



DOMINION MINING LIMITED

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QUARTERLY REPORT FOR THE
PERIOD ENDING 31 DECEMBER 2006

HIGHLIGHTS

Challenger Mine Operations

- Quarterly gold production was **24,394 ounces** at an operating cash cost of **\$335/ounce** and was in line with expectation. Half yearly production of **50,306 ounces** at an operating cash costs of **\$332/ounce**.
- Deep diamond drilling extends the high grade M1 reserves to below 700 metres vertical depth with an outstanding intersection of **25m @ 23.4g/t gold** (previously reported).
- Current gold reserves are now **293,500 ounces** after accounting for 50,306 ounces of production since 30 June 2006 and over 300,000 ounces to date.
- Mineral resources total **686,300 ounces**, an increase of 312,000 ounces over the 30 June 2006 published figure.
- Reserve upgrade programme targeting a **500,000 ounce** reserve (after planned mining depletion) by 30 June 2007 commenced January 2007.
- M1 drill results confirm high grade areas for future production. Best results include:

11.4 metres @ 54.15g/t gold

6.0 metres @ 33.24g/t gold

6.4 metres @ 24.24g/t gold

6.0 metres @ 70.64g/t gold

12.75 metres @ 49.31g/t gold

13.5 metres @ 32.40g/t gold

- High grade M2 intersections from **outside** the reserve area clearly demonstrates potential extensions to the current reserve below 800RL. Best intersections include:

6.0 metres @ 64.03g/t gold

6.75 metres @ 38.12g/t gold

3.0 metres @ 205.5g/t gold

6.75 metres @ 20.23g/t gold

1.5 metres @ 246.38g/t gold

10.5 metres @ 41.14g/t gold

3.75 metres @ 196.27g/t gold

Exploration

- RAB drilling at the Challenger West target, located 150 metres north west of the M1 shoot returned **3m @ 23g/t gold** and **3m @ 12.5g/t gold**.
- Major new 6 km long gold anomaly defined at Latham in WA with bedrock RAB results up to 0.75g/t gold.
- Anomalous gold located in wide spaced drilling in extensive land holding in Tropicana belt at Cundeelee (Western Australia).

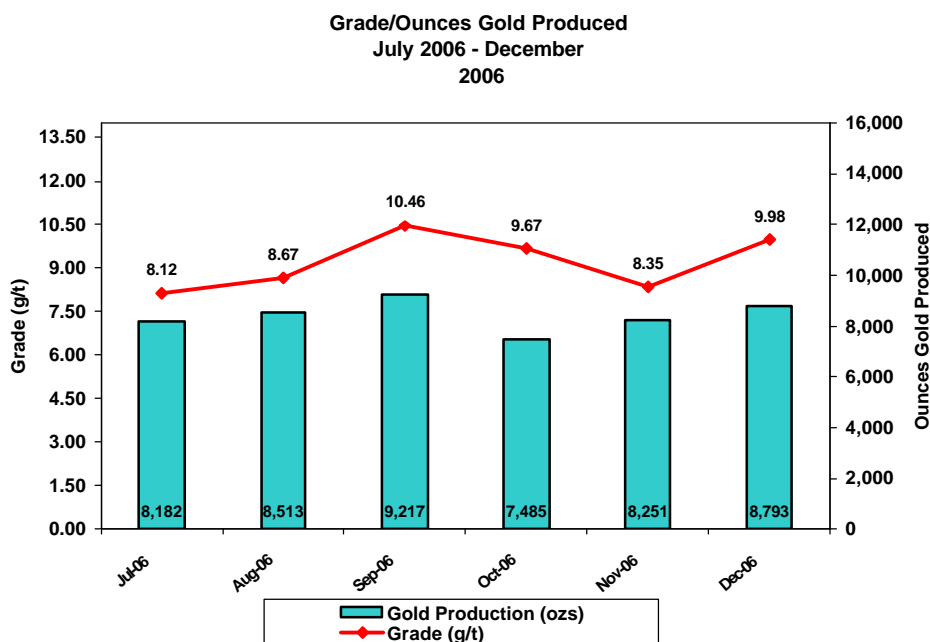
Corporate

- Revenue for the quarter of **A\$18.9 million** generated from the sale of **25,734 ounces** of gold at an average price received of **A\$734/ounce**. For the six months revenue was **A\$35.97 million** from the sale of **50,521 ounces** at an average price received of **A\$712/ounce**.
- Cash and bullion of **A\$24.7 million** at the end of December consisting of cash of A\$21.7 million and bullion of A\$3.0 million. This was after the payment of a \$3.99 million dividend (4 cents per share) in October.

OPERATIONS (Challenger Gold Project – Dominion 100%)

Production

Gold production for the quarter was 24,394 ounces at a cash operating cost of \$335/oz. This was achieved from the milling of 86,887 tonnes of ore at an average head grade of 9.29 g/t gold. These results were generally inline with expectations given that during the quarter grade was slightly impacted with the processing of some M2 development ore and the completion of a full mill reline and other planned maintenance work on the mill resulted in the loss of over three days of ore processing. Production for the half year was 50,306 ounces at a cash operating cost of \$332/oz. For the 12 months ended 30 June 2007 production is expected to be in excess of 100,000 ounces.



For the quarter, \$2.491 million was incurred on underground mine development work and \$0.710 million on capital.

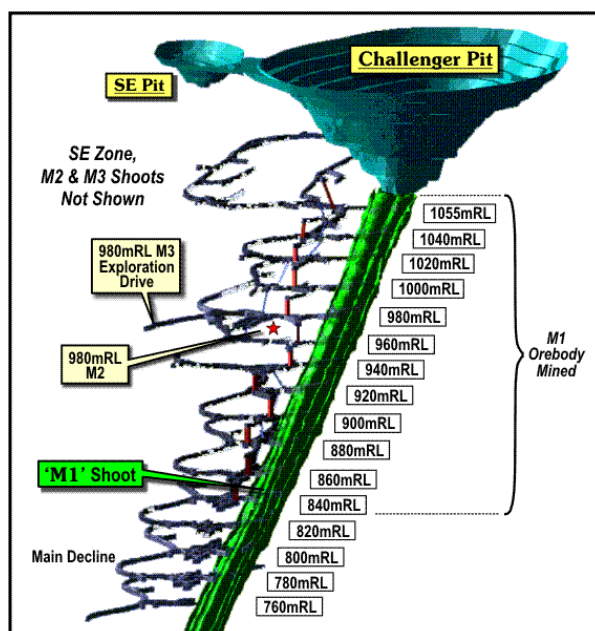
TABLE OF RESULTS

		Quarter Ended 31 December 2006	Quarter Ended 31 December 2005	6 Months Ended 31 December 2006	6 Months Ended 31 December 2005
Tonnes Mined (excluding all low grade)	(tonnes)	87,888	94,089	170,611	191,973
Ore Processed	(tonnes)	86,887	91,487	183,293	186,461
Head Grade	(g/t)	9.29	10.67	9.15	9.47
Recovery		93.70%	95.10%	92.60%	94.60%
Gold Produced*	(oz)	24,394	29,860	50,306	53,707
Gold Sold	(oz)	25,734	29,344	50,521	52,374
Cash Operating Cost	(A\$/oz)	A\$335	A\$258	A\$332	A\$282
Development and Capex	(A\$/oz)	A\$131	A\$75	A\$129	A\$89

*Gold production is actual gold poured during the period and does not reflect changes in the balance of gold in circuit. Cash operating cost refers to the cost of gold poured and produced and includes all expenditures directly incurred on mining, crushing and processing net of all movements in deferred mining expenditure and stockpiles plus site overheads. These costs do not include production royalty's payable of \$37 per ounce.

Underground progress

The decline has reached the 720RL and stoping for the quarter on the M1 shoot was from the 820 and 800 levels. Stopping during the next quarter is expected to be sourced from the 780 and 760 levels where advanced grade control drilling confirms good continuity of the M1 shoot and of the high grade ore.



Challenger underground showing current level

Evaluation of continuity of Shoots

Underground drilling has continued to demonstrate the continuity of high grade mineralisation in future mining levels of the **M1 Shoot** as highlighted by the following intersections:

Underground Diamond Drilling Intersections – M1 Shoot

Hole ID	From	To	Width	Au (g/t)	Shoot	Level
06CUD0244	45	50	5	18.28	M1	740
06CUD0245	38	49.4	11.4	54.15	M1	740
06CUD0246	32	38	6	33.24	M1	740
06CUD0247	31.6	38	6.4	24.24	M1	740
06CUD0248	28	33	5	26.79	M1	740
06CUD0250	146	149	3	119.13	M1	690

Underground Percussion Drilling Intersections – M1 Shoot

Hole ID	From	To	Width	Au (g/t)	Shoot	Level
06CUS1431	18.8	23.3	4.5	42.87	M1	780
06CUS1445	0.8	5.3	4.5	26.01	M1	780
06CUS1455	11.3	15.8	4.5	32.52	M1	780
06CUS1486	3.15	9.15	6	70.64	M1	760
06CUS1487	2.4	8.4	6	58.85	M1	760
06CUS1488	3.15	7.65	4.5	20.86	M1	760
06CUS1490	3.15	11.4	8.25	18.35	M1	760
06CUS1491	0.9	6.15	5.25	20.68	M1	760
06CUS1502	2.4	9.9	7.5	56.11	M1	760
06CUS1505	3.15	15.9	12.75	49.31	M1	760
06CUS1507	5.4	9.9	4.5	36.31	M1	760
06CUS1510	7.65	21.15	13.5	32.4	M1	760
06CUS1520	18.15	21.15	3	34.83	M1	760
06CUS1524	18.9	24.15	5.25	17.83	M1	760
06CUS1526	11.6	13.1	1.5	79.13	M1	760

Stope development of the M1 Shoot during the March 2007 quarter will be from the 780m RL and the 760m RL.

A major focus has been maintained on underground exploration development and drilling of the **M2 Shoot**. Significant intersections from this drilling are tabulated below:

Underground Diamond Drilling Intersections – M2 Shoot

Hole ID	From	To	Width	Au (g/t)	Shoot	Level
06CUD0250	67	69	2	78.63	M2	740

Underground Percussion Drilling Intersections – M2 Shoot

Hole ID	From	To	Width	Au (g/t)	Shoot	Level
06CUS1599	1.65	7.65	6	64.03	M2	860
06CUS1606	15.25	18.25	3	14.13	M2	860
06CUS1608	11.5	13.75	2.25	19.22	M2	840
06CUS1421	22.65	24.15	1.5	20.27	M2	800
06CUS1422	12.9	14.4	1.5	24.88	M2	800
06CUS1423	17.4	18.15	0.75	80.4	M2	800
06CUS1424	12.9	19.65	6.75	38.12	M2	800
06CUS1295	5.4	9.9	4.5	12.52	M2	780
06CUS1346	2.3	3.8	1.5	82.9	M2	780
and	11.3	14.3	3	205.5	M2	780
06CUS1349	3.8	10.55	6.75	20.23	M2	780
06CUS1378	16.55	18.05	1.5	22.55	M2	780
06CUS1444	6.05	9.8	3.75	14.92	M2	780
06CUS1587	2.4	5.4	3	42.14	M2	780
06CUS1588	0.9	3.15	2.25	24.57	M2	780
06CUS1589	9.9	11.4	1.5	246.38	M2	780
06CUS1592	4.65	6.15	1.5	38.62	M2	780
06CUS1594	1.65	12.15	10.5	41.14	M2	780
06CUS1514	12.8	16.55	3.75	27.94	M2	760
06CUS1544	11.4	13.65	2.25	31.01	M2	760
06CUS1545	13.65	15.9	2.25	10.33	M2	760
06CUS1548	7.65	9.15	1.5	20.44	M2	760
06CUS1554	10.65	12.9	2.25	12.24	M2	760
06CUS1556	14.3	21.8	7.5	18.28	M2	760
06CUS1557	14.3	21.8	7.5	18.78	M2	760
06CUS1558	0	1.55	1.55	32.19	M2	760
06CUS1560	13.65	16.65	3	12.08	M2	760
06CUS1561	13.65	16.65	3	11.67	M2	760
06CUS1562	14.3	18.05	3.75	196.27	M2	760
06CUS1570	1.5	3	1.5	62.76	M2	760

All of these intersections lie outside of the current M2 Shoot reserves. A continuing intensive program of underground exploration is underway and it is expected that a significant increase in the M2 Shoot reserves will be achieved by June 2007.

Resources and Reserves

To date the underground mining of the M1 Shoot over a vertical extent of 200 metres has given a positive reconciliation of 116% of the original reserves.

Reserves were increased from 279,000 ounces as at 30th June 2006 to 293,500 ounces at the 31st December 2006 after taking into account gold production of 50,306 ounces over the six months July 2006 - December 2006.

RESOURCE AND RESERVE STATEMENT Challenger Gold Project (Dominion 100%)

SHOOT/LEVEL	RESOURCE			RESERVES			NOTES		
	CATEGORY	TONNES (000)	GRADE (g/t Au)	CONTAINED OUNCES	CATEGORY	TONNES (000)		GRADE (g/t Au)	CONTAINED OUNCES
<i>Underground Development</i>									
M1 Crown Pillar	Measured	21	9.6	6,450	Proven	23	7.6	5,650	1
M1 above 760m RL	Measured	55	12.1	21,400	Proven	55	12.1	21,400	2
M1 760m RL – 580m RL	Indicated	443	10.6	151,000	Probable	414	9.7	129,000	3
M1 580m RL – 480m RL	Indicated	247	10.6	84,000	Probable	230	9.7	71,500	3
M1 480m RL – 130m RL	Inferred	864	10.6	295,000					3
M2 1060m RL – 800m RL	Indicated	206	8.6	57,000	Probable	274	6.4	56,400	1
	Inferred	47	9.7	14,500					
M3 Above (1115m RL)	Measured	16	8.5	4,400	Proven	12	7.3	2,700	4
M3 1090m RL – 1075m RL	Measured				Proven				2
M3 Below 1070m RL	Inferred	54	5.8	10,000					1
SUB-TOTAL		1,953	10.2	644,000		1,008	8.8	286,700	
<i>Stockpiles</i>									
ROM	Measured	8	8.6	2,200	Proven	8	8.6	2,200	
Low Grade ROM	Measured	13	1.4	600	Proven	13	1.4	600	
Low Grade Stockpile	Measured	32	1.4	1,500	Proven	32	1.4	1,500	
<i>Open Pit Development</i>									
SEZ Shoot	Indicated	133	2.6	11,300	Probable	13	4.8	2,000	4
SUB TOTAL		2,139	9.4	659,300		1,074	8.5	293,000	
Gold in plant circuit				500				500	
TOTAL				659,800				293,500	
<i>Challenger Area "shallow" deposits</i>									
Challenger West above 1080m RL	Indicated	23	15.3	11,000					5
Challenger 2 above 1160m RL	Indicated	42	2.9	4,000					6
Challenger 3 above 1120m RL	Indicated	16	2.9	1,500					6
Golf Bore above 1120m RL	Indicated	117	2.7	10,000					6
SUB-TOTAL		198	4.2	26,500					

1. Based on a 3D Block Model by Dominion Gold Operations (DGO) using Surpac software. A top cut of 180g/t Au has been applied.
2. Based on close spaced grade control data and detailed stope designs carried out by Dominion Gold Operations Pty Limited.
3. Based on a 'generic' approach which takes into account both historic reconciled data from underground mining using a 180 g/t Au top cut and continuity of orebody geometry as interpreted from drilling below mined areas. This approach, developed by Dominion Gold Operations, is considered to be a more accurate forecasting approach than traditional block modelling. The resulting 'smoothed' estimate is supported by 'traditional' block modelling carried out by Resource Evaluation Pty Ltd.
4. Based on 3D Block Models by Dominion Gold Operations Pty Ltd with SEZ shoot open pit optimisation of a resource above 0.5g/tAu cut-off evaluated with a top cut applied and reserve estimated prepared above an economic cut off of 1.7g/tAu. Underground M3 shoot reserve prepared above a 5g/t cut off with a 180 g/t top cut applied.
5. Based on a polygonal calculation by DGO.
6. Based on 3D Block Models by DGO (using Surpac software). A top cut of 80 g/t Au has been applied.

With the surface drilling program to test the depth continuity of the M1 Shoot and the underground exploration of the M2 Shoot Dominion is targeting to achieve reserves in excess of 500,000 ounces of contained gold (after allowing for planned mining depletion) by June 2007.

Occupational Health and Safety

One Lost Time Injury occurred during the quarter with the worker returning to work

EXPLORATION PROJECTS

South Australia

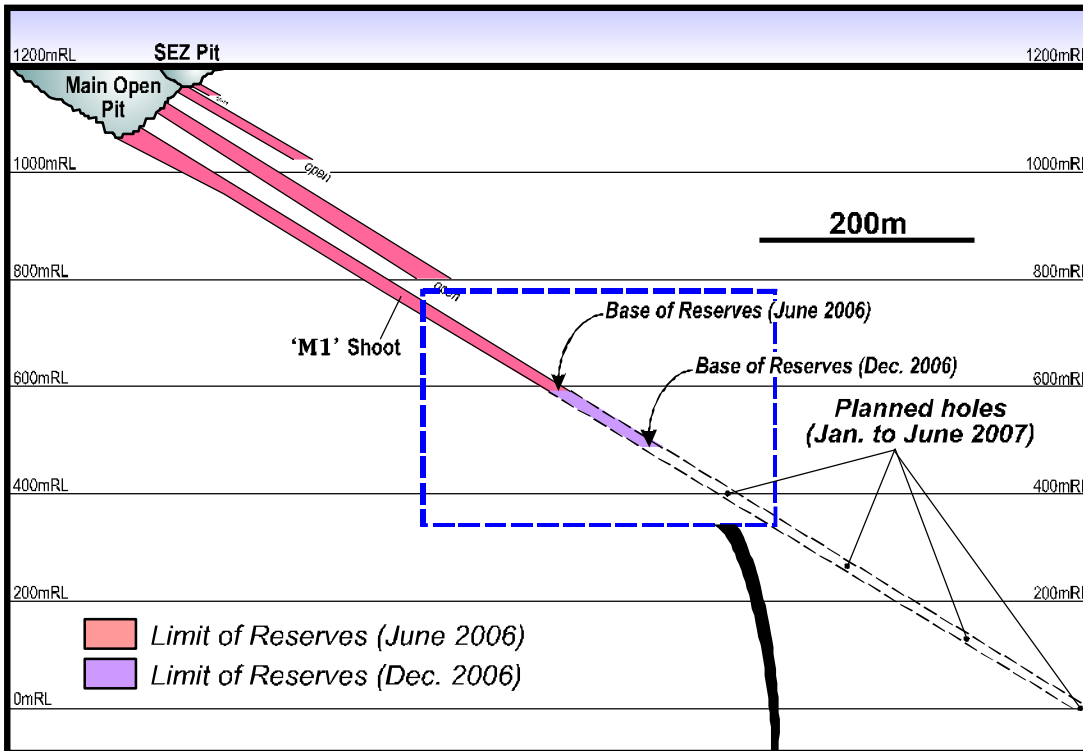
Challenger (100%)

The program of diamond core drilling designed to test the **M1 Shoot** between the 580m RL and the 480m RL, which was commenced in the previous quarter, was completed with the drilling of holes 06CDDH0075W1-W3. This drilling resulted in an outstanding intersection of **25 metres grading 23.4 g/t gold**. Together with the previously reported intersections in holes 06CDDH0073 and 06CDDH0073W1 the results have confirmed excellent continuity of this high-grade shoot. These intersections are tabulated below:

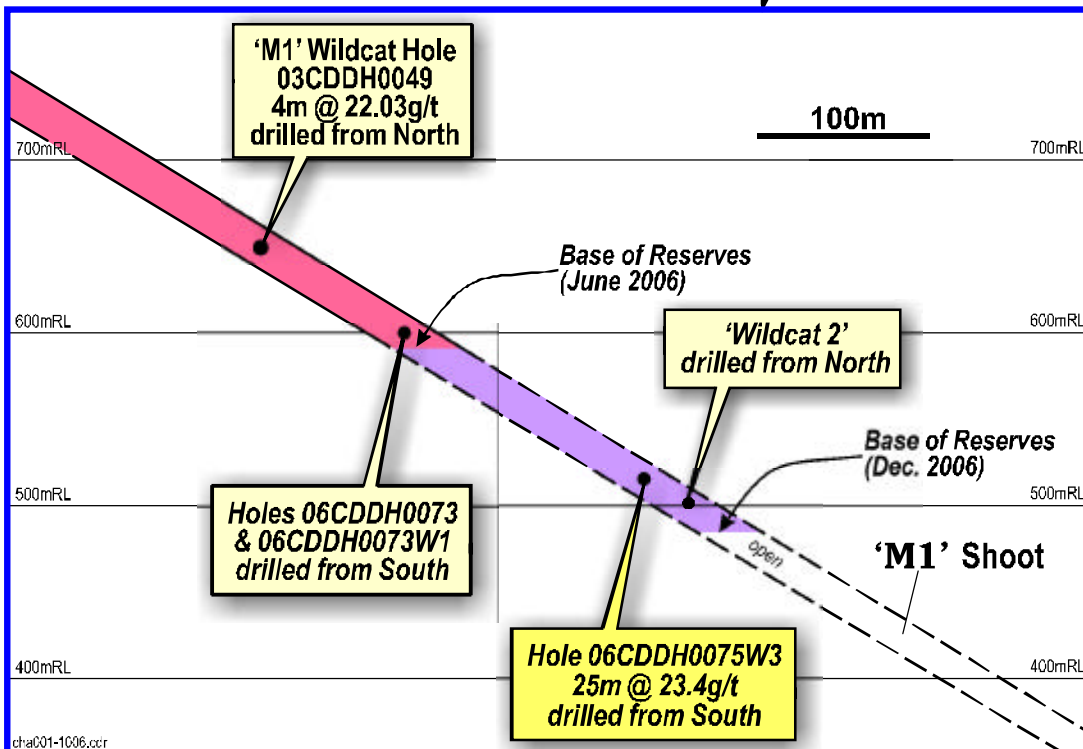
Surface Diamond Drilling Intersections – M1 Shoot

Hole ID	Mine Grid Coordinates	Dip/Azi	Interval (m)	Width (m)	Au (g/t)
06CDDH0073	20,784E / 10,525N	-57.3°/002.2°	686-687	1	54.8
			697.5-699	1.5	84.6
			702.98-704.1	1.12	11.1
			712.2-712.75	0.5	8.3
			753-756.4	3.4	23.9
06CDDH0073W1	20,784E / 10,525N	-57.0°/004.7°	707-710	3	50.9
			715-717	2	2.1
			722-723	1	1.3
			770-772	2	46.6
06CDDH0075W3	20,927E / 10,546N	-55.0°/002° <i>Including</i> <i>And</i>	791.25-816.25	25	23.4
			796.00-798.30	2.3	187.1
			808.20-812.20	4	26.7

These results have permitted an extension of the M1 Shoot Indicated Resources and Probable Reserves down to the 480m RL as shown on the following longitudinal section and detailed in the Resource and Reserve Statement included in this report.



Challenger Shoots schematic longitudinal section



Challenger Shoots schematic longitudinal section

The M1 Shoot has now been either mined or drill defined over a vertical depth of over 700 metres from surface (1200m RL) to 480m RL. It is reasonable to assume significant continuity of this structure below this level and an Inferred Resource has been estimated down to the 120m RL (i.e. a 50% increase to the mining and drill defined continuity).

A program of diamond core drilling to test this inferred continuity will commence early in the March 2007 quarter. It is planned to test the M1 Shoot down to the 0m RL with a series of 4 sections each at 125 metre vertical depth increments. It is planned that this 8,000 metre program will take about 4 months to complete.

A short program of surface RAB drilling to test the **Challenger West** target has returned the following significant intersections:

Surface RAB Drilling Intersections - Challenger West

Hole ID	Coordinates (Mine Grid)	Dip / Azi (Mine Grid)	Interval (m)	Width (m)	Au (g/t)
06CRAB0122	10,326N / 19,525E	-57.7 / 185	43-46	3	23.04
06CRAB0123	10,338N / 19,550E	-57.8 / 185	39-42	3	12.49

This target lies about 150 metres north west of the M1 Shoot. The position has never been developed either in open pit or underground mining and appears to represent another shoot style structure. Further surface and underground drilling is planned to evaluate this target.

Surface and underground drilling programs are also planned during the next quarter to test a series of other well-defined targets all of which can be potentially accessed from the existing underground development.

Joint Ventures

Dominion has free carried interests in a number of joint venture agreements relating to its Gawler Craton tenements.

Minotaur Resources and **Toro Energy Ltd** are earning a 75% - 80% interest in the **Bulgunnia** and **Labyrinth Projects**, which comprise over 3,000 square km of ground to the south and south west of Prominent Hill. Minotaur (in alliance with Oxiana) are exploring for Olympic Dam/Prominent Hill style deposits while Toro is exploring for palaeochannel hosted uranium deposits.

There are also 3 separate 'strata title' joint ventures within Dominion's **Central Tenements Area** covering 3,600 square km of ground around the Challenger Mine.

Mithril Resources Ltd can earn up to 75% of the rights to nickel mineralisation by sole funding \$5 million of exploration expenditure. They are planning to drill test a series of coincident geochemical and geophysical (EM) targets defined during the second half of 2006.

Deep Yellow Ltd can earn 90% of the uranium rights by sole funding \$3 million of expenditure and issuing (which ever has the greater value) either equity equivalent to 2.2% of the company's issued capital or equity with a market value \$1 million. They are planning follow up to a 2,814 line km airborne EM survey, carried out in 2006, designed to define palaeochannel hosted uranium targets.

Southern Gold Ltd has an option to earn a 51% interest in the gold rights by sole funding \$2 million of exploration. This option excludes the Challenger Mine area.

It is expected that these joint venture activities will involve significant expenditure during the next quarter.

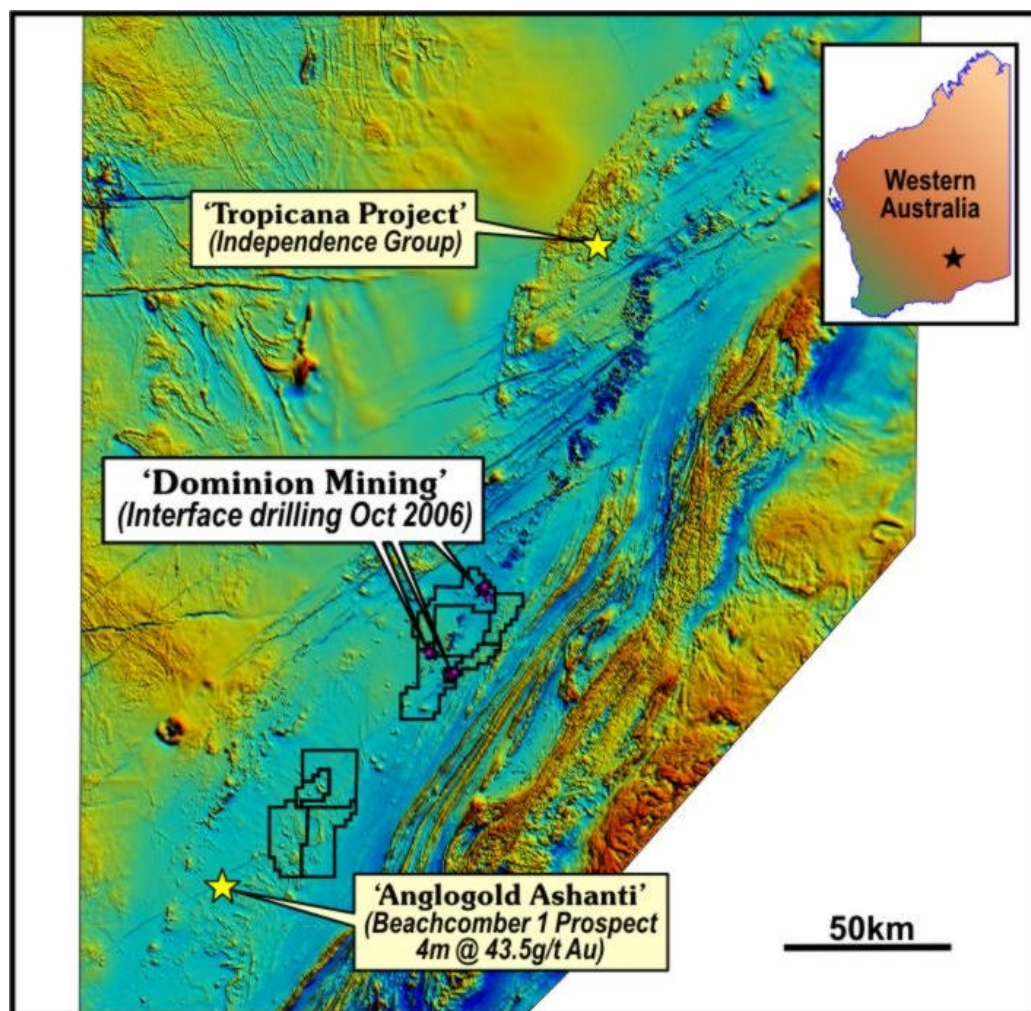
Western Australia

Cundeelee Project (100%)

The Cundeelee Project lies within the 'Tropicana' belt which, although historically has not been subject to significant exploration activity, is now considered to be the most exciting new gold belt in Western Australia.

The main activity has been at Tropicana where AngloGold Ashanti (AGA), in JV with Independence Group, appear to have discovered a significant gold deposit. They have also announced a new discovery at the Beachcomber Prospect where an intersection of 4m @ 43.5 g/t Au has been returned.

Tropicana and Beachcomber are about 220 km apart while Dominion's Cundeelee Project, comprising an area of 1,260 square km lies in between covering an 80 km length of the target belt.



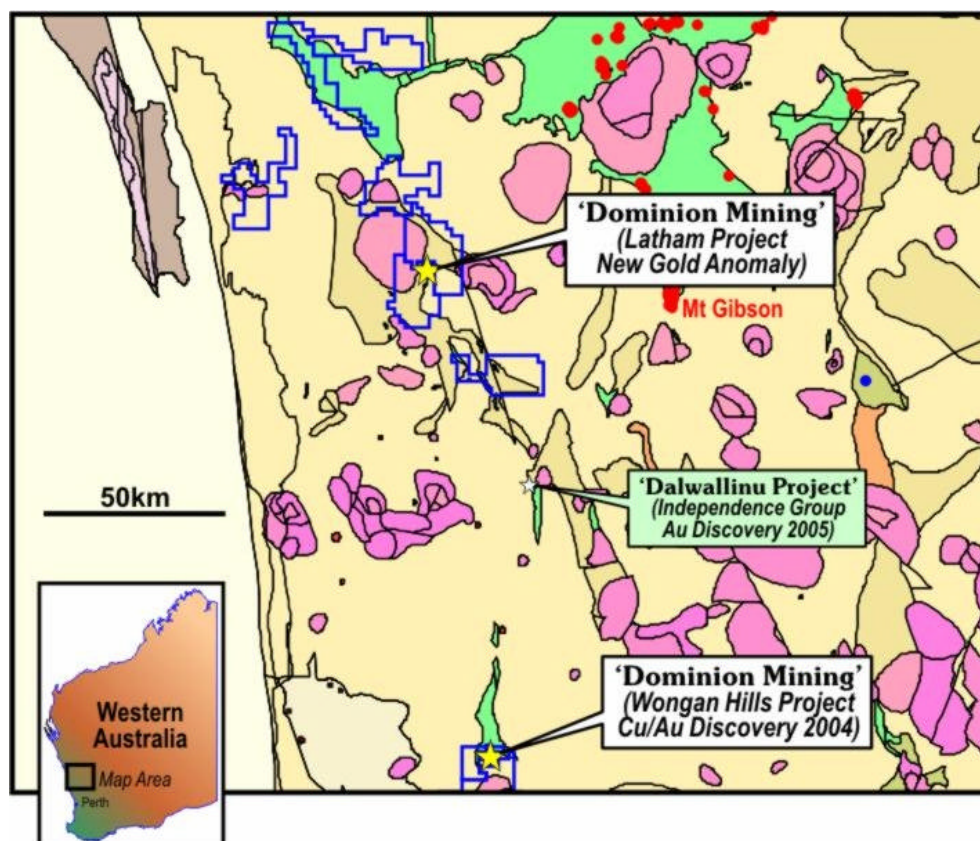
Results from a 3,000 metre programme of shallow interface drilling to test gold in calcrete anomalies have confirmed bedrock (interface) gold anomalism (20 – 57 ppb Au) at 2 of the 3 anomalies tested. While these are obviously sub-economic values they are from very wide spaced holes and clearly demonstrate the potential for bedrock gold mineralisation. They also confirm the effectiveness of the surface geochemical sampling. This is considered a very significant result, which underpins the forward exploration strategy involving systematic surface geochemistry and follow up interface drilling.

AngloGold Ashanti have been adopting a similar strategy throughout their ground holdings in this belt and they have reported that they are prioritizing areas with +20 ppb Au in interface drilling for follow up drilling.

Cundeleele will be a priority exploration project during 2007.

Perenjori Project (100%)

Surface geochemical sampling has outlined a very significant new gold anomaly in the Latham tenement in an area of no previously recorded exploration activity.



Systematic off road sampling, to follow up anomalous roadside samples, has outlined a N-S trending zone, 6 km long and up to 1 km wide, with anomalous values up to 520 ppb Au. NE-SW trending offset trends are also outlined. The apparent continuity of the anomaly is restricted by areas of transported sands. Sampling through these sands, using a mechanical auger is underway.

First pass reconnaissance RAB drilling was carried out on five broad spaced traverses, totaling 59 holes for 1,318metres. This drilling tested the length of the previously un-drilled anomaly, known as the **Rocky Ridge Prospect**. Early indications from this shallow drilling, point to a strong association between the anomalous surface geochemistry and underlying greenstone stratigraphy.

Assay results received to date are encouraging with several anomalous gold intercepts recorded at the interface between fresh and weathered bedrock (best results 3m @ 0.76g/t Au). When considering the paucity of drilling, the results received to date are highly encouraging. Additional infill and angle overlap drilling is planned to take place early in the March quarter.

Trainor Project (100%)

Drilling programs comprising 9 holes for 1,329 metres have been completed to evaluate the large gravity anomalies at Phenoclast Hill and Oldham Range.

Results are pending but initial interpretation indicates that the gravity anomalies are associated with circular 'basins' of deeply weathered sediments.

EXPLORATION EXPENDITURE

Group exploration and evaluation expenditure for the quarter was \$1.75 million and for the 6 months \$3.25 million inclusive of \$1.37 million incurred primarily in the Challenger drilling that resulted in the increase in reserves. Of this amount \$750,000 related to the M1 Shoot with an increase of 72,000 ounces with the balance of \$624,000 attributable to the M2/M3 Shoots and an increase of 45,000 ounces.

CORPORATE

Attributable revenue for the quarter was A\$18.9 million, generated from the sale of 25,734 ounces of gold at an average price received of A\$734 per ounce. For the 6 months revenue was \$35.97 million from the sale of 50,521 ounces at an average price received of A\$712 per ounce.

Group cash (A\$21.7 million) and bullion on hand accounted as revenue (A\$3.0 million) totalled A\$24.7 million at the end of the quarter. This was after a dividend of 4 cents per share (\$3.99 million) was paid to shareholders on 3 October 2006.

At the end of the quarter 49,500 ounces (representing approximately 17% of remaining reserves) were sold under forward sales contracts with an average delivered price of A\$688 per ounce. Of these flat forward contracts, 20,800 ounces are scheduled to be delivered by 30 June 2007 with the balance by 31 December 2008.



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ATTRIBUTION

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Bamford, Tony Poustie and Paul Androvic who are full-time employees of the Company and Paul Payne of Resource Evaluations Pty Ltd, members of the Australasian Institute of Mining and Metallurgy (except Paul Androvic who is a member of the Australian Institute of Geoscientists). Peter Bamford, Tony Poustie, Paul Androvic and Paul Payne 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Bamford, Tony Poustie, Paul Androvic, and Paul Payne consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



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