



ABN 82 111 005 282

INTERIM FINANCIAL REPORT for the half-year ended 31 December 2017

The information contained in this condensed report is to be read in conjunction with Dragon Mountain Gold Limited's 2017 annual report and announcements to the market by Dragon Mountain Gold Limited during the half-year period ending 31 December 2017

DRAGON MOUNTAIN GOLD LIMITED

AND CONTROLLED ENTITIES

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Corporate Directory

Current Directors

Robert Gardner	<i>Executive Chairman</i>
Paul Piercy	<i>Non-executive Director</i>
Jay Stephenson	<i>Non-executive Director</i>

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

Securities Exchange

Australian Securities Exchange	
Street:	Level 40, Central Park 152-158 St Georges Terrace Perth WA 6000
ASX Code:	<u>DMG</u>

Corporate Adviser

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

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

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

Solicitors to the Company

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

**INTERIM FINANCIAL REPORT
31 DECEMBER 2017**

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Directors' Report

Your Directors present their report together with the condensed consolidated financial statements of Dragon Mountain Gold Limited (**the Company**) and its controlled entities (**the Group**) for the half-year ended 31 December 2017.

1. Directors

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

 Mr Robert Gardner	<i>Executive Chairman</i>
 Mr Paul Piercy	<i>Non-executive Director</i>
 Mr Jay Stephenson	<i>Non-executive Director</i>

(**the Board**)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Review of Operations

During the half financial year the Company has undertaken significant Due Diligence work on the Cawse and Avalon projects. In October, the Company commenced a drill program on the projects which has now completed. The results of the program are in the process of being analysed and the results will be announced as soon as they are available.

The Group had \$2,727,867 in cash reserves at the end of the half-year. Directors are continuing to manage the Group's cash flow in this difficult capital raising environment for junior exploration companies.

The Board are in the process of reviewing its strategy in order to find the right project that will benefit the Group going forward. The assessment and due diligence of projects needs to be done with these factors taken into consideration. The Board feels that it may be possible to take advantage of the current cash position to obtain a financially economic project.

2.1. Operating results

The loss of the Company for the half-year amounted to \$272,617 (31 December 2016: \$305,312), The consolidated loss of the Group for the half-year excluding minority equity interests amounted to \$272,617 (December 2016: \$305,312). The increase is wholly attributable to the reduction in interest received during the current financial year.

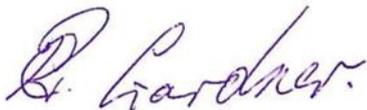
2.2. Financial position

The net assets of the Group have decreased by \$272,617 from \$3,054,398 at 30 June 2017 to \$2,781,781 at 31 December 2017.

As at 31 December 2017, the Group's cash and cash equivalents decreased from 30 June 2017 by \$292,089 to \$2,727,867 and had working capital of \$2,763,617 (June 2017: \$3,037,234 working capital).

3. Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2017 has been received and can be found on page 2 of the half year report.



ROBERT GARDNER

Chairman

Dated this Friday, 2 March 2018



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Dragon Mountain Gold Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect to Dragon Mountain Gold Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in black ink that reads "Sean McGurk".

SEAN MCGURK
Partner

Signed at Perth, 2 March 2018

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Continuing operations			
Revenue	2	34,214	29,480
		34,214	29,480
Accounting and audit fees		(41,757)	(47,698)
Computers and communications		(6,341)	(6,329)
Depreciation		(138)	(816)
Employee benefits expenses	3	(212,126)	(219,914)
Exploration expenditure expensed	9	(23,502)	(8,000)
Insurance		(6,187)	(6,107)
Impairment		-	(17,059)
Occupancy Expenses		(360)	(3,480)
Professional fees		(298)	(2,158)
Regulatory expenses		(13,475)	(14,339)
Other expenses		(2,647)	(8,892)
Loss before tax	3	(272,617)	(305,312)
Income tax benefit / (expense)		-	-
Loss from continuing operations		(272,617)	(305,312)
Net loss for the year		(272,617)	(305,312)
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		(272,617)	(305,312)
Profit/(loss) for the period attributable to:			
☞ Non-controlling interest		-	-
☞ Owners of the parent		(272,617)	(305,312)
Total comprehensive income/(loss) attributable to:			
☞ Non-controlling interest		-	-
☞ Owners of the parent		(272,617)	(305,312)
Earnings per share:			
Basic loss per share (cents per share)	4	¢ (0.10)	¢ (0.12)

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents	5	2,727,867	3,019,956
Trade and other receivables	6	65,133	39,885
Other current assets	7	11,450	10,312
Total current assets		2,804,450	3,070,153
Non-current assets			
Plant and equipment	8	6,714	6,852
Exploration and evaluation assets	9	-	-
Total non-current assets		6,714	6,852
Total assets		2,811,164	3,077,005
Current liabilities			
Trade and other payables	10	29,383	22,607
Total current liabilities		29,383	22,607
Total liabilities		29,383	22,607
Net assets		2,781,781	3,054,398
Equity			
Issued capital	11	33,081,803	33,081,803
Reserves		1,040	1,040
Accumulated losses		(30,301,062)	(30,028,445)
Total equity		2,781,781	3,054,398

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

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Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2017

	Issued Capital \$	Accumulated Losses \$	Foreign Exchange Translation Reserve \$	Total \$
Balance at 1 July 2016	33,081,803	(29,444,760)	1,040	3,638,083
Loss for the half-year attributable to the owners of the parent	-	(305,312)	-	(305,312)
Other comprehensive income for the half-year attributable to the owners of the parent	-	-	-	-
Total comprehensive income for the half-year attributable to the owners of the parent	-	(305,312)	-	(305,312)
Transactions with owners, directly in equity				
Shares issued during the half-year	-	-	-	-
Transaction costs	-	-	-	-
Options issued during the half-year	-	-	-	-
Balance at 31 December 2016	33,081,803	(29,750,072)	1,040	3,332,771
Balance at 1 July 2017	33,081,803	(30,028,445)	1,040	3,054,398
Loss for the half-year attributable to the owners of the parent	-	(272,617)	-	(272,617)
Other comprehensive income for the half-year attributable to the owners of the parent	-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent	-	(272,617)	-	(272,617)
Transactions with owners, directly in equity				
Shares issued during the half-year	-	-	-	-
Transaction costs	-	-	-	-
Options issued during the half-year	-	-	-	-
Balance at 31 December 2017	33,081,803	(30,301,062)	1,040	2,781,781

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

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Payments to suppliers and employees		(328,508)	(316,836)
Interest received		36,419	31,685
Net cash used in operating activities		(292,089)	(285,151)
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash held		(292,089)	(285,151)
Cash and cash equivalents at the beginning of the year		3,019,956	3,577,507
Change in foreign currency held		-	-
Cash and cash equivalents at the end of the year	5	2,727,867	3,292,356

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

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Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These are the condensed consolidated financial statements and notes of Dragon Mountain Gold Limited (**the Company**) and its controlled entities (**the Group**). Dragon Mountain Gold is a public company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue on 2 March 2018 by the Directors of the Company.

a. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Dragon Mountain Gold Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half-year.

i. Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

ii. Financial position

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

iii. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

b. Critical Accounting Estimates and Judgments

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2017 annual report.

c. New and Amended Standards Adopted by the Company Applicable to the Current Half-Year Reporting Period

For the half-year ended 31 December 2017, the Company has reviewed all of the New and Amended Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2017.

It has been determined by the Company that there is no impact, material or otherwise, of the New and Amended Standards and Interpretations on its business, and therefore, no changes are required to the Company's accounting policies.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 2 REVENUE AND OTHER INCOME

a. Revenue

☞ Interest revenue

Total revenue

31 December 2017 \$	31 December 2016 \$
34,214	29,480
34,214	29,480

NOTE 3 LOSS BEFORE INCOME TAX

The following significant revenue and (expense) items are relevant in explaining the financial performance:

a. Employee benefits:

- ▶ Wages and salaries
- ▶ Superannuation expenses

Total personnel expenses

31 December 2017 \$	31 December 2016 \$
209,089	218,396
3,037	1,518
212,126	219,914

NOTE 4 EARNINGS PER SHARE (EPS)

a. Reconciliation of earnings to profit or loss

Loss for the year attributable to owners of the Company

Loss attributable to non-controlling equity interest (NCI)

Loss used in the calculation of basic EPS

31 December 2017 \$	31 December 2016 \$
(272,617)	(305,312)
-	-
(272,617)	(305,312)

b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

31 December 2017 No.	31 December 2016 No.
263,530,515	263,530,515

c. Earnings per share

Basic EPS (cents per share)

31 December 2017 ¢	31 December 2016 ¢
(0.10)	(0.12)

- 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 31 December 2017 (31 December 2016: nil).

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Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 5 CASH AND CASH EQUIVALENTS

	31 December 2017 \$	30 June 2017 \$
Cash at bank	30,825	107,937
Short-term term deposits	2,697,042	2,912,019
	2,727,867	3,019,956

NOTE 6 TRADE AND OTHER RECEIVABLES

	Note	31 December 2017 \$	30 June 2017 \$
Current			
Value-added tax receivable	6a	53,074	26,719
Other receivables		12,059	13,166
		65,133	39,885

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).

NOTE 7 OTHER ASSETS

	31 December 2017 \$	30 June 2017 \$
Current		
Prepayments	11,450	10,312
	11,450	10,312

NOTE 8 PLANT AND EQUIPMENT

	31 December 2017 \$	30 June 2017 \$
Non-current		
Furniture and fittings	16,740	16,740
Accumulated depreciation	(11,377)	(11,038)
	5,363	5,702
Office equipment	54,213	54,213
Accumulated depreciation	(52,862)	(53,063)
	1,351	1,150
Leasehold improvements	211,499	211,499
Accumulated amortisation	(211,499)	(211,499)
	-	-
Software	4,940	4,940
Accumulated depreciation	(4,940)	(4,940)
	-	-
Total plant and equipment	6,714	6,852

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 9 EXPLORATION AND EVALUATION ASSETS

	Note	31 December 2017 \$	30 June 2017 \$
Non-current			
Exploration expenditure capitalised:			
Exploration and evaluation phase at cost		-	-
Net carrying value	9a	-	-
a. Movements in Carrying Amounts			
Balance at the beginning of year		-	-
Expenditure during the period		23,502	8,000
Exploration written off		(23,502)	(8,000)
Carrying amount at the end of year		-	-

NOTE 10 TRADE AND OTHER PAYABLES

	31 December 2017 \$	30 June 2017 \$
Current		
<i>Unsecured</i>		
Trade payables	6,695	1,297
Other creditors and accruals	22,688	21,310
	29,383	22,607

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

NOTE 11 ISSUED CAPITAL

	Note	31 December 2017 No.	30 June 2017 No.	31 December 2017 \$	30 June 2017 \$
Fully paid ordinary shares at no par value	11a	263,530,515	263,530,515	33,081,803	33,081,803
		6 months to 31 December 2017 No.	12 months to 30 June 2017 No.	6 months to 31 December 2017 \$	12 months to 30 June 2017 \$
a. Ordinary shares					
At the beginning of the period		263,530,515	263,530,515	33,081,803	33,081,803
Shares issued during the period:		-	-	-	-
At reporting date		263,530,515	263,530,515	33,081,803	33,081,803

NOTE 12 EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events subsequent to reporting date.

NOTE 13 FINANCIAL INSTRUMENTS

The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables and trade and other payables. The carrying amounts of these financial assets and liabilities approximate their fair value.

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Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2017

NOTE 14 COMMITMENTS

There are no changes in the Company's commitments or contingencies reported at 30 June 2017.

NOTE 15 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 principal location based on geographical areas and therefore different regulatory environments – Australia (December 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 being Australia 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.

Directors' Declaration

The Directors of the Group declare that:

1. The condensed financial statements and notes, as set out on pages 3 to 11, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the half-year ended on that date of the Consolidated Group.
2. In the Directors' opinion there are reasonable grounds to believe that the Group 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 made pursuant to section 303(5) of the *Corporations Act 2001* and is signed for and on behalf of the directors by:



ROBERT GARDNER

Chairman

Dated this Friday, 2 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DRAGON MOUNTAIN GOLD LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dragon Mountain Gold Ltd and the entities it controlled during the half-year (the Consolidated Entity) which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors declaration for the consolidated entity.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dragon Mountain Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dragon Mountain Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read "Sean McGurk".

CROWE HORWATH PERTH

A handwritten signature in black ink, appearing to read "Sean McGurk".

SEAN MCGURK

Partner

Signed at Perth, 2 March 2018

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