

ASX ANNOUNCEMENT

31 March 2017

Proposed Delisting from ASX and Listing on The Stock Exchange of Hong Kong

Introduction

Further to the disclosure in the Company's Quarterly Review published on the ASX on 31 January, 2017, Dragon Mining Limited (ASX Code DRA) (**Company**) advises that it has been progressing the listing of the Company on The Stock Exchange of Hong Kong Limited (**HKEx**) (**Listing**) and the removal of the Company from the Official List of the Australian Securities Exchange (**ASX**) (**Delisting**).

In conjunction with the proposed Listing, the Company is also proposing to undertake:

1. a fully underwritten capital raising of a maximum A\$17,500,000 (equivalent, at an exchange rate of A\$1.00 to HK\$5.8, to HK\$101,500,000) (**Public Offer**), to be wholly conducted outside of Australia and exclusively offered to non-Australian residents; and
2. the amendment of those provisions of the constitution of the Company (**Constitution**) that are required to be amended in order to comply with the requirements of the HKEx for the Listing of all the Company's shares (each a **Share**).

Both of these matters are referred to in detail in a Notice of General Meeting (**Notice**) and Explanatory Statement (collectively **Shareholder Documents**), copies of which follow this Announcement and that are being dispatched today to all shareholders of the Company (each a **Shareholder**).

The Shareholder Documents are being dispatched in order to convene a meeting of Shareholders at **10.00 a.m. (AWST) on 2 May, 2017 at Unit B1, 431 Roberts Road, Subiaco, Western Australia**, for the purpose of approving the Delisting, the Public Offer and related amendments that are required to be made to the Constitution.

Part A Conditions

In addition to obtaining Shareholder approval to each of the Delisting, Public Offer and the amendments to the Constitution, each of the Delisting, Public Offer and Listing are subject to certain conditions being satisfied or waived, they being:

1. In respect of the Delisting:
 - (a) the request for removal of the Company from the Official List of ASX being approved by an ordinary resolution of Shareholders (**Delisting Approval**);
 - (b) the removal from the Official List of ASX not taking place any earlier than one (1) month after the date of Delisting Approval;
 - (c) the Notice setting out:
 - (i) all information concerning the Company that:
 - (A) a reasonable person would expect to have a material effect on the price or value of the Company's securities;
 - (B) a reasonable person would expect to be disclosed; and
 - (C) has not previously been disclosed; and
 - (ii) the timetable that will be followed to effect the Delisting (**Timetable**) (see Part I below);
 - (d) the Company releasing to the market the full terms of the ASX's In-Principle Decision to allow the Delisting to occur; and
 - (e) the Board receiving, on terms acceptable to the Directors, each of:

- (i) a copy of a written confirmation from HKEx to the effect that the Company, subject to the completion of the Public Offer, the Company will be Listed on the HKEx on or about the Listing Date; and
- (ii) a copy of an underwriting agreement that will effect the underwriting of the Public Offer (**Underwriting Agreement**), duly completed and signed by the underwriter to the Public Offer (**Underwriter**).

2. In respect of the Public Offer and the Listing:

- (a) the HK Listing Committee granting approval of the Listing of, and permission to deal in the Public Offer Shares to be issued pursuant to, the Public Offer;
- (b) the Public Offer Price having been duly determined and announced;
- (c) the delivery to HKEx of an original counterpart of the Underwriting Agreement duly executed by the Underwriter; and
- (d) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) as stated in the Underwriting Agreement to those obligations becoming unconditional, by the Underwriter) and not being terminated in accordance with the terms of the Underwriting Agreement or in accordance with any conditions as specified in the prospectus to be issued outside Australia in connection with the Public Offer (**Public Offer Prospectus**), in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of the Public Offer Prospectus.

Part B Disclosure regarding Delisting and Unanimous Recommendation of Directors

As disclosed previously and above, the Company has been progressing the proposed Listing of the Company on HKEx and its Delisting. All information concerning the Company that:

- a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- a reasonable person would expect to be disclosed,

either has been disclosed previously or is disclosed in the Shareholder Documents.

Following due consideration of the Board of Directors of the Company (**Board**), the Board has unanimously resolved that it is in the best interests of the Company and all Shareholders that the Company:

- (a) apply to the ASX for the Delisting;
- (b) undertake the Public Offer; and
- (c) apply to the HKEx for the Listing,

for the reasons outlined in this Announcement and the Shareholder Documents.

Accordingly, each of the Directors recommend that all Shareholders vote or procure any votes to which they are entitled, **in favour** of all resolutions set out in the Notice (each a **Resolution**), for the reasons set out in this Announcement. All Directors will vote, or procure any votes to which they are entitled, **in favour** of each of the Resolutions.

Part C Reasons in favour of Delisting.

The Board believes that Delisting is in the best interest of all Shareholders for the following reasons:

- (a) at least 53% of all Shares is currently beneficially held and controlled by 3 un-associated Shareholders, each of whom is resident outside Australia, they and their respective shareholdings, being:
 - Allied Properties Resources Limited – 23.68%;
 - Nicholas Mathys – 17.21%; and
 - Sun Hung Kai Investment Services Ltd, solely in its capacity as nominee for First Rise Investments Limited, a wholly owned subsidiary of COL Capital Limited – 12.08%;
- (b) a further 16.36% of the number of Shareholders, holding 3.26% of all Shares, are not resident in Australia;
- (c) all of the Company's material operations are located outside Australia, being in Finland and Sweden;

- (d) there has been little investor interest from Australian resident investors for the foreign assets of the Company. The Board believes that this makes the raising of further capital in Australia or from Australian resident investors – particularly in order to develop the Company's new Fäboliden mine in Sweden - very difficult to achieve on terms acceptable to the Board and in the best interests of all Shareholders; and
- (e) in view of the lack of interest in the Company shown by current Australian resident Shareholders, it is not considered worthwhile for the Company to incur the additional costs of maintaining a dual Australian/Hong Kong listing.

Part D Reasons against Delisting

The Board believes that the potential disadvantages and risks associated with Delisting are:

- (a) the Delisting may adversely affect the liquidity of Shares that may have otherwise been available to Shareholders given that the Shares will, after suspension of the trading in Shares on the exchange conducted by ASX, no longer be capable of being publicly traded on that exchange;
- (b) while the Directors have no reason to expect that Listing will not occur, there is a risk that, following Delisting, unanticipated circumstances could arise which could delay or prevent the Company from Listing;
- (c) once the Shares have been Listed and are only able to be publicly traded on the market operated by HKEx, subject to a Shareholder electing not to effect a sale of Shares under the Voluntary Sale Facility referred to in Part H below (**VSF**), Shareholders who wish to sell any or all of their Shares will incur charges that they may not have incurred if those Shares were sold on the market operated by ASX. Such charges are currently:
 - (i) **Brokerage Fee** –, the brokerage fee that Shareholder will pay will be a matter of negotiation and agreement between itself and the applicable broker;
 - (ii) **SFC Transaction Levy** – currently levied at 0.0027% of the value of each sale and buy transaction i.e. both seller and buyer will be required to pay this levy. The rate of the levy is subject to regular change and should be checked immediately prior to making any such sale transaction;
 - (iii) **HKEx Trading Fee** - currently levied at 0.005% of the value of each sale and buy transaction i.e. both seller and buyer will be required to pay this fee; and
 - (iv) **Stamp duty** – 0.1% of the value of each sale and buy transaction i.e. both seller and buyer will be required to pay this duty.

Accordingly, by way of example, if a Shareholder sold its Shares and was entitled to receive gross sale proceeds of A\$1,000.00, it would have deducted from those gross receipts an aggregate of 0.1077% or A\$1.077 plus agreed brokerage fee;

- (d) the Company will incur non-recurring expenses in connection with the Delisting, Public Offer and Listing, including underwriting costs and all other associated fees and disbursements, that are estimated to be approximately A\$6,000,000 (approximately HK\$34,800,000).

However, the Directors note that:

- (a) the duration of the period during which Shares will not be able to be traded on either the ASX or the HKEx – is not expected to exceed seventeen (17) consecutive trading days (**Non Trading Period**). The exact timing and duration of the Non Trading Period will be confirmed as soon as possible. At the date of this Announcement it is believed that the Non Trading Period will be between 22 June, 2017 and 14 July, 2017 (both dates inclusive) as referred to in the Timetable; and
- (b) throughout the period of three (3) consecutive calendar months commencing on the date on which the Shares are listed in the HKEx (**Listing Date**), the Company will maintain the VSF for the purpose of assisting any Shareholder who may wish to sell any or all of their Shares during that period on HKEx.

Once the Company is Delisted, the Listing Rules of the ASX (**Listing Rules**) will no longer apply to it. In particular, Shareholders will forego the protections contained in the Listing Rules, such as those in respect of:

- (a) continuous disclosure;
- (b) restrictions on the further issue of Shares or other securities such as the inability to issue over 15% of the Company's capital in a 12 month period without Shareholder approval or ratification;
- (c) making significant changes to the Company's activities;
- (d) ASX Corporate Governance Principles; and
- (e) the requirement to announce publicly half yearly reports.

However, the Directors note that:

- (a) many of the protections that Shareholders would enjoy under the ASX Listing Rules will also be available under what are corresponding listing rules that will be imposed on the Company, once Listed, by the HKEx (**Hong Kong Rules**); and
- (b) after Listing, the Company will remain required to comply with all the disclosure, reporting and governance provisions of the Corporations Act.

Part E – Effect of Delisting

If Shareholders approve each of the Resolutions, and all Conditions referred to in Part A above are duly satisfied:

- (a) trading in all Shares on the exchange conducted by ASX will be permanently suspended on or about 22 June, 2017; and
- (b) the Company will be Delisted i.e. removed from the Official List of the ASX, on or about 29 June, 2017, as each is specified in the Timetable.

Upon notification to the Company by HKEx of its in-principle approval of the Company's application to List, which notification is currently expected to be received on or about 26 June, 2017, the Directors will confirm in writing to all Shareholders and ASX, the actual dates of each of the dates on which Delisting and Listing will occur.

Until that occurrence, the indicative dates for the completion of the Listing and Delisting processes are set out in the Timetable.

Before the Delisting, the Shares may continue to be traded on the exchange conducted by ASX, without the assistance of the VSF. This will provide Shareholders who wish to sell their Shares prior to the Delisting Date, a period of almost three (3) months, namely from the date of this Announcement to the last trading day immediately preceding the date of suspension of trading in all Shares on the exchange conducted by ASX, during which to sell all or any of their Shares that they wish to dispose of, on that exchange.

Part F – Public Offer

The purpose of the proposed Public Offer is to raise gross proceeds of not more than A\$17,500,000 (at an assumed exchange rate of A\$1.00 equals HK\$5.8 (**Assumed Exchange Rate**), equivalent to approximately HK\$101,500,000), through the issue of no more than 50,000,000 Public Offer Shares at a price no less than A\$0.35 per Public Offer Share (at the Assumed Exchange Rate, equivalent to approximately HK\$2.03 per Public Offer Share).

Shareholders are advised that:

- (a) the Public Offer will not be made or received in the Australian jurisdiction, regardless of where any Public Offer is accepted or any of the Public Offer Shares are issued;
- (b) Australian residents will not be permitted to accept the Public Offer; and
- (c) the prospectus issued in connection with the Public Offer will not be lodged with or reviewed by the Australian Securities and Investments Commission.

The funds raised from the Public Offer are intended to be used in accordance with the following table:

Estimated use of funds received from Public Offer**	A\$'s*
Funding the Company's mine development and capital expenditure activities, primarily associated with Fäboliden Gold Project	10,550,000***
Costs of Delisting, Public Offer and Listing, including underwriting costs and all other associated fees and disbursements	5,778,000
General Working Capital	1,172,000
TOTAL PROCEEDS FROM PUBLIC OFFER	17,500,000

* Converted into A\$'s at the Assumed Exchange Rate

** these amounts are current estimates only and may be subject to variation, depending on the total and net amounts of proceeds actually received by the Company from the Public Offer

*** additional funds have been, or may be required to be, spent on funding the Company's mine development and capital expenditure activities, primarily associated with Fäboliden Gold Project, from sources other than the Public Offer proceeds, including the Company's own capital resources

The Company currently intends to use part of the proceeds of the Public Offer to fund the development of its Fäboliden Gold Project. Subject to obtaining all required governmental permits, commercial production from the Fäboliden Gold Project is currently expected to be commenced by the end of calendar year 2017.

Dilutionary impact of Public Offer

The Directors have indicated that the Public Offer will be undertaken on the basis that no more than A\$17,500,000 (HK\$101,500,000), will be raised through the issue of no more than 50,000,000 Public Offer Shares at a price no less than A\$0.35 per Public Offer Share (HK\$2.03).

At the time of issuing this Notice, the Directors are unable to be more specific about the above terms, due to constantly changing circumstances in the public pricing of gold, as well as the value at which the Company's Shares publicly trade.

On the bases that:

- the Company issues the maximum permitted number i.e. 50,000,000, Public Offer Shares in the course of the Public Offer;
- none of the current Shareholders participates in the Public Offer; and
- the current issued capital of the Company is 88,840,613 Shares,

then, on the basis of the Public Offer will have approximately a 36% dilutionary impact on the relative percentage Shareholdings of all current Shareholders.

Part G – Changes to Constitution

The Hong Kong Rules contain various requirements for the content of a constitution of a company listed on the HKEx. In many cases, the existing Constitution satisfies those requirements. However, there are some requirements which are not satisfied by the current provisions of the Constitution. While in some cases it is possible to obtain waivers from the application of those requirements, the Company is of the view that the better corporate governance approach is to amend the Constitution to facilitate the Listing, so that the Constitution is fully compliant with the relevant Hong Kong Rules. In addition, there are various provisions of the Constitution which need to be amended to reflect the fact that the Company will be Listed on HKEx and not ASX, including various incidental amendments of a minor and technical nature and those typically found in the constitutions of companies listed on the HKEx. It is for this reason that the Company is seeking Shareholders' approval in the third Resolution stated in the Notice, to amend and restate the Constitution.

The Company is of the view that, on an overall basis, the proposed amendments to the Constitution do not affect the rights or obligations of Shareholders in a material manner. Rather, the amendments are best characterised as being amendments required to meet the technical requirements of the Hong Kong Rules to facilitate the Listing, and which are no less favourable to the rights and interests of Shareholders than the Listing Rules.

The proposed form of amended and restated Constitution is attached to the Explanatory Statement that forms part of the Shareholder Documents and the proposed changes to the Constitution are marked up against the current version of the Constitution.

Part H – Voluntary Sale Facility (VSF)

If Shareholders approve each of the Resolutions, and all other Conditions are duly satisfied, the Company:

- (a) will assist any Shareholder wanting to sell any of their Shares on HKEx, on and for a period of three (3) months after the Listing Date, by establishing and operating a VSF; but
- (b) will not be offering any buy-back or redemption facility under which the Shareholders could sell all or any of their Shares to the Company.

However, if any Shareholder prefers to effect the sale of, or other dealing in, any of its Shares through an alternate broker, or by any alternate means, it will remain free to do so. No Shareholder will be required to participate in the VSF in respect of any of its Shares.

The material features of the VSF will be:

- (c) the Company will engage Morgans Financial Limited, holder of AFSL Number 235410 as the broker to the VSF (**VSF Broker**);
- (d) Computershare Investor Services Pty Limited (**Share Registry**) will send to all Shareholders, promptly after approval of all the Resolutions at the Meeting has been given, a form (**VSF Authorisation Form**) that will entitle, but not require or oblige, each Shareholder to instruct the VSF Broker to arrange for the sale on the HKEx and after Delisting, of any or all of the Shares held, and as specified in the applicable VSF Authorisation Form, by that Selling Shareholder (each a **VSF Sale Share**);
- (e) whilst each Selling Shareholder will be entitled to engage the VSF Broker for the purposes of effecting a sale of VSF Sale Shares, at any time during a period of three (3) months after the Listing Date, the Company will be responsible for the payment of any and all fees or charges of the VSF Broker or any transaction costs arising from the sale of any VSF Sale Shares. Any sale of Shares after the expiry of the abovementioned period will attract the liability of the Shareholder selling those Shares to pay the normal brokerage and transactions fees associated with that sale (see Part D, paragraph (c));
- (f) as will be made clear in the terms of the VSF Authorisation Form, each Selling Shareholder will be required to:
- (i) provide the VSF Broker with that VSF Authorisation Form, and possibly other forms that will have been provided to each Selling Shareholder by the VSF Broker, completed and signed, being sent to the attention of the person or persons nominated by the VSF Broker in the VSF Authorisation Form;
 - (ii) open a separate personal client account with the VSF Broker (each a **Client Account**) in the manner that will be specified in materials that the VSF Broker will provide to each Selling Shareholder promptly after the VSF Broker has received the Selling Shareholder's duly completed VSF Authorisation Form; and
 - (iii) provide the VSF Broker with the new certificate(s) for the VSF Sale Shares, that will be dispatched by the Hong Kong Share Register (please see the Timetable for details of when those new Share certificates are expected to be dispatched),
- (collectively the **Relevant VSF Sale Documents**);
- (g) upon receipt by the VSF Broker of:
- (i) each of the Relevant VSF Sale Documents; and
 - (ii) the opening of the Selling Shareholder's Client Account,
- it will, upon the aggregation of a minimum of 5,000 VSF Sale Shares that are the subject of those received Relevant VSF Sale Documents, instruct Sun Hung Kai Investment Services Limited of Hong Kong (**HK Broker**) to arrange for the sale of those VSF Sale Shares on the HKEx. Such sale will take place as soon as is reasonably practicable, but is expected will occur within one to two weeks; and
- (h) upon completion of the sale of a Selling Shareholder's VSF Sale Shares that are the subject of Relevant VSF Sale Documents, the proceeds of that sale will be paid by the HK Broker to the VSF Broker. Once received from the HK Broker, the VSF Broker will deposit those proceeds, denominated in Australian dollars, directly into the bank account of the Selling Shareholder that was designated in the Relevant VSF Sale Documents, or such other bank account as may have been specified by the Selling Shareholder.

Part I Proposed Timetable

Date*	Event
31.3.2017	Company: <ul style="list-style-type: none"> • lodges its Formal Request for Delisting with ASX; • discloses the ASX Announcement; and • dispatch of Notice of Meeting and Explanatory Statement to all Shareholders
7.4.2017	Company submits its Listing application to HKEx
18.4.2017	ASX confirmation of approval to Formal Request for Delisting (subject to satisfaction of ASX Conditions)

30.04.2017, 7.00 p.m. (AWST)	Record Date and time for determination of all Shareholders eligible to participate in Meeting
30.4.2017, 10.00 a.m. (AWST)	Proxies due to be returned to Company or Share Registry
2.5.2017, 10.00 a.m.(AWST)	The Company convenes Meeting to seek Shareholders' approval of: <ul style="list-style-type: none"> • Delisting; • Public Offer; and • amendments to the Constitution
22.6.2017	The Company: <ul style="list-style-type: none"> • attends HKEx Listing Hearing meeting; and • determines and discloses the expected actual dates for each of: <ul style="list-style-type: none"> ○ Delisting Date; and ○ Listing Date
22.6.2017	Suspension from ASX quotation
26.6.2017	Receipt of in principle approval from the HKEx
29.6.2017	<ul style="list-style-type: none"> • Signing of Underwriting Agreement • Delisting from ASX
30.6.2017	Issue of Public Offer Prospectus
5.7.2017	Close of Public Offer
6.7.2017	Closure of CHESS sub-register, and commencement of process of removal of all Shares to the Hong Kong Share Register
13.7.2017	Dispatch of Hong Kong Share certificates by Hong Kong Share Registry
14.7.2017	Listing Date - commencement in trading of Shares on HKEx

* The dates stated in the above timetable are best estimates of the Directors, at the time of issuing the Notice of Meeting and this Explanatory Statement. The Company reserves the right to vary any of those dates, in which event it will announce details of any material change in any of these or other dates, as and when they may occur.

Updates of any variations to the Timetable will be disclosed as soon as they are ascertained.

**For and on behalf of
Dragon Mining Limited**