TENEMENT	TYPE	INTEREST	COMMODITY
8233/1	Kinnula	Claim	5%	Ni, Cu, Pt, Pd
8233/2	Kupusenkangas	Claim	5%	Ni, Cu, Pt, Pd
8242/6	Metsälä	Claim	5%	Ni, Cu, Pt, Pd
8242/4	Viima-aho	Claim	5%	Ni, Cu, Pt, Pd
8242/5	Rinneaho	Claim	5%	Ni, Cu, Pt, Pd
8242/3	Kemppaanlehto	Claim	5%	Ni, Cu, Pt, Pd
7457/1	Hautalehto 1	Claim	5%	Au
7457/4	Korkea-aho	Claim	5%	Au
7923/1	Arola	Claim	5%	Ni, Cu, Pt, Pd
8047/1	Arola South	Claim	5%	Ni, Cu, Pt, Pd
8047/2	Palovaara South	Claim	5%	Ni, Cu, Pt, Pd
8047/3	Tikkaja-aho	Claim	5%	Ni, Cu, Pt, Pd
8043/1	Kelosuo South	Claim	5%	Ni, Cu, Pt, Pd
8049/18	Karhujärvi	Claim	5%	Ni, Cu, Pt, Pd
8049/19	Palovaara	Claim	5%	Ni, Cu, Pt, Pd
8049/20	Putkisuo	Claim	5%	Ni, Cu, Pt, Pd
8049/21	Kelosuo	Claim	5%	Ni, Cu, Pt, Pd
8049/22	Pitkäaho	Claim	5%	Ni, Cu, Pt, Pd
8242/2	Antinaho	Claim	5%	Ni, Cu, Pt, Pd
8242/1	Nyberginlehto	Claim	5%	Ni, Cu, Pt, Pd
8055/3	Siivikkovaara	Claim	5%	Ni, Cu, Pt, Pd
8055/4	Niemenkylä	Claim	5%	Ni, Cu, Pt, Pd
8049/24	Riihilampi	Claim	5%	Ni, Cu, Pt, Pd
200847	Kianta 2	Claim Reservation	5%	Ni, Cu, Pt, Pd
200847	Kianta 3	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Haverisensuo	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Raiskionsuo	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Hämeenniemi	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Palosuo	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Taulusuo 1	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Taulusuo 2	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Iivantiira 1	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Iivantiira 2	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 1	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 2	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 3	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 4	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 5	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 6	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 7	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 8	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 9	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 10	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 11	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 12	Claim Reservation	5%	Ni, Cu, Pt, Pd
200848	Riihi 13	Claim Reservation	5%	Ni, Cu, Pt, Pd
7014	Hietaharju	Mining Licence Application	5%	Ni, Cu, Pt, Pd
8618/1	Hakovaara	Claim Application	5%	Ni, Cu, Pt, Pd
8602/1	Vaara West	Claim Application	5%	Ni, Cu, Pt, Pd
8708/1	Vaara NE	Claim Application	5%	Ni
8708/2	Rytys SW	Claim Application	5%	Ni
8708/3	Rytys East	Claim Application	5%	Ni
8708/4	Rytys NW	Claim Application	5%	Ni
8708/5	Kauniinvaara	Claim Application	5%	Ni
8618/3	Myllyaho 1	Claim Application	5%	Ni, Cu, Pt, Pd
8618/4	Myllyaho 2	Claim Application	5%	Ni, Cu, Pt, Pd
8476/1	Huutoniemi 1	Claim Application	5%	Ni, Cu, Pt, Pd
8476/2	Huutoniemi 2	Claim Application	5%	Ni, Cu, Pt, Pd
8476/3	Huutoniemi 3	Claim Application	5%	Ni, Cu, Pt, Pd
8476/4	Huutoniemi 4	Claim Application	5%	Ni, Cu, Pt, Pd
8500/1	Korkea-aho 2	Claim Application	5%	Ni, Cu, Pt, Pd
8500/2	Korkea-aho 3	Claim Application	5%	Ni, Cu, Pt, Pd

TENEMENT	TYPE	INTEREST	COMMODITY
RUSSIA			
Karelia Region			
OAO Kivijarvi - 75,000.0 hectares			
Kammennosersk	Exploration Licence	84.98%	Au
ERITREA			
Zara Region			
Zara Joint Venture - 14,700.0 hectares			
Zara 1-4	Exploration Licence	20.0%	Au
AUSTRALIA			
Murchison District - Western Australia			
Weld Range Joint Ventures - 7,899.7 hectares			
M20/246	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/434	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/442	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/443	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/457	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/481	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/498	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
M51/719	Mining Lease	8.75-35%	Ni, Cr, Pt, Pd
P51/1564	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1565	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1566	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1567	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1568	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1569	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1570	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1571	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1572	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1573	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1574	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1575	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1576	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1577	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1578	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
P51/1579	Prospecting Licence	8.75-35%	Ni, Cr, Pt, Pd
MLA51/546	Mining Lease Application	8.75-35%	Ni, Cr, Pt, Pd
MLA51/543	Mining Lease Application	8.75-35%	Ni, Cr, Pt, Pd
MLA51/544	Mining Lease Application	8.75-35%	Ni, Cr, Pt, Pd
MLA51/545	Mining Lease Application	8.75-35%	Ni, Cr, Pt, Pd

CORPORATE DIRECTORY

Directors

Chairman – Andrew Edward Daley

Managing Director – Peter George Cordin

Finance Director – Michael Dylan Naylor

Non-Executive Director – Toivo Tapani Järvinen

Non-Executive Director – Markku Juhani Mäkelä

Non-Executive Director – Peter Lawson Munachen

Company Secretary

Pauline Anne Collinson

Registered Office

Level 1, 173 Mounts Bay Road

Perth, Western Australia 6000

Telephone: (61 8) 6311 8000

Email: admin@dragon-mining.com.au

Website: www.dragon-mining.com.au

ABN

19 009 450 051

Share Registry

Computershare Investor Services Pty Limited

45 St Georges Terrace

Perth, Western Australia 6000

Contact Information

Within Australia: 1300 850 505

From Overseas: (61 3) 9415 4000

Facsimile: (61 3) 9473 2500

Email: web.queries@computershare.com.au

Website: www.computershare.com

Stock Exchange

ASX Limited

2 The Esplanade

Perth, Western Australia 6000

Quoted on the official list of the Australian Securities Exchange.

ASX Ordinary Share Code: DRA

ASX Company Convertible Note Code: DRAG

Auditors

Ernst & Young

11 Mounts Bay Road

Perth, Western Australia 6000

Legal Advisors

Clayton Utz

250 St Georges Terrace

Perth, Western Australia 6000

Bankers

Macquarie Bank Limited

235 St Georges Terrace

Perth, Western Australia 6000

National Australia Bank

1232 Hay Street

West Perth, Western Australia 6005