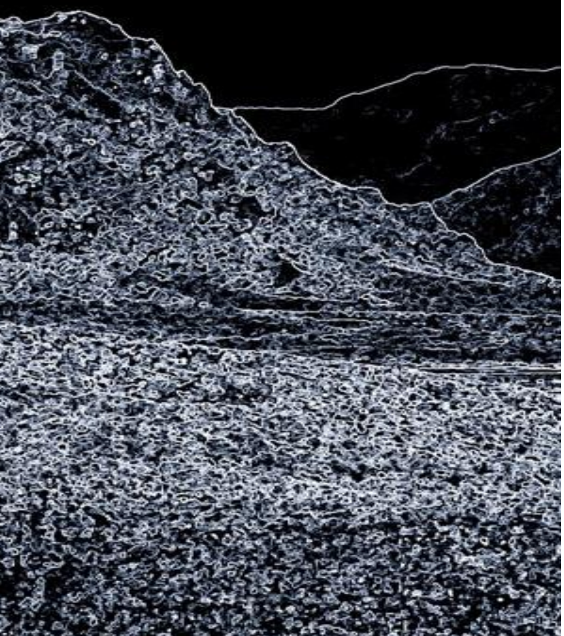

DRAGON MOUNTAIN GOLD

ABN 82 111 005 282

ANNUAL REPORT

30 June 2017

Corporate Directory

Current Directors

Robert Gardner	*Executive Chairman*
Paul Piercy	*Non-executive Director*
Jay Stephenson	*Non-executive Director*

Company Secretary

Jay Stephenson

Registered Office

Street:	182 Claisebrook Road Perth WA 6000
Postal:	PO Box 52 West Perth WA 6872
Telephone:	+61 (0)8 6141 3500
Facsimile:	+61 (0)8 6141 3599
Email:	info@dragonmountain.com.au
Website:	www.dragonmountain.com.au

Share Registry

Computershare Registry Services

Street:	Level 11, 172 St Georges Terrace Perth WA 6000
Postal:	GPO Box D182 Perth WA 6840
Telephone:	1300 850 505 (investors within Australia) +61 (0)3 9415 4000

Securities Exchange

Australian Securities Exchange

Street:	Level 40, Central Park 152-158 St Georges Terrace Perth WA 6000
ASX Code:	DMG

Auditor

Crowe Horwarth Perth

Street:	level 5, 45 St Georges Terrace Perth WA 6000
Postal:	PO Box P1213 Perth WA 6844
Telephone:	+61 0(8) 9481 1448

Corporate Adviser

Wolfstar Group Pty Ltd

Street:	Barringtons House 283 Rokeby West Perth WA 6005
Telephone:	+61 (0)8 6141 3500

Solicitors to the Company

Hotchkin Hanly Lawyers

Postal:	PO Box Z5004 St Georges Terrace Perth WA 6831
Telephone:	+61 0(8) 9218 7700

ANNUAL REPORT
30 JUNE 2017

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DRAGON
MOUNTAIN
GOLD

Directors' Report

Your Directors present their report together with the summary of the financial information of Dragon Mountain Gold Limited (**the Company**) and its controlled entity (**the Consolidated Entity** or **the Group**) for the financial year ended 30 June 2017 and the auditor's report thereon.

1. Directors

The names of Directors in office at any time during or since the end of the year are:

- Mr Robert Gardner — *Executive Chairman*
- Mr Paul Piercy — *Non-executive Director*
- Mr Jay Stephenson — *Non-executive Director (Appointed 31 December 2016)*
- Mr Duncan Robert McBain — *Non-executive Director (Resigned 31 December 2016)*

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 9 Information on Directors of this Directors Report.

2. Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

- Mr Jay Stephenson — Mr Stephenson has been involved in business development for over 25 years including approximately 21 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

  Mr Jay Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practising Accountants (Australia), a Certified Management Accountant (Canada), a Fellow of the Australian Institute of Company Secretaries and Member of the Australian Institute of Company Directors.

  Mr Stephenson is currently Non-Executive Chairman of Yonder and Beyond Group Limited and Non-Executive Director of Doray Minerals NL, Drake Resources Limited, Nickelore Limited, Blina Minerals Limited, and Strategic Minerals Corporation NL, and is company secretary of a number of ASX listed companies.

3. Nature of Operations and Principal Activities

The principal activities of the Group prior to December 2011 were mineral exploration, evaluation and development in China. In December 2011 the Company sold its subsidiary, Long Province Resources Limited. The remaining activities in China are in the process of being wound up.

The Directors of the Company continue to examine other opportunities with a view to identifying a new project for the Group.

4. Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2017.

5. Review of Operations

During the financial year the Company announced that it had signed a Heads of Agreement for the gold and other mineral rights, excluding nickel and cobalt, covering the Cawse and Avalon tenement packages, with Wingstar Investments Pty Ltd, a Company associated with Company chairman, Robert Gardner. The Company continues to undertake Due Diligence on the tenements packages, however, are not yet in a position to make a decision to take the acquisition to the next stage which is to form an Joint Venture with Wingstar Investments Pty Ltd.

The Group had $3,019,956 in cash reserves at the end of the year. Directors are continuing to manage the Group's cash flow in this difficult capital raising environment for junior exploration companies.

Directors' Report

5.1. Operating results

The loss of the Company for the year amounted to $583,685 (2016: $660,579), which is consistent with 2016 and expected at the Company's current operating levels.

5.2. Financial position

The net assets of the Company have decreased by $583,685 from 30 June 2016 to $3,054,398 at 30 June 2017.

As at 30 June 2017, the Company's cash and cash equivalents decreased from 30 June 2016 by $557,551 to $3,019,956 and had working capital of $3,037,234 (2016: $3,617,559 working capital).

6. Significant Changes in State of Affairs

There were no other significant changes to the state of affairs of the Group.

7. Events Subsequent to Reporting Date

There are no other significant events subsequent to reporting date that are not covered in this Directors' Report or within the financial statements at Note 17 Events subsequent to reporting date on page 35.

8. Likely Developments

The Group will continue to evaluation the Cawes and Avalon Projects to determine if it wishes to enter into a Joint Venture Agreement. In addition, the Group will pursue its policy of identifying and assessing opportunities and mineral prospects with a view to acquiring and developing projects capable of economic mineral production.

No other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

9. Information on Directors

Mr Robert Gardner	Chairman (Executive) – appointed 8 October 2008
Experience and Qualifications	Mr Gardner is a Perth based business proprietor, with over 27 years' experience in the mining industry. Mr Gardner has developed a number of projects that are now major assets of ASX listed companies and has extensive experience in the China region. He was the original founder and funder of the Lixian Project, prior to its acquisition by the Company. Mr Gardner is also a major shareholder in the Company.
Interest in Shares and Options	54,316,817 ordinary Shares in Dragon Mountain Gold Limited.
Directorships held in other listed entities	Executive Chairman of Nickelore Limited, from October 2010 to present.
Mr Paul Piercy	Director (Non-executive) – appointed 7 October 2009
Experience and Qualifications	Mr Piercy is a metallurgist who has held senior management and technical positions within the Rio Tinto Limited group during the 1980s and 1990s, including General Manager of Hamersley Iron's Dampier port and rail operations, General Manager of Hamersley Iron's Paraburdoo & Channar operations and Managing Director of Novacoal and Kembla Coal & Coke. More recently Mr Piercy was Managing Director of WesTrac Equipment from 1997 to 2000 before playing an integral role in the successful establishment of WesTrac China, as its Chairman/CEO based in China.
Interest in Shares and Options	1,760,000 ordinary Shares in Dragon Mountain Gold Limited.

Directors' Report

Directorships held in other listed entities	Non-Executive Chairman of APAC Coal Limited, from September 2007 to October 2010. Non-Executive Director of Australasian Resources Limited, February 2006 to present; Nickelore Limited, November 2010 to present; and Quest Minerals Limited, 22 April 2013 to December 2016.
Mr Jay Stephenson	Director (Non-executive) and Company Secretary – Appointed 31 December 2016
Experience and Qualifications	Mr Stephenson has been involved in business development for over 25 years, including approximately 21 years as Director, Chief Executive Officer, and Company Secretary of various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, and business restructuring, as well as managing all areas of finance for companies. MBA, FCPA, CPA (Canada) CMA (Canada), FCIS, FGIA, MAICD
Interest in Shares and Options	Nil
Directorships held in other listed entities	Mr Stephenson also holds or has held the following directorships over the past three years: Non-Executive Director of Doray Mining Limited since August 2009 and Nickelore Limited since July 2011. Chairman, Non-Executive Director of Yonder and Beyond Group Limited since February 2011 Non-Executive Director of Drake Resources Limited since 2005, Non-Executive Director of Blina Minerals Limited since October 2016. In the past three years, Mr Stephenson has been a Non-Executive Director of Veriluma Limited (Parmelia Resources Limited) - May 2014 to October 2016, Bubs Australia Limited (Hillcrest Litigation Services Limited) September 2015 to December 2016, and Condor Blanco Mines Limited (July 2016 to October 2016)..
Mr Duncan M^{c}Bain	Director (Non-Executive) – resigned 31 December 2016
Experience and Qualifications	Mr M^{c}Bain has over 36 years' experience in the resources industry, and is currently the principal of Operandi Consulting which evaluates resource opportunities and sources potential projects for a range of industry clients. From January to May 2013 Mr M^{c}Bain was a non-executive director of Equator Resources Limited. Prior to this Mr M^{c}Bain was the Managing Director of ASX listed IMX Resources which he took from explorer through to production at its Cairn Hill magnetite-copper project in South Australia. By spinning out the Nachingwea nickel project in Tanzania into a TSX-V listed vehicle, IMX was able to retain a 53% interest in the project and advance the project from discovery through to pre-feasibility at minimal cost to IMX shareholders.
Interest in Shares and Options	100,000 ordinary Shares in Dragon Mountain Gold Limited.
Directorships held in other listed entities	Non-Executive Director of Equator Resources Limited, January 2013 to May 2013. Managing Director of IMX Resources Limited from March 2006 to August 2011.

10. Meetings Of Directors

During the financial year two meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

Directors' Report

<table>
<tr><th rowspan="3"></th><th colspan="8">COMMITTEE MEETINGS</th></tr>
<tr><th colspan="2">DIRECTORS' MEETINGS</th><th colspan="2">DUE DILIGENCE COMMITTEE</th><th colspan="2">REMUNERATION COMMITTEE</th><th colspan="2">AUDIT COMMITTEE</th></tr>
<tr><th>Number eligible to attend</th><th>Number Attended</th><th>Number eligible to attend</th><th>Number Attended</th><th>Number eligible to attend</th><th>Number Attended</th><th>Number eligible to attend</th><th>Number Attended</th></tr>
<tr><td>Robert Gardner</td><td>1</td><td>1</td><td colspan="6" rowspan="4">At the date of this report, the Remuneration Committee, Audit Committee and Nomination Committee comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.</td></tr>
<tr><td>Paul Piercy</td><td>1</td><td>1</td></tr>
<tr><td>Mr Jay Stephenson</td><td>1</td><td>1</td></tr>
<tr><td>Duncan McBain</td><td>1</td><td>1</td></tr>
</table>

11. Indemnifying Officers Or Auditor

11.1. Indemnification

The Company entered into an Agreement with each Director of the Company indemnifying them against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, with the exception of conduct involving a wilful breach of duty or improper use of information to gain a personal advantage. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

11.2. Insurance premiums

Since the end of the previous financial year the Group paid insurance premiums of $10,021 in respect of Directors and Officers liability insurance contracts for current and former Directors and Officers of the Company.

12. Options

12.1. Unissued shares under option

At the date of this report, there were no un-issued ordinary shares of Dragon Mountain Gold Limited under option (listed or unlisted) (2016: nil).

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

12.2. Shares issued on exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year.

13. Environmental Regulations

The Group's operations are subject to environmental regulations in relation to its exploration activities. The Directors are not aware of any outstanding breaches.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

Directors' Report

14. Non-Audit Services

During the year, Crowe Horwarth Perth, the Company's auditor, did not perform any services other than their statutory audits.

Details of remuneration paid to the auditor can be found within the financial statements at Note 4 Auditor's Remuneration on page 27.

In the event that non-audit services are provided by Crowe Horwarth Perth, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Directors are satisfied that the provision of non-audit services Crowe Horwarth Perth (or by another person or firm on Crowe Horwarth Perth's behalf is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

15. Proceedings On Behalf Of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

16. Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2017 has been received and can be found on page 10 on the annual report.

17. Remuneration Report (Audited)

17.1. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Company.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The remuneration policy of Dragon Mountain Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Dragon Mountain Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

The Board has no established retirement or redundancy schemes.

The remuneration structure for KMP is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group. The contracts for service between the Company and KMP are on a continuing basis, the terms of which are not expected to change in the immediate future.

The Board determines the proportion of fixed and variable compensation for each KMP.

Directors' Report

17. Remuneration Report (Audited)

a. Fixed Remuneration

All executives receive a base salary, superannuation, fringe benefits, and options and have the ability to receive performance incentives.

The Australian domiciled executive directors and executives receive a superannuation guarantee contribution as required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Shares provided to Directors and executives are valued as the difference between the market price of those shares and the amount paid by the Director or executive.

b. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review executive packages annually by reference to the Group's performance and executive performance and comparable information from industry sectors using independent external advice where appropriate.

- Short-term incentives

  No short-term incentives in the form of cash bonuses were granted during the year.

- Long-term incentives

  The Board has a adopted an Incentive Option Plan and a Performance Rights Plan of granting incentive equity to directors, executives, and employees. Incentive equity granted generally only is of benefit if the recipients perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

c. Service Contracts

The employment conditions of the executive director, Mr Robert Gardner and other KMP are formalised in contracts of employment. Terms of employment contracts are structured to industry standards including normal provisions for termination and notice periods.

d. Non-executive Directors

Total compensation for all non-executive directors are was based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Non-executive directors' fees are presently limited to an aggregate of $400,000 per annum, in accordance with a resolution at the 2008 annual general meeting.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, Directors are encouraged to hold shares in DMG and are able to participate in the employee option plan.

Fees for the Non-Executive Directors for the financial year were $70,000 (2016: $70,000) and cover main Board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Group.

e. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

f. Relationship between Remuneration of Key Management Personnel and Shareholder Wealth

During the Group's future exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature of remuneration of KMP and shareholder wealth during the current and previous financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and previous financial years.

Directors' Report

17. Remuneration Report (Audited)

g. Relationship between Remuneration of Key Management Personnel and Earnings

As discussed above, the Group is currently undertaking exploration activities and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from its projects. Accordingly, the Board does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of KMP.

17.2. Remuneration Details for the Year Ended 30 June 2017

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the KMP of the Group:

2017 *Key Management Person*	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	Compen-sation consisting of options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Robert Gardner[(1)]	354,250	-	-	-	-	-	-	-	354,250	-
Paul Piercy	31,964	-	-	-	3,036	-	-	-	35,000	-
Jay Stephenson	15,982	-	-	-	1,518	-	-	-	17,500	-
Duncan M[c]Bain[(2)]	17,500	-	-	-	-	-	-	-	17,500	-
	419,696	-	-	-	4,554	-	-	-	424,250	-

2016 *Key Management Person*	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	Compen-sation consisting of options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Robert Gardner[(1)]	354,250	-	-	-	-	-	-	-	354,250	-
Paul Piercy	31,964	-	-	-	3,036	-	-	-	35,000	-
Duncan M[c]Bain[(2)]	35,000	-	-	-	-	-	-	-	35,000	-
	421,214	-	-	-	3,036	-	-	-	424,250	-

(1) Fastwitch Enterprises Pty Ltd, a company controlled by Mr Gardner, receives director's fees and consulting services provided by Mr Gardner in respect of the Company's operations.

(2) Operandi Consulting Pty Ltd, a company controlled by Duncan McBain, receives director's fees in respect to Mr McBain.

Directors' Report

17. Remuneration Report (Audited)

17.3. Service Agreements

Dragon Mountain Gold Limited has a contract with Fastwitch Enterprises Pty Ltd (previously Thegold Corporation Pty Ltd) for the services of Robert Gardner as Executive Chairman at a rate of $354,250 per annum paid monthly with no fixed duration. The contract can be terminated with three months' notice or payment in lieu.

Non-Executive Directors have service contracts with Dragon Mountain Gold Limited providing a salary of $35,000 per annum paid monthly unless they contract their services through a private company in which case no Superannuation Guarantee is payable. Directors based in Australia are paid Superannuation Guarantee at a rate of 9.5%. Directors who contract their services through a private company do not receive Superannuation Guarantee payments. There are no notice periods or termination payments provided under the contracts.

Dragon Mountain Gold Limited has a contract with Operandi Consulting Pty Ltd for the services of Duncan McBain as Non-Executive Director providing a salary of $35,000 per annum paid monthly. The contract can be terminated by either party without notice. No termination payment is provided under the contract.

17.4. Share-based compensation

a. **Director and Key Management Personnel Options**

No options were on issue as at 30 June 2017 to Directors or KMP (2016: nil).

b. **Share-based Payments**

No options were granted as remuneration during the year to Directors or KMP.

17.5. Key management personnel equity holdings

a. **Fully paid ordinary shares of Dragon Mountain Gold Limited held by each KMP**

30 June 2017	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year[(1)] No.	Balance at end of year No.
Robert Gardner	54,316,817	-	-	-	54,316,817
Paul Piercy	1,760,000	-	-	-	1,760,000
Jay Stephenson	-	-	-	-	-
Duncan McBain	-	-	-	-	-
	56,076,817	-	-	-	56,076,817

30 June 2016	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year[(1)] No.	Balance at end of year No.
Robert Gardner	54,316,817	-	-	-	54,316,817
Paul Piercy	1,760,000	-	-	-	1,760,000
Duncan McBain	-	-	-	-	-
	56,076,817	-	-	-	56,076,817

(1) Other changes during the year relate to share purchased or sold on market.

Directors' Report

17. Remuneration Report (Audited)

17.6. Loans to key management personnel

There are no loans made to directors of the Group as at 30 June 2017 (2016: nil).

17.7. Other transactions with key management personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 19 Related party transactions on page 36.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

R. Gardner.

ROBERT GARDNER
Chairman
Dated this Thursday, 28 September 2017

Crowe Horwath™

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Dragon Mountain Gold Limited for the year ended 30 June 2017, I declare that, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 28th September 2017

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 $	2016 $
Continuing operations			
Revenue	2	67,493	120,280
		67,493	120,280
Accounting and audit fees		(91,060)	(95,722)
Computers and communications		(9,265)	(19,154)
Depreciation	11	(2,860)	(185,719)
Doubtful debts expenses		(17,059)	-
Employee benefits expenses	3	(432,039)	(424,250)
Exploration expenditure written-off	10	(36,639)	-
Insurance		(12,241)	(14,702)
Occupancy Expenses		(4,020)	(2,806)
Professional fees		(6,909)	(12,942)
Regulatory expenses		(29,684)	(24,180)
Other expenses		(9,402)	(1,384)
Loss before tax	3	(583,685)	(660,579)
Income tax benefit / (expense)	5	-	-
Loss from continuing operations		(583,685)	(660,579)
Net loss for the year		(583,685)	(660,579)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency movement		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(583,685)	(660,579)
Profit/(loss) for the period attributable to:			
Non-controlling interest		-	-
Owners of the parent		(583,685)	(660,579)
Total comprehensive income/(loss) attributable to:			
Non-controlling interest		-	-
Owners of the parent		(583,685)	(660,579)
Earnings per share:		¢	¢
Basic loss per share (cents per share)	6	(0.22)	(0.25)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

DRAGON MOUNTAIN GOLD

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	7	3,019,956	3,577,507
Trade and other receivables	8	39,885	53,497
Other current assets	9	10,312	10,812
Total current assets		3,070,153	3,641,816
Non-current assets			
Plant and equipment	11	6,852	9,712
Exploration and evaluation assets	10	-	-
Total non-current assets		6,852	9,712
Total assets		3,077,005	3,651,528
Current liabilities			
Trade and other payables	12	22,607	13,445
Total current liabilities		22,607	13,445
Total liabilities		22,607	13,445
Net assets		3,054,398	3,638,083
Equity			
Issued capital	13	33,081,803	33,081,803
Reserves	14	1,040	1,040
Accumulated losses		(30,028,445)	(29,444,760)
Total equity		3,054,398	3,638,083

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued Capital $	Accumulated Losses $	Foreign Exchange Translation Reserve $	Options Reserve $	Non-controlling Interest $	Total $
Balance at 1 July 2015		33,081,803	(28,784,181)	1,040	-	-	4,298,662
Loss for the year attributable owners of the parent		-	(660,579)	-	-	-	(660,579)
Other comprehensive income for the year attributable owners of the parent		-	-		-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(660,579)	-	-	-	(660,579)
Transaction with owners, directly in equity							
Shares issued during the year		-	-	-	-	-	-
Balance at 30 June 2016		33,081,803	(29,444,760)	1,040	-	-	3,638,083
Balance at 1 July 2016		33,081,803	(29,444,760)	1,040	-	-	3,638,083
Loss for the year attributable owners of the parent		-	(583,685)	-	-	-	(583,685)
Other comprehensive income for the year attributable owners of the parent		-	-	-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(583,685)	-	-	-	(583,685)
Transaction with owners, directly in equity							
Shares issued during the year		-	-	-	-	-	-
Balance at 30 June 2017		33,081,803	(30,028,445)	1,040	-	-	3,054,398

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(611,878)	(519,805)
Interest received		54,327	98,125
Net cash used in operating activities	16a	(557,551)	(421,680)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-
Payments for exploration expenditure		-	-
Net cash used in investing activities		-	-
Cash flows from financing activities			
Capital returned to shareholders		-	-
Dividend paid		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash held		(557,551)	(421,680)
Cash and cash equivalents at the beginning of the year		3,577,507	3,999,187
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	
Cash and cash equivalents at the end of the year	7	3,019,956	3,577,507

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These are the consolidated financial statements and notes of Dragon Mountain Gold Limited (**Company**) and controlled entities (**Consolidated Group** or **Group**). Dragon Mountain Gold Limited is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of the parent entity, Dragon Mountain Gold Limited, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

a. Basis of preparation

i. Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements were authorised for issue on 28 September 2017 by the directors of the Company.

ii. Financial position

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

iii. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1s on page 24.

iv. Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

b. Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 July 2017 but determined that their application to the financial statements is either not relevant or not material.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

c. Principles of consolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

A list of controlled entities is contained in note 15 Controlled entities on page 34 of the financial statements.

iii. Non-controlling interests

The consolidated entity applies a policy of treating transactions with non-controlling interests as transactions with parties external to the consolidated entity. Gains and losses that arise as a change in ownership interest through dilution are recognised in the Statement of Comprehensive Income.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

iv. Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, than such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v. Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d. **Foreign currency transactions and balances**

i. Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

ii. Transaction and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at year-end are retranslated to the functional currency at the foreign exchange rate at year-end.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

iii. Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at year-end. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rates for the period.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency differences are recognised directly in equity. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve in the statement of financial position. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

e. Exploration and development expenditure

i. Recognition and measurement

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation costs are recognised as an asset if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

ii. Subsequent measurement

Exploration and evaluation assets are assessed for impairment if:

(1) sufficient data exists to determine technical feasibility and commercial viability.

(2) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (accounting policy 1o: Impairment of non-financial assets on page 23).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mine properties within property, plant and equipment.

The value of the Group's interest in exploration expenditure is dependent upon:

(1) the continuance of the Group’s rights to tenure of the areas of interest;

(2) the results of future exploration; and

(3) the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group’s exploration properties may be subjected to claim(s) under Native Title (or jurisdictional equivalent), or contain sacred sites, or sites of significance to the indigenous people of China.

As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

f. Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

g. Plant and Equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below). and impairment losses (see accounting policy 1o Impairment of non-financial assets and note 1e Exploration and development expenditure).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

iii. Depreciation

With the exception of exploration and evaluation assets, depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

	2017 %	2016 %
Plant and equipment	5% – 10%	5% – 10%
Office equipment	5% – 40%	5% – 40%
Leasehold improvements	7%	7%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

h. Employee Benefits

i. Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

iii. Other long-term benefits

For the period ending 30 June 2017, no amount for long term benefits has been recognised in the financial statements as the Group has no employees.

i. Equity-settled compensation

The Group operates an employee share option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve.

The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

No options in respect to the plan were issued or on issue for the financial year ended 30 June 2017.

j. Revenue and other income

Interest revenue is recognised in accordance with note 1m.viii Financial income and expenses.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

All revenue is stated net of any value added taxes (note 1k Value-added taxes).

k. Value-added taxes

Value-added tax (VAT) is the generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (GST); China (VAT).

Revenues, expenses, and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the relevant country's taxation authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

l. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the income statement on a straight-line basis over the term of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m. Financial instruments

i. Initial recognition and measurement

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group’s obligations specified on the contract expire or are discharged or cancelled.

ii. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

iii. Classification and subsequent measurement

(1) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, such as term deposits with original maturities of nine (9) months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the statement of financial position.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(2) *Loans*

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(3) *Trade and other receivables*

Trade and other receivables are stated at amortised cost. Receivables are usually settled within 60 days.

Collectability of trade and other debtors is reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

(4) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(5) *Trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and stated at their amortised cost. The amounts are unsecured and are generally settled on 30 day terms.

(6) *Share capital*

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

iv. Amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

v. Effective interest method

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

vi. Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

vii. Derecognition

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

viii. Financial income and expenses

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

n. **Earnings per share**

i. Basic earnings per share

Basic earnings (or loss) per share is determined by dividing the profit or loss attributable to equity holders of the parent company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings (or loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted as Share-based payments.

The Group does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Group, and the company has no dilutionary equity instruments on issue as at 30 June 2017 (2016: nil).

o. **Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (1f Income Tax) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

p. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

q. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

r. Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Information about the assumptions made in determining fair values of assets and liabilities is disclosed in the notes specific to that asset or liability.

s. Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Key Judgments – Exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note (1e Exploration and development expenditure). The carrying value of capitalised expenditure at reporting date is $nil.

The ultimate recoupment of the value of the exploration and evaluation assets and mine properties is dependent on successful development and commercial exploitation or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The key areas of estimation and judgment that are considered in this review include:

- recent drilling results and reserves and resource estimates;
- environmental issues that may impact the underlying tenements;
- the estimated market value of assets at the review date;
- independent valuations of underlying assets that may be available;
- fundamental economic factors such as diamond prices, exchange rates and current and anticipated operating costs in the industry; and
- the Group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate.

During the financial year, the Group undertook assessment of its tenement assets, As a result of this assessment, and limited activity undertaken, the Group decided to not capitalise it exploration expenditure for the year ended 30 June 2017. Refer Note 10 Exploration and evaluation assets on page 31.

ii. Key Judgments – Environmental **Issues**

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

iii. Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 5 Income tax on page 28.

t. **New Accounting Standards and Interpretations not yet mandatory or early adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Group does not plan to adopt these standards early.

i. *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)*

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The Directors anticipate that the adoption of AASB 9 will not have a material impact on the Company's financial instruments.

ii. *AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

(1) Identify the contract(s) with a customer;

(2) Identify the performance obligations in the contract(s);

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract(s); and

(5) Recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The Directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

iii. *AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).*

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

The Directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures.

iv. *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 2 REVENUE AND OTHER INCOME	2017 $	2016 $
a. **Revenue**		
Interest revenue	67,493	120,280
Total revenue	67,493	120,280

NOTE 3 LOSS BEFORE INCOME TAX	2017 $	2016 $
The following significant revenue and (expense) items are relevant in explaining the financial performance:		
a. **Employee benefits:**		
Wages and salaries	419,695	421,214
Superannuation expenses	4,555	3,036
Other	7,789	-
Total personnel expenses	432,039	424,250

NOTE 4 AUDITOR'S REMUNERATION	2017 $	2016 $
Remuneration of the auditor of the Group for:		
Auditing or reviewing the financial reports	12,500	21,000
	12,500	21,000

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

NOTE 5 INCOME TAX

		2017 $	2016 $
a. Income tax expense / (benefit)			
Current tax		-	-
Deferred tax		-	-
Tax rebate for Research and Development		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
Increase / (decrease) in deferred tax assets	5c	-	-
(Increase) / decrease in deferred tax liabilities	5d	-	-
		-	-
b. Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating loss at 30% (2016: 30%)		(175,106)	(198,174)
Add / (Less)			
Tax effect of:			
Permanent taxation differences		23	94
Non-deductible expenses		-	-
Effect of unrecognised temporary difference		232	57,027
Deferred tax asset not brought to account		174,851	141,053
Income tax expense / (benefit) attributable to operating loss		-	-
Less rebates:			
Tax rebate for Research and Development		-	-
Income tax expense / (benefit)		-	-
		%	%
The applicable weighted average effective tax rates attributable to operating profit are as follows		nil	nil
		$	$
Balance of franking account at year end		nil	nil

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

NOTE 5 INCOME TAX (cont.)	2017 $	2016 $
c. **Deferred tax assets**		
Tax losses	2,158,305	1,982,596
Provisions and accruals	56,382	7,257
	2,214,687	1,989,853
Set-off deferred tax liabilities	(3,250)	(4,659)
Net deferred tax assets	2,211,437	1,985,194
Less deferred tax assets not recognised	(2,211,437)	(1,985,194)
Net tax assets	-	-
d. **Deferred tax liabilities**		
Property, plant, and equipment	3,250	4,659
	3,250	4,659
Set-off deferred tax liabilities	(3,250)	(4,659)
Net deferred tax liabilities	-	-
e. **Tax losses**		
Unused tax losses for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
▸ Deductible temporary differences	-	-
▸ Revenue losses	2,157,442	1,985,194
▸ Capital losses	-	-
	2,157,442	1,985,194

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2017 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 6 EARNINGS PER SHARE (EPS)

		2017 $	2016 $
a. Reconciliation of earnings to profit or loss			
Loss for the year attributable to owners of the Company		(583,685)	(660,579)
Loss attributable to non-controlling equity interest (**NCI**)		-	-
Loss used in the calculation of basic EPS		(583,685)	(660,579)

	2017 No.	2016 No.
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	263,530,515	263,530,515

		2017 ¢	2016 ¢
c. Earnings per share			
Basic EPS (cents per share)	6c.i	(0.22)	(0.25)

i. The Group does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Group, and the company has no dilutionary equity instruments on issue as at 30 June 2017 (2016: nil).

NOTE 7 CASH AND CASH EQUIVALENTS

		2017 $	2016 $
Cash at bank		107,937	136,704
Short-term term deposits	7a	2,912,019	3,440,803
		3,019,956	3,577,507

a. The effective interest rate on short-term term deposits and maturity date was as follows:

	Principal %	Terms (Days)	Interest rate %	Maturity Date
Dragon Mountain Gold Limited term deposit	2,912,019	90	2.45	23 July 2017
	2,912,019			

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21 Financial Risk Management on page 37.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 8 TRADE AND OTHER RECEIVABLES		2017 $	2016 $
Current			
Value-added tax receivable	8a	26,719	15,119
Other receivables		13,166	38,378
		39,885	53,497

a. Value-added tax (VAT) is a generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (GST) and in China (VAT).

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21 Financial Risk Management on page 37.

NOTE 9 OTHER ASSETS	2017 $	2016 $
Current		
Prepayments	10,312	10,812
	10,312	10,812

NOTE 10 EXPLORATION AND EVALUATION ASSETS		2017 $	2016 $
Non-current			
Exploration expenditure capitalised:			
Exploration and evaluation phase at cost		-	-
Net carrying value	10a	-	-
a. **Movements in Carrying Amounts**			
Balance at the beginning of year		-	-
Expenditure during the period		36,639	-
Exploration written off		(36,639)	-
Carrying amount at the end of year		-	-

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 11 PLANT AND EQUIPMENT

	2017 $	2016 $
Non-current		
Furniture and fittings	16,740	16,740
Accumulated depreciation	(11,038)	(10,342)
	5,702	6,398
Office equipment	54,213	54,213
Accumulated depreciation	(53,063)	(50,899)
	1,150	3,314
Leasehold improvements	211,499	211,499
Accumulated amortisation	(211,499)	(211,499)
	-	-
Total plant and equipment	6,852	9,712

a. **Movements in Carrying Amounts**

	Furniture and Fittings $	Office equipment $	Leasehold Improvements $	Software $	Total $
Carrying amount at the beginning of year	6,398	3,314	-	-	9,712
Additions	-	-	-	-	-
Depreciation expense	(696)	(2,164)	-	-	(2,860)
Carrying amount at the end of year	5,702	1,150	-	-	6,852

NOTE 12 TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current		
Unsecured		
Trade payables	1,297	2,703
Other creditors and accruals	21,310	10,742
	22,607	13,445

a. Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21 Financial Risk Management on page 37.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 13 ISSUED CAPITAL	Note	2017 $	2016 $
The Company has issued share capital amounting to 263,530,515 (2016: 263,530,515) fully paid ordinary shares at no par value.	13a	33,081,803	33,081,803
a. Ordinary shares			
At the beginning of the reporting period		33,081,803	33,081,803
At reporting date		33,081,803	33,081,803

	2017 No.	2016 No.
At the beginning of the reporting period	263,530,515	263,530,515
At reporting date	263,530,515	263,530,515

The Company does not have authorised capital in respect to its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

b. Options

There is no options issued, issued and lapsed during the financial year.

c. Capital Management

i. Capital management policy

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As the Group incurs net cash outflows from operations and has large accumulated losses, the primary method used to adjust its capital structure is the issue of new shares. The Group has determined that where possible it will issue ordinary shares to avoid any restrictions on its use of capital or commit to interest payments. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

There are no externally imposed capital requirements.

ii. Current ratio

The current ratio the Group at 30 June 2017 and 30 June 2016 were as follows:

	2017	2016
Current ratio	135.81	270.87

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 13 ISSUED CAPITAL (cont.)

iii. Working capital position

The working capital position of the Group at 30 June 2017 and 30 June 2016 were as follows:

	2017 $	2016 $
Cash and cash equivalents	3,019,956	3,577,507
Trade and other receivables	39,885	53,497
Trade and other payables	(22,607)	(13,445)
Short-term provisions	-	-
Working capital position	3,037,234	3,617,559

NOTE 14 RESERVES

	Note	2017 $	2016 $
Foreign exchange reserve	14a	1,040	1,040
		1,040	1,040

a. **Foreign Exchange Translation Reserve**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign controlled subsidiary.

NOTE 15 CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned 2017 %	Percentage Owned 2016 %
Xinjiang Pan Pacific Mining Co Ltd	China	Ordinary	75.0	75.0

a. Investments in subsidiaries are accounted for at cost.

b. Dragon Mountain Gold Limited is the ultimate parent of the Group.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 16 CASH FLOW INFORMATION

	Note	2017 $	2016 $
a. Reconciliation of cash flow from operations to loss after income tax			
Loss after income tax		(583,685)	(660,579)
Cash flows excluded from profit attributable to operating activities			
Non-cash settlement of payables		-	-
Non-cash flows in profit from ordinary activities:			
Doubtful debts expense		17,059	-
Depreciation		2,860	185,719
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
(Increase)/decrease in trade and other receivables		(3,448)	73,434
(Increase)/decrease in prepayments		500	(1,744)
Increase/(decrease) in trade and other payables		9,163	(18,510)
Cash flow from operations		(557,551)	(421,680)

b. Credit Standby Facilities

The Group has no credit standby facilities.

c. Non-Cash Investing and Financing Activities

The Group has no non-cash investing and financing activities.

NOTE 17 EVENTS SUBSEQUENT TO REPORTING DATE

There were no events which occurred subsequent to the reporting date.

NOTE 18 KEY MANAGEMENT PERSONNEL COMPENSATION

a. Key management personnel (KMP)

The names and positions of KMP are as follows:

- Mr Robert Gardner — *Executive Chairman*
- Mr Paul Piercy — *Non-executive Director*
- Mr Jay Stephenson — *Non-executive Director*
- Mr Duncan Robert M^{c}Bain — *Non-executive Director*

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

NOTE 18 KEY MANAGEMENT PERSONNEL COMPENSATION

b. KMP compensation

The totals of remuneration paid to KMP during the year are as follows:

	2017 $	2016 $
Short-term employee benefits	419,696	421,214
Other short-term benefits	-	-
Post-employment benefits	4,554	3,036
Share-based payments	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total	424,250	424,250

Refer to the Remuneration Report contained in the Director's Report on page 5 for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2017.

NOTE 19 RELATED PARTY TRANSACTIONS

	2017 $	2016 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with Key Management Personnel:		
Fastwitch Enterprises Pty Ltd Fastwitch Enterprises Pty Ltd, a company controlled by Mr Gardner, receives payments for director's fees and consulting services provided by Mr Gardner in respect of the Company's operations. These services are provided directly and indirectly by Mr Gardner and are therefore reported in the Remuneration Report contained in the Directors' Report on page 5. Balances reported in this note 19 represent reimbursements of Company costs paid directly by Mr Gardner.	Nil	Nil

NOTE 20 OPERATING SEGMENTS

a. Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a regular basis and in determining the allocation of resources. Management continually assesses the Group's segments and has identified the operating segments based on the one (1) principal location based on geographical areas and therefore different regulatory environments – Australia (2016: Australia). The Group operates predominantly in the minerals exploration and evaluation industry.

Due to its reduced activity, the Group currently operates materially in one business segment and one geographical segment as described above. Accordingly, the financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 21 FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2017 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2016 Total $
Financial Assets								
Cash and cash equivalents	3,019,956	-	-	3,019,956	3,577,507	-	-	3,577,507
Trade and other receivables	-	-	39,885	39,885	-	-	53,497	53,497
Total Financial Assets	3,019,956	-	39,885	3,059,841	3,577,507	-	53,497	3,631,004
Financial Liabilities								
Financial liabilities at amortised cost								
Trade and other payables	-	-	22,607	22,607	-	-	13,445	13,445
Total Financial Liabilities	-	-	22,607	22,607	-	-	13,445	13,445
Net Financial Assets	3,019,956	-	17,278	3,037,234	3,577,507	-	40,052	3,617,559

b. Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

i. Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 21 FINANCIAL RISK MANAGEMENT (cont.)

- *Credit risk exposures*

  The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

  Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

- *Impairment losses*

  None of the Group's financial assets are past due (2016: $nil).

  There has been no allowance for impairment in respect of the financial assets of the Group during this year.

ii. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

iii. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board meets on a regular basis and considers the Group's exposure currency and interest rate risk.

(1) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Group as no debt arrangements have been entered into, and movement in interest rates on the Group's financial assets is not material.

(2) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is minimal; however the Board continues to review this exposure regularly.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 21 FINANCIAL RISK MANAGEMENT (cont.)

(3) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is exposed to securities price risk on investments held for trading or for medium to longer terms.

The investment in listed equities has been valued at the market price prevailing at balance date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

iv. Sensitivity Analyses

(1) Interest rates

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

A change of 100 basis points in the interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2016.

	Profit $	Equity $
Year ended 30 June 2017		
±100 basis points change in interest rates	± 30,200	± 30,200
Year ended 30 June 2016		
±100 basis points change in interest rates	± 35,775	± 35,775

(2) Foreign exchange

The Group did not carry significant assets or liabilities in foreign currencies in the 2017 financial year (2016: nil), and therefore was not subject to material foreign exchange risk, and according not subject to material sensitivities.

v. **Net Fair Values**

(1) **Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 21 FINANCIAL RISK MANAGEMENT (cont.)

vi. Financial Liability and Asset Maturity Analysis

	Within 1 Year		Total	
	2017 $	2016 $	2017 $	2016 $
Financial liabilities due for payment				
Trade and other payables	22,607	13,445	22,607	13,445
Total contractual outflows	22,607	13,445	22,607	13,445
Financial assets				
Cash and cash equivalents	3,019,956	3,577,507	3,019,956	3,577,507
Trade and other receivables	39,885	53,497	39,885	53,497
Total anticipated inflows	3,059,841	3,631,004	3,059,841	3,631,004
Net (outflow)/inflow on financial instruments	3,037,234	3,617,559	3,037,234	3,617,559

NOTE 23 CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2017.

NOTE 24 COMMITMENTS

There are no commitments as at 30 June 2017 (2016: nil).

NOTE 25 COMPANY DETAILS

The registered office of the Company is:

Address:

Street:	182 Claisebrook Road Perth WA 6000
Postal:	PO Box 52 West Perth WA 6872
Website:	www.dragonmountain.com.au
E-mail:	info@dragonmountain.com.au

The principal place of business is:

Finance and Administration Office:

Street:	Barringtons House 283 Rokeby Road Subiaco WA 6008
Postal:	PO Box 1288 Subiaco WA 6904
Telephone:	+61 (0)8 6141 3500
Facsimile:	+61 (0)8 6141 3599

Notes to the Consolidated Financial Statements
for the year ended 30 June 2017

NOTE 26 PARENT ENTITY DISCLOSURES

	Note	2017 $	2016 $
a. Financial Position of Dragon Mountain Gold Limited			
Current assets			
Cash and cash equivalents		3,019,956	3,577,507
Trade and other receivables		39,885	53,497
Other current assets		10,312	10,812
Total current assets		3,070,153	3,641,816
Non-current assets			
Plant and equipment		6,852	9,712
Total non-current assets		6,852	9,712
Total assets		3,077,005	3,651,528
Current liabilities			
Trade and other payables		22,606	13,444
Total current liabilities		22,606	13,444
Total liabilities		22,606	13,444
Net assets		3,054,398	3,638,083
Equity			
Issued capital	13	33,081,803	33,081,803
Accumulated losses		(30,027,405)	(29,443,719)
Total equity		3,054,398	3,638,084
b. Financial assets of Dragon Mountain Gold Limited			
Shares in controlled entities at cost		-	-
Net carrying value		-	-
c. Financial performance of Dragon Mountain Gold Limited			
Loss for the year		(583,685)	(660,579)
Other comprehensive income		-	-
Total comprehensive income		(583,685)	(660,579)

d. Guarantees entered into by Dragon Mountain Gold Limited for the debts of its subsidiaries

There are no guarantees entered into by Dragon Mountain Gold Limited for the debts of its subsidiaries as at 30 June 2017 (2016: none).

e. Contingent liabilities of Dragon Mountain Gold Limited

There are no contingent liabilities as at 30 June 2017 (2016: none).

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to 41, are in accordance with the *Corporations Act 2001* (Cth) and:

   (a) comply with Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Consolidated Group.

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the Consolidated Group for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001* (Cth);

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion 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 and is signed for and on behalf of the directors by:

R. Gardner.

ROBERT GARDNER
Chairman

Dated this Thursday, 28 September 2017

Crowe Horwath

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRAGON MOUNTAIN GOLD LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Dragon Mountain Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Director's Declaration of the Company.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001* including:

a) giving a true and fair value of the consolidated Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and securities information included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based upon the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, discussing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

Crowe Horwath

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Dragon Mountain Gold Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Horwath Perth

CROWE HORWATH PERTH

Sean McGurk

SEAN MCGURK
Partner

Signed at Perth, 28th September 2017

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DRAGON MOUNTAIN GOLD

Corporate Governance Statement

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3^{rd} Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at www.dragonmountain.com.au.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Complying	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complying	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. (b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complying	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complying	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Corporate Governance Statement

Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	Complying	(a) The Company has adopted a Diversity Policy. (i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is stated in Schedule 9 of the Corporate Governance Plan which is available on the company website. (c) (i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition the Board will review progress against the objectives in its annual performance assessment. (ii) The Company currently has no employees and utilizes external consultants and contractors as and when required. The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

Corporate Governance Statement

Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. . (b) The Company's Corporate Governance Plan requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period. Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate. The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter. The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates. Directors are encourages to avail themselves of resources required to fulfil the performance of their duties.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives. (b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. During the financial year an evaluation of performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.

Corporate Governance Statement

<table>
<tr><th colspan="3">Principle 2: Structure the board to add value</th></tr>
<tr><td>Recommendation 2.1
The board of a listed entity should:
(a) have a nomination committee which:
(i) has at least three members, a majority of whom are independent directors; and
(ii) is chaired by an independent director,
and disclose:
(iii) the charter of the committee;
(iv) the members of the committee; and
(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</td><td>Complying</td><td>(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.
The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website.
The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.
The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.</td></tr>
<tr><td>Recommendation 2.2
A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</td><td>Complying</td><td>
<table>
<tr><th>Board Skills Matrix</th><th>Number of Directors that Meet the Skill</th></tr>
<tr><td>Executive & Non- Executive experience</td><td>3</td></tr>
<tr><td>Industry experience & knowledge</td><td>3</td></tr>
<tr><td>Leadership</td><td>3</td></tr>
<tr><td>Corporate governance & risk management</td><td>3</td></tr>
<tr><td>Strategic thinking</td><td>3</td></tr>
<tr><td>Desired behavioural competencies</td><td>3</td></tr>
<tr><td>Geographic experience</td><td>3</td></tr>
<tr><td>Capital Markets experience</td><td>3</td></tr>
<tr><td>Subject matter expertise:</td><td></td></tr>
<tr><td>- accounting</td><td>2</td></tr>
<tr><td>- capital management</td><td>3</td></tr>
<tr><td>- corporate financing</td><td>2</td></tr>
<tr><td>- industry taxation [1]</td><td>0</td></tr>
<tr><td>- risk management</td><td>3</td></tr>
<tr><td>- legal</td><td>3</td></tr>
<tr><td>- IT expertise [2]</td><td>0</td></tr>
</table>
(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.
(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.</td></tr>
</table>

Corporate Governance Statement

Recommendation 2.3 **A listed entity should disclose:** (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	Complying	(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website. (b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website. (c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	Complying	The Board Charter requires that where practical the majority of the Board will be independent. Jay Stephenson is an Independent Director. Details of each Director's independence are provided in the Annual Reports and Company website.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Not complying	The Board Charter provides that where practical, the Chairman of the Board will be an independent Chairman. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	Complying	The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Complying	(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. (b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.

CORPORATE GOVERNANCE STATEMENT

Principle 4: ***Safeguard integrity in financial reporting***		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complying	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complying	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

CORPORATE GOVERNANCE STATEMENT

<table>
<tr><th colspan="3">Principle 5: Make timely and balanced disclosure</th></tr>
<tr><td>Recommendation 5.1
A listed entity should:
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
(b) disclose that policy or a summary of it.</td><td>Complying</td><td>(a) The Board Charter provides details of the Company’s disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled ‘Disclosure – Continuous Disclosure’ and details the Company’s disclosure requirements as required by the ASX Listing Rules and other relevant legislation.
(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.</td></tr>
<tr><th colspan="3">Principle 6: Respect the rights of security holders</th></tr>
<tr><td>Recommendation 6.1
A listed entity should provide information about itself and its governance to investors via its website.</td><td>Complying</td><td>Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company’s website.
Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.</td></tr>
<tr><td>Recommendation 6.2
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</td><td>Complying</td><td>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.
The Shareholder Communications Strategy can be found in Schedule 10 of the Board Charter which is available on the Company website.</td></tr>
<tr><td>Recommendation 6.3
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</td><td>Complying</td><td>The Shareholder Communications Strategy states that as a part of the Company’s developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company’s website on which all information provided to the ASX is immediately posted.
Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.</td></tr>
</table>

CORPORATE GOVERNANCE STATEMENT

Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complying	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Complying	(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.

CORPORATE GOVERNANCE STATEMENT

Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complying	(b) Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. In the absence of a risk committee, the Board is responsible for identifying risks and ensuring that there are controls for these risks which are to be designed and ensure that any identified risk is mitigated to an acceptable level. The Board will review and discuss strategic risks and opportunities as they arise and arising from changes in the Company's business evaluate regularly on an 'as need' basis. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complying	Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Complying	(b) Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

DRAGON MOUNTAIN GOLD

CORPORATE GOVERNANCE STATEMENT

Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	Complying	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Complying	(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans. (b) A copy of the Company's Corporate Governance Plan is available on the Company's website.

Additional Information For Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 SHAREHOLDING AS AT – 31 August 2017

a. Distribution of Shareholders

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	23	3,004	0.00
1,001 – 5,000	5	10,639	0.00
5,001 – 10,000	8	64,727	0.02
10,001 – 100,000	115	6,515,355	2.47
100,001 – and over	140	256,936,790	97.5
	291	263,530,515	100

b. Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.015 per unit	55,556	104	2,543,478

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares**: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest Shareholders — Ordinary Shares as at – 12 September 2017

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	FASTWITCH ENTERPRISES PTY LTD <NC A/C>	54,316,817	20.61
2.	RJ & JG HOLDINGS PTY LTD <SWAN EXEC SUPER FUND A/C>	23,984,786	9.10
3.	DROMANA HOLDINGS PTY LTD	13,982,301	5.31
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,263,054	5.03
5.	COOLCAT ENTERPRISES PTY LTD	13,175,000	5.00
6.	DELTA HOTEL PTY LTD	13,175,000	5.00
7.	SWIFTYLINK PTY LTD	13,175,000	5.00
8.	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	6,890,114	2.61
9.	BELLRAY HOLDINGS PTY LTD	6,876,740	2.61
10.	MR PHILLIP RICHARD PERRY	5,800,000	2.20
11.	P R PERRY NOMINEES PTY LTD <FAMILY A/C>	5,500,000	2.09
12.	BELLRAY HOLDINGS PTY LTD	5,186,929	1.97
13.	MR THOMAS EDWARD ARTHUR + MS MARY JANE ARTHUR <TE & MJ ARTHUR S/F A/C>	4,311,861	1.64
14.	DIRDOT PTY LIMITED <GRIFFITH SUPER FUND A/C>	3,733,920	1.42
15.	BELLRAY HOLDINGS PTY LTD	3,481,852	1.32
16.	GOTHA STREET CAPITAL PTY LTD <BLUE SKY NO 2 A/C>	3,453,466	1.31
17.	MR PHILLIP RICHARD PERRY + MRS TETYANA ANATOLIYIVNA PERRY <DONESKA SUPER FUND A/C>	2,845,500	1.08
18.	MONARCH ASSET MANAGEMENT P/L <PRICE SUPER>	2,750,000	1.04
19.	P R PERRY NOMINEES PTY LTD <DONESK FAMILY A/C>	2,750,000	1.04
20.	MR JOSHUA KLENBORT <HSBC SHANGHAI A/C>	2,526,662	0.96
	TOTAL	**201,179,002**	76.34

Additional Information For Listed Public Companies

2 The name of the Company Secretary is Jay Richard Stephenson.

3 PRINCIPAL REGISTERED OFFICE

As disclosed in Note 25 Company Details on page 40 of this Annual Report.

4 REGISTERS OF SECURITIES

As disclosed in the Corporate Directory on page i of this Annual Report.

5 STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate Directory on page i of this Annual Report.

6 UNQUOTED SECURITIES

a. Options over Unissued Shares

The Company has nil options on issue.

7 USE OF FUNDS

The Company has used its funds in accordance with its initial business objectives.

Tenement Report

AS AT 30 JUNE 2017

Project/Tenements	Location	Held at end of quarter	Acquired during the year	Disposed during the year
XPPM License	China	100%	0%	0%

DRAGON MOUNTAIN GOLD LIMITED

AND CONTROLLED ENTITIES

ABN 82 111 005 282

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