

18 February 2022

Belinda Giles
Adviser, Listings Compliance (Perth)
Australian Securities Exchange
By email: ListingsCompliancePerth@asx.com.au

Dear Belinda

Dragon Mountain Gold Limited (ASX:DMG) – Response to ASX Letter

Dragon Mountain Gold Limited (**DMG** or the **Company**) refers to ASX's letter dated 15 February 2022 (**Letter**) and provides the following responses to the specific queries set out in that letter (using the numbering from the Letter).

Capitalised terms which are defined in the Letter have the same meaning where used in this letter unless the context requires otherwise.

1. DMG confirms that the material terms of the Lease have not previously been announced on the Market Announcements Platform and that the Lease has not been approved by DMG's shareholders under Listing Rule 10.1.

Sunplus Holdings Pty Ltd, a company controlled by Mr Gardner, became the lessor of the Lease in 2013. DMG has previously disclosed the Lease's rental payments in its Annual Reports.

2. Please refer to the ASX announcement "General Meeting Rescheduled and Breach of Listing Rule 10.1" that was released on 18 February 2022.
3. To allow time for the drafting of an independent expert report and to provide shareholders sufficient time to be properly informed, the General Meeting that was intended to be held on 21 February 2022 will be cancelled and a new General Meeting will be convened as soon as possible, most likely in late March or early April.

Subject to ASX approval, shareholders will be asked to approve the following at the General Meeting:

- a. the issue of shares in relation to the reinstatement capital raising;
- b. DMG's entry into the Lease under Listing Rule 10.1 and to remedy the previous breach; and
- c. the proposed conversion of Mr Robert Gardner's entities' debt to DMG shares.

DMG will provide ASX with an updated indicative reinstatement timetable once the timing of the independent expert report is confirmed.

Should you require any further clarification, please do not hesitate to contact me.

Yours sincerely



Jay Stephenson

Non-Executive Director and Company Secretary
Dragon Mountain Gold Limited

15 February 2022

Reference: 46932

Mr Jay Stephenson
Company Secretary
Dragon Mountain Gold Limited

By email

Dear Mr Stephenson

Dragon Mountain Gold Limited ('DMG'): Acquisition of substantial asset - breach

ASX refers to:

- A. DMG's occupation of commercial space located at Level 1, 182 Claisebrook Road, Perth ('Property') pursuant to a lease agreement between it as lessee and Comarnd Pty Ltd (in its capacity as trustee) and Robert Charles Gardner as lessors dated 1 January 2013 ('Lease');
- B. Robert Charles Gardner's role as director of DMG and director, secretary and indirect shareholder of Comarnd Pty Ltd;
- C. the key terms of the Lease, namely that:
 - (i) DMG would lease the Property from the lessors for a period of one year with an option to extend the term for a further four years; and
 - (ii) the rent payable was \$110,000 plus GST per annum;
- D. the aggregate value of the consideration payable under the Lease for the term contemplated, being \$550,000 plus GST (\$110,000 plus GST per year for five years);
- E. pages 15-16 of DMG's Annual Report for the financial year ended 30 June 2021 which states DMG's equity interests as the end of that financial year was \$179,344.
- F. Listing Rule 10.1, which requires a listed entity to do the following:

10.1 An entity (in the case of a trust, the responsible entity) must ensure that neither it, nor any of its +child entities, +acquires a substantial asset from, or +disposes of a substantial asset to, any of the following +persons without the approval of holders of the entity's +ordinary securities.

10.1.1 A +related party of the entity.

...

10.1.4 An +associate of a +person referred to in rules 10.1.1 to 10.1.3...

Breach of Listing Rule 10.1

Listing Rule 10.1 applied to the Lease because the aggregate value of the consideration payable under the Lease was greater than 5% of DMG's equity interests as at 30 June 2012 and because Listing Rules 10.1.1 and 10.1.4 applied to Mr Gardner and Comarnd Pty Ltd (a related party for the purposes of Listing Rule 10.1.1 and an associate of a related party for the purposes of Listing Rule 10.1.4, respectively).

ASX's understanding is that no shareholder approval was ever sought or obtained by DMG in respect of the Lease. Consequently, it appears that DMG has breached Listing Rule 10.1.

Action required

In light of above, ASX requires DMG to:

1. Confirm in writing by 9:00AM AWST on Friday 18 February 2022, in a form suitable for release to the market, whether:
 - a. the Lease was ever announced on the Market Announcements Platform ('MAP'); and
 - b. the Lease was ever approved by shareholders under Listing Rule 10.1.
2. If the Lease was never announced on MAP, make an announcement to ASX's satisfaction by 9:00AM AWST on Friday 18 February 2022 disclosing:
 - a. the terms of the Lease; and
 - b. as applicable, the breach of Listing Rule 10.1 and the proposed course of action to remedy the breach of Listing Rule 10.1 (as set out in point 3 below).

Please provide a draft of this announcement in accordance with Listing Rule 18.7.

3. If the Lease has not been approved by shareholders under Listing Rule 10.1, convene a meeting of security holders to approve the Lease. The notice of meeting to obtain approval must comply with Listing Rule 10.5 and be approved by ASX in accordance with Listing Rule 15.1.4.

When and where to send your response

Your response to item 1 of this letter is required as soon as reasonably possible and, in any event, by no later than 9:00 AM AWST Friday, 18 February 2022.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office.

Compliance with the Listing Rules

ASX reminds DMG of its contract to comply with the Listing Rules. Please note that ASX is required to record details of breaches of the Listing Rules by listed entities as part of its reporting obligations.

In the circumstances, ASX considers it appropriate that DMG reviews its compliance arrangements to ensure it does not continue to breach the Listing Rules.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Belinda Giles
Adviser, Listings Compliance (Perth)