



DRAGON MINING LIMITED

ABN 19 009 450 051

**CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2017**

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CORPORATE INFORMATION

Directors

Non-Executive Chairman – Mr Arthur G Dew
Executive Director – Mr Brett R Smith
Non-Executive Director – Mr Carlisle C Procter
Alternate Director to Mr Arthur G Dew – Mr Mark Wong

Company Secretary

Ms Shannon Coates

Registered Office

Unit B1, 431 Roberts Road
Subiaco, Western Australia 6008
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admin@dragon-mining.com.au
www.dragon-mining.com.au

ABN

19 009 450 051

Share Registry

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Perth, Western Australia 6000
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From Overseas: 61 9 9323 2000
Facsimile: 61 8 9323 2033
web.queries@computershare.com.au
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Stock Exchange

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Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000
Quoted on the official list of the
Australian Securities Exchange
ASX Ordinary Share Code: DRA

Auditors

Ernst & Young
11 Mounts Bay Road
Perth, Western Australia 6000

Legal Advisors

DLA Piper
31/152-158 St Georges Terrace
Perth, Western Australia 6000

Bankers

Nordea Bank Finland Plc
Aleksis Kiven katu 3-5
Helsinki, Finland

National Australia Bank Ltd
Level 13, 100 St Georges Terrace
Perth, Western Australia 6000

Macquarie Bank Limited
235 St Georges Terrace
Perth, Western Australia 6000

DIRECTOR'S REPORT

Your Directors submit the report of Dragon Mining Limited ("Dragon Mining" or "the Company") for the half year ended 30 June 2017.

1. Directors

The names of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Arthur G Dew	–	Non-Executive Chairman (Appointed 7 February 2014)
Mr Brett R Smith	–	Executive Director (Appointed 7 February 2014)
Mr Carlisle C Procter	–	Non-Executive Director (Appointed 19 May 2015)
Mr Mark Wong	–	Alternate Director to Mr Arthur G Dew (Appointed 19 May 2015)

2. Financial Results and Overview

Stronger USD gold prices have prevailed during the first half of 2017 where, after opening around US\$1,158/oz, prices traded to a half year high of US\$1,289/oz.

Nevertheless, a result of lower gold sales, significant in mine development expenses and Hong Kong listing costs, the consolidated net loss after tax for the consolidated entity for the period was \$2.8 million which includes \$2.1 million of uncapitalised Hong Kong listing costs (30 June 2016: Profit of \$5.9 million).

Net operating cash flows were negative for the period ended 30 June 2017 due to the strategic decision to keep the Svartliden plant operating in anticipation of test mining soon commencing at the Fäboliden Gold Project. Despite this, the Company's Finnish operations performed well with a half year profit of \$2.4 million which almost completely offset the expected loss at Svartliden of \$2.8 million.

Other notable items for the half year included:

- Revenue from operating activities of \$19.4 million (HY2016: \$30.0 million);
- Gold production of 14,000 ounces (HY2016: 18,424 ounces);
- Gross profit from gold sales net of cost of sales \$1.2 million (HY2016: \$1.5 million);
- Total development costs (includes capitalised exploration) \$3.0 million (HY2016 \$2.4 million)
- Net operating cash outflow of \$3.0 million which includes \$2.1 million of uncapitalised Hong Kong listing costs (HY2016: \$4.8 million); and
- Cash depletion for the 6-month period of \$8.7 million (HY2016: \$0.8 million), further summarised below:

Summary of cash movement for the 6 months ending 30 June 2017	AUD'\$000
Opening cash and cash equivalents	15,407
Less	
Operating cash outflows ¹	(848)
Payments for Property Plant and Equipment	(1,650)
Capitalised exploration	(3,013)
Hong Kong listing costs (includes \$0.62m capitalised listing costs)	(2,752)
Other	(406)
Closing cash and cash equivalents	6,738

¹Excludes \$2.1m of uncapitalised Hong Kong listing costs captured in Cashflows from Operating Activities in the Consolidated Interim Statement of Cashflows (\$0.6m of listing costs were capitalised during the period).

3. Principal Activities

The principal activities of the Company during the period were:

- Gold mining, and the processing and refining of ore in Finland;
- Processing ore concentrate in Sweden; and
- Exploration, evaluation and development of gold projects in the Nordic region.

There have been no significant changes in the nature of these activities during the period.

4. Corporate Overview

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

At the Meeting of shareholders held on 2 May 2017, shareholder approval was given for the Company to:

- Be removed from the Official List of the ASX;

- Amend its constitution to facilitate a listing of the Company on the Stock Exchange of Hong Kong ("Listing"); and
- Issue up to 50,000,000 shares at an issue price of no less than \$0.35 per share, by means of a public offer ("Public Offer").

In an explanatory statement that accompanied the Notice of the Meeting, shareholders were advised of an expected time table for the delisting and listing.

On the 2 June 2017, the Company announced, after consultation with the Company's Sponsor and other professional advisers to the Listing and Public Offer, that it appeared the advised timetable was unlikely to be met, and that the dates of the occurrence of the above milestone events could be delayed by a number of months. The Company expects that it will be able to advise shareholders more definitively on the progress of the proposal.

As a consequence of the delayed timetable, and to allow consideration of the proposed listing to advance, the Company prepared audited financial statements for the period from 1 January 2017 to 30 April. These were released to the ASX on 10 August 2017.

Hanhimaa Gold Project Interests

On 30 March 2017, the Company reached agreement with Agnico Eagle Mines Limited (NYSE/TSX:AEM) ("Agnico Eagle") to transfer 100% interest in the tenements that comprise the Hanhimaa Gold Project to Agnico Eagle in exchange for a 2% Net Smelter Return ("NSR") on future mineral production from the Hanhimaa Gold Project. Agnico Eagle will have the right to buy back one percentage point of the 2% NSR at any time for €2 million cash. This simplified the Company's future obligations while retaining an interest if the project is developed.

Kuhmo-Suomussalmi Project

The Company withdrew from the Kuhmo-Suomussalmi Project ("KSP") on the 23 March 2017. The Company freely assigned their 5% free carried interest in the Non-Gold Rights and 100% interest in the Gold Related Mineral Rights related to this project to the tenement holder Boliden Kuhmo Oy, a wholly owned subsidiary of Boliden Mineral AB.

Fäboliden Gold Project Update

The Fäboliden Test Mining Permit Application submitted on 3 June 2016, remains with the County Administration Board ("CAB"). Since that date, the Company has replied to the CAB's supplementary requests for information. The first round received 9 March 2017 and replied to on 17 May 2017 and the second round received 14 June 2017 and was replied to 30 June 2017. The requests in the first round related mainly to the Reindeer Herding Analysis and Rehabilitation Plan and the second round permit conditions for reindeer herding and the rehabilitation bond. The Company expects to receive the CAB decision around October 2017.

Work on the Full Mining Permit is continuing with a planned submission of the application in December 2017. Activities completed included the public consultations, ongoing environmental surveys and waste rock leaching trials, as well as options studies on wastewater treatment and discharge options.

Unsecured Loan Facility with AP Finance

On 15 February 2017, the Company entered into a loan agreement with AP Finance Limited for an unsecured Loan Facility of A\$6.0 million (approximately HK\$35.67 million). The key provisions of the Loan Facility include:

- An interest rate of 4% per annum payable quarterly in arrears; and
- A loan period of 24 months with the principal repayable in Hong Kong dollars.

Should the Company need to draw down, it will use the funds to:

- Assist with the development of its new Fäboliden and Kaapelinkulma Gold Mines; and
- Provide additional working capital as required.

As at the reporting date, the Company has made no drawdowns from the facility.

5. Review of Activities

Operations

Overview

The Company's operations recorded no Lost Time Injuries (LTI) during the period.

Operation	Days LTI Free
Svartliden Plant	455
Vammala Production Centre	525
Jokisivu mine	556
Kaapelinkulma Gold Project	180
Orivesi mine	940

The Company continues to focus on driving an improved safety culture across all its operations.

Gold production for the half year was 14,000 ounces (30 June 2016: 18,424 ounces). The decrease was a function of a higher proportion of lower grade development ore from Jokisivu being processed in the reporting period. Svartliden continued to process internal concentrates from Vammala. The Company had previously decided to cease processing external concentrates, due to the high leachable copper content found in these.

Total ore mined for the HY2017 from the Jokisivu mine was 132,937 tonnes and the Orivesi mine 35,592 tonnes (HY2016: 126,753 tonnes and 49,964 tonnes respectively). Deepening of the Jokisivu decline continued and is now at the 372m level. Development at Orivesi has shifted from deepening the mine to a new access drive towards the upper portion of the Sarvisuo lode system, where recent drilling has identified extensions to known mineralisation and new zones of mineralisation.

Development work continued at the Kaapelinkulma Gold Project ("Kaapelinkulma"), the Company's soon to be third gold mine in southern Finland. Kaapelinkulma is fully permitted and is planned to commence ore production early in 2018. Work on its continued development advanced during the period and included the local road development, lodgement of applications for minor permits and ongoing information sessions with local residents.

A program of eighty reverse circulation ("RC") drill holes was completed at Kaapelinkulma at the beginning of 2017. The program improved the drill spacing in the area of the planned open-pit, confirming results from historical drilling and providing confidence in the interpretation of the extent and geometry of the deposit. Work has commenced on updating the Mineral Resource incorporating the results from the RC drilling in readiness for further open-pit optimisation and mine design studies. Ongoing environmental studies include ground water issues and nature inventories. Engineering and infrastructure construction planning is almost finalised.

Environmental work at Vammala included the successful installation of a permanent pumping station on the eastern side of the Tailings Storage Facility to reduce and prevent the discharge of process waters to the Kovero-oja water shed.

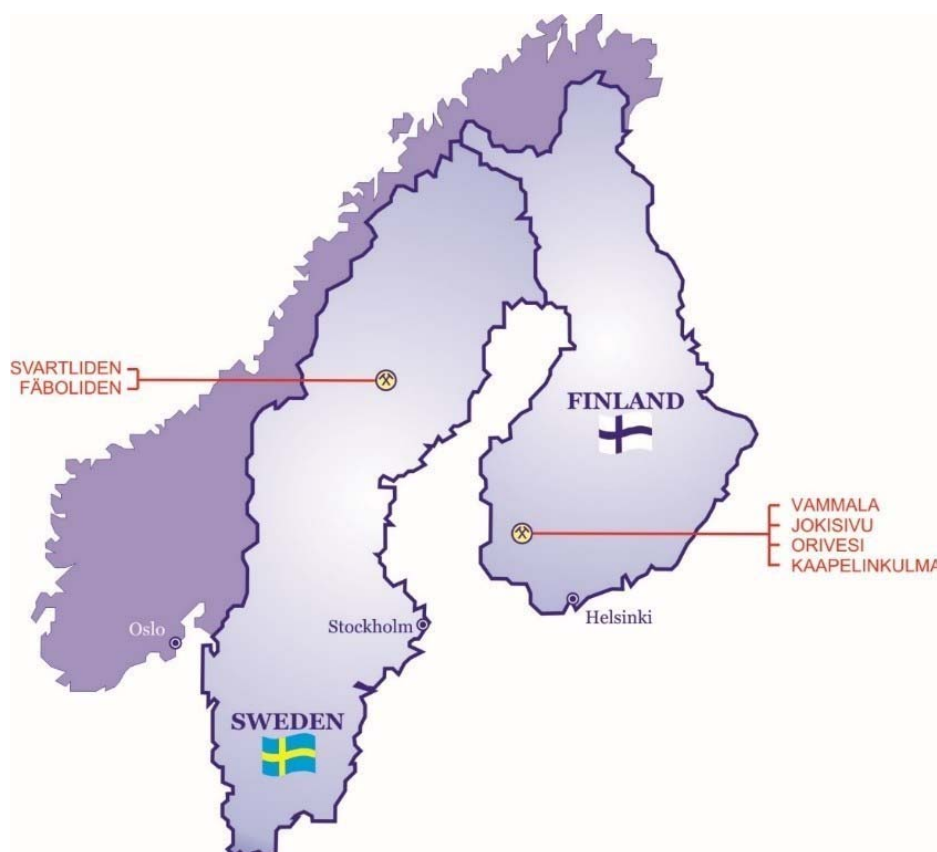
The updated Environmental Permit for the Vammala Production Centre is with the Supreme Administrative Court. In May 2017, the Company was informed that the Supreme Administrative Court expects to announce its decision in October, 2017. The Vammala Production Centre remains operational in accordance with the conditions of the existing Environmental Permit until the new Environmental Permit is granted.

The Svartliden Plant successfully processed 100% of the internal concentrate from the Jokisivu mine and an increased amount of concentrate tonnes from the Orivesi mine. The decision to limit the Svartliden Plant to only processing internal concentrate was made to avoid rising copper levels in the tailings and a possible breach of the plants Environmental Permit. The levels of copper in the tailings has now fallen significantly and remains well below the permitted levels. A strategic decision has been made to keep the Svartliden Plant operating at below breakeven to ensure operational readiness for the development of the Fäboliden Gold Project.

The updated Svartliden Rehabilitation Plan was finalised and submitted to the Environmental Court in the June 2017 quarter

On 7 April 2017, the County Administration Board approved the continued processing of concentrate, and on 8 May 2017, the processing of ore from the Fäboliden test mining, at the Svartliden Plant.

Location of Projects and Production Centres



Advanced Projects and Exploration

The Company continued to advance activities at its key projects in Finland and Sweden during the half-year ending 30 June 2017.

Updates to the Company's Mineral Resources and Ore Reserves were completed and announced to ASX on the 28 February 2017 and 21 March 2017, respectively.

The Mineral Resources, as announced on 29 February 2016, returned an increase of 51% in tonnes and 31% in ounces for the projects within the Vammala and Svartliden Production Centres since the previous update on 1 September 2015. The increase included a lift in the total Mineral Resources for the Fäboliden Gold Project to 1.019 million ounces, an increase of 37% since the maiden Mineral Resource as at 1 September 2015, that was announced on 31 December 2015.

These increases in Mineral Resources for the two Production Centres in part cover the loss of Mineral Resources from the Kuusamo Gold Project, following the sale of the Company's 100% interest in the Finnish subsidiary Kuusamo Gold Oy during 2016 to Nero Projects Australia Pty Ltd in 2016.

Drilling continued as part of the near, and in mine, exploration campaigns at both the Jokisivu mine and the Orivesi mine. At the Jokisivu mine, underground diamond core drilling targeted the Basin Zones, a satellite zone of gold mineralisation to the northwest of the Kujankallio Main Zone, and the Kujankallio Main Zone between the 300m and 430m levels. At the Orivesi mine, diamond core drilling from the surface targeted the upper portions of the Sarvisuo lode system between the 80m and 200m levels. Results from the initial campaigns completed at Orivesi returned a series of very encouraging high grade intercepts.

6. Significant Events after Period End

There have been no significant events reported after balance date.

7. Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Directors have received confirmation from the auditor of Dragon Mining Limited that they are independent of the Company.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 8 and forms part of the Directors' report for the half year ended 30 June 2017.

8. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) and where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191. The Company is an entity to which the instrument applies.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to be 'Brett R Smith', with a stylized, cursive script.

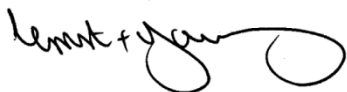
Brett R Smith
Executive Director
28 August 2017

Auditor's Independence Declaration to the Directors of Dragon Mining Limited


As lead auditor for the review of Dragon Mining Limited for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dragon Mining Limited and the entities it controlled during the half-year.



Ernst and Young



G H Meyerowitz
Partner
28 August 2017

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	6 months to 30 June 2017 \$'000	6 months to 30 June 2016 \$'000
Revenue from gold and silver sales		19,422	30,020
Cost of sales	3(b)	(18,200)	(28,518)
Gross profit		1,222	1,502
Other revenue	3(a)	144	2,024
Other income	3(a)	39	438
Exploration expenditure		(137)	(650)
Management and administration expenses	3(c)	(1,640)	(1,853)
Other expenses	3(c)	(232)	4,461
Finance costs	3(d)	(8)	(5)
Foreign exchange loss		(56)	(30)
Net Hong Kong listing costs		(2,130)	-
(Loss)/profit before tax		(2,798)	5,887
Income tax expense		-	-
(Loss)/profit after income tax		(2,798)	5,887
Other comprehensive income – <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gain/(loss) on foreign currency translation		394	(572)
Other comprehensive income reclassified to the profit or loss in the current period		-	11
Total comprehensive (loss)/profit for the period		(2,404)	5,326
(Loss)/Profit attributable to:			
Owners of the company		(2,798)	5,887
		(2,798)	5,887
Total comprehensive (loss)/gain attributable to:			
Owners of the Company		(2,404)	5,326
		(2,404)	5,326
Earnings per share attributable to ordinary equity holders of the company (cents per share)			
Basic earnings/(loss) per share		(3.15)	0.07
Diluted earnings/(loss) per share		(3.15)	0.07

*The above Consolidated Interim Statement of Financial Position should be read in conjunction with the
accompanying notes.*

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 \$'000	31 Dec 2016 \$'000
Current Assets			
Cash and cash equivalents		6,738	15,407
Trade and other receivables	4	2,140	3,696
Inventories	5	9,302	6,752
Other assets		768	180
Total Current Assets		18,948	26,035
Non-Current Assets			
Property, plant and equipment	6	16,819	16,860
Mineral exploration costs	7	4,175	2,231
Other assets		5,354	5,306
Total Non-Current Assets		26,348	24,397
Total Assets		45,296	50,432
Current Liabilities			
Trade and other payables		4,163	6,806
Provisions	8	2,335	2,132
Other liabilities		129	96
Total Current Liabilities		6,627	9,034
Non-Current Liabilities			
Provisions	8	10,258	10,583
Total Non-Current Liabilities		10,258	10,583
Total Liabilities		16,885	19,617
Net Assets		28,411	30,815
Equity			
Contributed equity	11	119,992	119,992
Reserves		(2,376)	(2,770)
Accumulated losses		(89,205)	(86,407)
Total Equity		28,411	30,815

The above Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$'000	Accumulated Losses \$'000	Foreign Currency Translation \$'000	Other Reserve \$'000	Available for sale financial asset Reserve \$'000	Equity Reserve – Purchase of Non- controlling interests \$'000	Total \$'000
At 31 December 2016	119,992	(86,407)	(5,907)	2,068	-	1,069	30,815
Loss for the period	-	(2,798)	-	-	-	-	(2,798)
Other comprehensive loss	-	-	394	-	-	-	394
Total comprehensive loss for the period	-	(2,798)	394	-	-	-	(2,404)
At 30 June 2017	119,992	(89,205)	(5,513)	2,068	-	1,069	28,411
At 31 December 2015	119,992	(91,770)	(4,505)	2,068	(11)	1,069	26,843
Profit for the period	-	5,887	-	-	-	-	5,887
Other comprehensive income	-	-	(572)	-	11	-	(561)
Total comprehensive income for the period	-	5,887	(572)	-	11	-	5,326
At 30 June 2016	119,992	(85,883)	(5,077)	2,068	0	1,069	32,169

The above Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	6 months to 30 June 2017 \$'000	6 months to 30 June 2016 \$'000
Cash flows from operating activities		
Receipts from customers	21,628	35,392
Payments to suppliers and employees	(24,318)	(29,800)
Payments for mineral exploration	(335)	(882)
Interest received	30	60
Interest paid	(1)	-
Net cash (used in)/received from operating activities	(2,996)	4,770
Cash flows from investing activities		
Payments for property, plant and equipment	(1,650)	(3,872)
Payment for bond held on deposit	17	72
Sale of investments	-	645
Payments for development	(3,013)	(2,443)
Net cash used by investing activities	(4,646)	(5,598)
Cash flows from financing activities		
Capitalisation of listing expenses	(622)	-
Net cash used by financing activities	(622)	-
Net decrease in cash and cash equivalents	(8,264)	(828)
Cash and cash equivalents at the beginning of the period	15,407	13,896
Effects of exchange rate changes on cash and cash equivalents	(405)	(55)
Cash and cash equivalents at the end of the period	6,738	13,013

The above Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The interim financial report of Dragon Mining Limited and its controlled entities ("consolidated entity" or the "Group") for the half year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 28 August 2017.

Dragon Mining Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on Australian Securities Exchange.

2. Basis of Preparation and Accounting Policies

(a) Basis of Preparation

These general purpose condensed interim financial statements for the half year ended 30 June 2017 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the annual report for the year ended 31 December 2016 and considered together with any public announcements made by Dragon Mining Limited during the half year ended 30 June 2017 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

(b) Changes in Accounting Policy

Except as disclosed below, the accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2016.

All relevant new and amended Accounting Standards and Interpretations which became applicable on 1 January 2017 have been adopted by the Group. These included:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]; and
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

As a result of this review, the Directors have determined that there is no material impact of the new and revised accounting standards and interpretations on the Company and, therefore, no material change is necessary to the Company's accounting policies.

3. Revenue and Expenses

	6 months to 30 June 2017 \$'000	6 months to 30 June 2016 \$'000
(a) Revenue from other activities		
Bank and external interest revenue	30	68
Rent and service income	114	141
Gain on sale of plant and equipment	-	1,815
Other	39	438
Total revenue from other activities	183	2,462
(b) Mine costs		
Cost of production	16,608	26,726
Depreciation of mine properties, plant and equipment	1,592	1,792
Total mine costs	18,200	28,518
(c) Other expenses		
Management and administration expenses	1,640	1,853
Depreciation of non-mine site assets	33	39
Exploration write off	199	-
Reversal of rehabilitation provision ¹	-	(4,500)
	1,872	(2,608)
¹ Relates to reversal in the 31 December 2016 financial year.		
(d) Finance costs		
Interest	1	-
Other	7	5
	8	5

4. Trade and Other Receivables

	30 June 2017 \$'000	31 Dec 2016 \$'000
Current		
- Trade receivables	498	3,229
- Other receivables	1,642	467
	2,140	3,696

5. Inventories

	30 June 2017 \$'000	31 Dec 2016 \$'000
Work in progress		
- Ore and concentrate stockpiles - at cost	5,018	3,236
- Gold in circuit - at cost	3,460	2,587
- Raw materials and stores – at cost	824	929
	9,302	6,752

In accordance with its accounting policy, the Company has stated inventories at the lower of cost or net realisable value.

6. Property, Plant and Equipment

	30 June 2017 \$'000	31 Dec 2016 \$'000
(a) Land		
At cost	1,322	1,290
(b) Buildings		
At cost	2,354	2,223
Less accumulated depreciation	(1,722)	(1,657)
	632	566
(c) Property, Plant and Equipment		
At cost	30,256	29,462
Less accumulated depreciation	(27,944)	(27,000)
	2,312	2,462
(d) Mine properties		
At cost	94,726	92,467
Less accumulated depreciation and impairment	(82,173)	(79,925)
	12,553	12,542
Total Property, Plant and Equipment	16,819	16,860

7. Mineral Exploration Expense

	30 June 2017 \$'000	31 Dec 2016 \$'000
Mineral exploration		
At cost	4,175	2,231
	4,175	2,231

8. Provisions

	30 June 2017 \$'000	31 Dec 2016 \$'000
Current		
Employee entitlements	2,260	2,050
Rehabilitation	-	10
Other	75	72
	2,335	2,132
Non-current		
Employee entitlements	32	30
Rehabilitation ¹	10,226	10,553
	10,258	10,583

9. Dividends Paid or Provided For

There were no dividends paid or provided for during the period.

10. Segment Reporting

The Group has identified its operating segments to be Sweden and Finland, on the basis of geographical location, different national regulatory environments and different end products. Dragon Mining (Sweden) AB, the primary entity operating in Sweden, produced gold bullion from the processing of internally purchased concentrate. Dragon Mining Oy in Finland produced gold concentrate from the Orivesi and Jokisivu Gold Mines. During the period, 100% of the Jokisivu concentrate was purchased by Dragon Mining (Sweden) AB.

The accounting policies used by the Group in reporting segments are the same as in the prior reporting period ending 31 December 2016.

	Sweden 30 June 2017 \$'000	Finland 30 June 2017 \$'000	Unallocated 30 June 2017 \$'000	Total 30 June 2017 \$'000
Segment revenue				
Gold sales to external customers	18,157	1,265	-	19,422
Inter-segment	-	17,586	-	17,586
Interest revenue	1	2	27	30
Other revenue	-	153	-	153
Elimination of inter-segment revenue	-	-	(17,586)	(17,586)
Total revenue	18,158	19,006	(17,559)	19,605
Segment result				
Pre-tax segment result	(2,788)	2,086	-	(702)
Income tax expense	-	-	-	-
Post tax segment result	(2,788)	2,086	-	(702)
<i>Unallocated items:</i>				
Corporate interest revenue				28
Corporate costs				(3,187)
Finance costs				(3)
Elimination of inter-company interest expense, debt forgiveness and management fees in segment results				1,066
Loss after tax as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income				(2,798)

10. Segment Reporting (continued)

	Sweden 30 June 2016 \$'000	Finland 30 June 2016 \$'000	Unallocated 30 June 2016 \$'000	Total 30 June 2016 \$'000
Segment revenue				
Gold sales to external customers	26,001	4,019	-	30,020
Inter-segment	-	17,899	-	17,899
Interest revenue	12	3	53	68
Other revenue	1,824	570	-	2,394
Elimination of inter-segment revenue	-	-	(17,899)	(17,899)
Total revenue	27,837	22,491	(17,846)	32,482
Segment result				
Pre-tax segment result	(1,495)	3,047	-	1,552
Income tax expense	-	-	-	-
Post tax segment result	(1,495)	3,047	-	1,552
<i>Unallocated items:</i>				
Corporate interest revenue				51
Other expenses ¹				4,500
Corporate costs				(1,016)
Finance costs				(3)
Elimination of inter-company interest expense, debt forgiveness and management fees in segment results				803
Profit after tax as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income				5,887

The following table presents segment assets of the Group's operating segments as at 30 June 2017 and 31 December 2016:

	Sweden \$'000	Finland \$'000	Australia \$'000	Total \$'000
Segment Non-Current assets				
At 30 June 2017	13,912	12,382	54	26,348
At 31 December 2016	13,357	10,988	52	24,397

11. Contributed Equity

	30 June 2017 Number of Shares	31 Dec 2016	30 June 2017 \$'000	31 Dec 2016
Share Capital				
Ordinary shares, fully paid	88,840,613	88,840,613	119,992	119,992

There has been no movement in ordinary share capital during the half year period.

12. Expenditure Commitments

An update to the commitments disclosed in the financial report for the year ended 31 December 2016 is detailed below.

Exploration commitments

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate minimum level of exploration requirements to retain current tenements is detailed below.

	30 June 2017 \$'000	31 Dec 2016 \$'000
Within one year	45	47
One year or later and no later than five years	215	204
	260	251

Operating Lease Expense Commitments

Commitments relating to future operating leases in existence at the reporting date but not recognised as liabilities are as follows:

	30 June 2017 \$'000	31 Dec 2016 \$'000
Within one year	75	75
One year or later and no later than five years	66	134
	141	209

Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:

	30 June 2017 \$'000	31 Dec 2016 \$'000
Within one year	300	353
	300	353

13. Significant Events After Balance Date

There have been no significant events reported after balance date.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Dragon Mining Limited:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
- giving a true and fair view of financial position of the consolidated entity as at 30 June 2017 and the performance for the half year ended on that date; and
 - complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Brett R Smith
Executive Director

28 August 2017

Independent auditor's review report to the Members of Dragon Mining Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Dragon Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated interim statement of financial position as at 30 June 2017, the consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

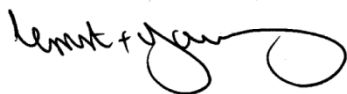
Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.


A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



G H Meyerowitz
Partner
Perth
28 August 2017