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ASX RELEASE

Dragon Mountain Gold Limited,
ACN: 111 005 282
182 Claisebrook Road, Perth WA 6000



31 July 2017

Mining Exploration Entity QUARTERLY REPORT 30 JUNE 2017

Dragon Mountain Gold Limited (“DMG” or “the Company”) is pleased to provide this Quarterly Activity Report for the quarter ending 30 June 2017.

On 11 July 2016, the Company announced that it had signed a Heads of Agreement for the gold and other mineral rights, excluding nickel and cobalt, with Wingstar Investments Pty Ltd, a Company associated with Company chairman, Robert Gardner.

Further details about the project and the HOA are detailed in the announcement of 11 July 2016.

During the previous quarters, the Board continued its due diligence on the gold rights for the Cawse and Avalon project in Western Australia. Specific work completed on each of the projects include the following activities:

Cawse Project

- Significant drill results from the Cawse find data entry has been collated.
- Ongoing data review of historic drilling at Cawse by Centaur Mining and Exploration in the mid 1990’s has identified further drilling assayed for gold.
- Several of these drill holes reported anomalous gold values.
- RAB drilling results have also been identified and results collated.
- During the ongoing data review several drill hole collars have been identified with no reported assay information. Work is ongoing attempting to locate this data.
- Issues relating to hole azimuth and dip in historic drilling have been mostly resolved.
- Several site visits have been undertaken to attempt to locate physical paper copies of missing drill information and to examine the contents of onsite computer databases.
- Rock chip sampling was undertaken in the historic Typhoon nickel pit. No results have been received yet.
- A POW application for drilling of two RC holes has been lodged with the Mines Department. The POW ID 66430 was lodged on the 28/04/2017 and was approved on the 18/05/2017.
- Communication regarding drill contracts for the drilling of the holes has commenced with drilling companies active in the area. This will reduce the cost for the contractor relocation to site.

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Cawse Regional

- Regional data compilation of adjoining leases and historical data outside of Cawse Find continued. Additional drilling has been identified at the prospect on M24/619 in a similar geological position to the Cawse Find prospect.
- The review of historical Cawse Nickel drilling database has identified an anomalous drill hole CWC00229 to the west of the Bunyip Nickel Pit. Field inspection of the area is planned.
- Several anomalous gold in soil anomalies have been identified and further work is planned in reviewing these targets and possibly additional soil sampling may be recommended.

Cawse Work Completed

- Database unification and verification has been updated with the additional drill holes located. This has included updating holes with azimuth and dip data.
- Drill holes identified with no assay, lithology or incomplete collar information need to be checked using any historical hard copy data. The sea container with the archive data has been searched with no success. The paper copies are still to be located.
- Historical drill holes that are not of the Cawse Nickel Project origin have been captured digitally and converted from local grids to Cawse mine grid and also MGA94-51. A total of 227 drill holes have been data entered and verified.
- A list of priority holes to be re-assayed (if the pulps still exist) has been completed. A list of the retained pulps in the Cawse sample shed is yet to be found, and it may require a new catalogue of the available pulps to be undertaken. This work is still ongoing.
- An initial 2 hole RC drill program has been proposed for drilling at Cawse Find
- The POW for this drilling has been submitted to the Mines Department in late April.
- Discussions with drilling contractors has commenced.
- Drilling is expected to occur in June following the approval process of the Mines department.
- A second POW will be submitted with an expanded drilling program to test regional targets.

Avalon Project

- Several conceptual targets have been generated. A first phase RAB drilling program is proposed pending finalisation of the resolution of historic local drill grids.

Avalon Work Completed

- Database unification is also essentially complete as for the Cawse data. Again, there is a considerable number of historical third party holes that require data entry or to be sourced from Wamex data. At this stage, historical data has been sourced but the data entry task is not complete. This is in part due to all data being in historical local grids that are difficult to locate for transformation. Once this issue is resolved data entry will commence. This is still to be resolved.
- A modest RAB drill program or soil sampling program is recommended to be the first phase of exploration.

**Stock
Exchange
Codes**

ASX: DMG

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The Company originally had until the 9th of April to complete its due diligence and make a decision on whether to move to the next stage, however, due to wet weather due diligence is continuing until its drill program at Cawse is complete.

The drill program is nearly ready to begin and the Company will update the market as soon as the program commences.

The Company had \$3.02 million in cash reserves at the end of the quarter.

Robert Gardner
CHAIRMAN



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

DRAGON MOUNTAIN GOLD LIMITED (DMG)

ABN

82 111 005 282

Quarter ended (Current quarter)

30 June 2017

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:	-	-
(a) exploration and evaluation	(97)	(407)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(57)	(224)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	124
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(135)	(507)
2. Cash flows from investing activities		
2.1 Payments to acquire:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,155	3,527
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(135)	(507)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	3,020	3,020
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	108	62
5.2 Call deposits	2,912	3,093
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,020	3,155
6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2		109
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	Directors salary, fees, superannuation, and exploration consultancy	
7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2		-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 **Total estimated cash outflows**

\$A'000

96

-

-

-

47

-

143

10. Changes in tenements
(items 2.1(b) and 2.2(b) above)

Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced			
10.2 Interests in mining tenements and petroleum tenements acquired or increased			

Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.



Signed:

Dated: Monday, 31 July 2017

Company Secretary

Print name: Jay Stephenson

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.