

DIRECTORS' LETTER TO THE SHAREHOLDERS

The quality of our properties continues to be the driving force behind the Company for the year ending April 2007. Over the past year we made new discoveries on two properties and added to our management team. The market for base and precious metals is still at attractive levels, and, in the pursuit of shareholder value, the Company has aggressively pursued growth through a variety of means.

On our 100% owned Vanguard Zinc-Copper-Silver-Gold Property a new zinc discovery on the western part of the property was followed up with a large geophysical program, funded by our new joint venture partner Everett Resources Ltd. The initial phase of the agreement calls on Everett to spend \$3 million in exploration before January 20, 2011 to earn a 50% interest in the Vanguard Property. In addition, starting January 20, 2008, Everett must pay a total of \$150,000 in option payments. Everett will also issue 200,000 common shares of its stock to Dragon in tranches of 50,000. The ground long thought to be zinciferous by our senior geologist is located in propinquity to the old North Coldstream Mine. The geophysical program yielded 20 new targets. A fall drill program is expected to test all 20 targets.

Our focus will be the three Pickle Lake Gold Properties (Dorothy-Dobie-Kasagiminnis) where an airborne survey completed over the past year has linked, for the first time, the two historical zones of mineralization on the Dorothy and Dobe Properties over a 7 km. span with new targets identified in between. The Company covered the prospective ground by staking 143 new claim units. Management expects to follow up a small summer-fall mapping and drill program, with a much larger program over winter roads.

From a management point of view, merchant banker Ubequity Capital Partners Inc. was engaged to accelerate the business of the Company. The Company raised a record amount of money over the past fiscal period sufficient to meet its current commitments. The geological team was also increased to handle the expected increased workload. When the geologists hired were asked why they opted for Dragon over other potential offers, they answered: "Because you have one of the best packages of exploration properties in Northwestern Ontario".

The upcoming year should be an exciting one with work progressing not only on our focus gold prospects, but on other nickel, platinum, zinc and copper joint ventures to which the Company is a party.

On behalf of the Board of Directors

"Elliot Strashin"

Dr. Elliot Strashin, President