DRAGON MINING LIMITED

ABN 19 009 450 051

ANNUAL REPORT 2014

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Chairman's Report

I am pleased to present to shareholders Dragon's Annual Report for the year ended 31 December 2014, particularly in view of the fact that the new Board and management is able to report a profit of AU$7.76 million and a positive cash balance of AU$15.05 million as at that date (not including the final December gold sales of AU$2.08m received 2 January 2015) as well as other positive developments.

Shareholders will recall that as reported in my report last year, the restructured Board took office on 7 February 2014 following a requisition pursuant to Section 249D of the Corporations Act by the Company's then largest shareholder Eurogold Limited. The restructured Board's stated agenda was to undertake a comprehensive review of the Company's entire structure and operations, targeting operational efficiencies including reorganisations, cost reductions, safety issues and the possible realisation of non-core assets. The Board's focus was to be on preserving the Company's core assets and conserving cash whilst continuing the Company's current operations in the circumstances of the gold price at that time.

After taking office, the Board pursued the above mentioned objectives. The management structure was streamlined with a number of redundancies. The Stockholm and Outokumpu offices were closed and part of the Outokumpu properties sold with the balance on the market. Exploration expenditure has been curtailed and focused on near mine drilling at the Orivesi and Jokisivu Mine sites with a view to expanding reserves and extending known mine life. Significant effort has been expended on achieving operational efficiencies in the Vammala and Svartliden plants including metallurgical test work to increase recoveries. As a result of this work we have been able to process Jokisivu concentrate through Svartliden rather than sell to a smelter thereby reducing the processing costs. We also now expect to shortly treat the Orivesi concentrate similarly. In addition, we have been able to source and contract treat third party concentrates at Svartliden to generate a positive margin and increase cost recovery.

As previously reported, the stockpiled ore at Svartliden is expected to be exhausted by April 2015. Currently the remaining low grade stockpiles are being processed together with concentrates, boosting gold production.

We have concentrated efforts on locating near term additional ore resources for Svartliden to avoid the plant closure previously envisioned by past management. As recently reported, since the year end we have been able to achieve an agreement to secure the nearby Fäboliden resource subject to certain conditions precedent. We hope that a successful acquisition of Fäboliden will enable the ongoing operation of Svartliden for a number of years.

We have also directed effort to the pre-development of the Kaapelinkulma mine in Finland to provide additional ore reserves for the Vammala plant.

Environmental studies and other permitting work will continue at Kuusamo.

We have also during the year secured an agreement to dispose of the Company's interest in Weld Range as a non-core asset (as at the date of writing completion has not yet taken place).

We are pleased that the initiatives pursued by the new Board and management have enabled the Company to report a profit and a much improved cash position at year end, notwithstanding the depressed gold price and the significant costs incurred in the restructuring process.

I would also mention that improvement in safety was a major concern for the new Board. Several initiatives were pursued in this regard. These included a major undertaking of rock bolting and shotcreting the whole of the Orivesi decline which is now almost completed. The Lost Time Injury Frequency Rate (LTIFR) for the year was reduced by 29% to 17.8 (2013: 25.0). We are working to secure further improvement.

We do not expect to be able to show similar financial improvement in profitability in 2015 as production at Svartliden will terminate, except for concentrate processing until Fäboliden can potentially be brought into production. Also, costs will be incurred in the pre-development of Kaapelinkulma and capital costs will be incurred in the development of declines and other capital works at Orivesi and Jokisivu, as well as costs associated with the acquisition of Fäboliden.

I would like to thank all our loyal staff for their understanding and support throughout a difficult year. I also thank our shareholders for their support.

In view of our present opportunities we look forward to the future development of Dragon for the benefit of all stakeholders.

Arthur G. Dew
Chairman

Executive Director's Report

2014 has been a year of change at Dragon. The Company has returned to profitability and now has a strategy in place for sustained operations.

The strategy is simple; invest in safety, productivity and recovery improvements, look for synergies and cost savings across the group and look to develop additional sources of economically recoverable ore to feed our process plants.

In spite of falling gold prices, we completed the year with improved profitability and a strong cash balance. In parallel, significant improvements have been made to the safety performance and importantly, to the safety culture of the organisation. This included a 29% decrease in the LTIFR across the group.

Our commitment to the continuous improvement of safety has included significant investment in training, new underground equipment and a comprehensive reinforcement program of the Orivesi decline, resulting in a significant reduction of safety and production risks at the Orivesi mine.

The Company has also invested heavily to ensure its operations are sustainable and to maintain its positive relationships with the communities in which it operates. For example, our new water treatment plant in Sweden is now fully commissioned and provides leading edge technology combining biological and chemical treatment. In Finland elevated levels of uranium were found in sediments downstream of the Orivesi mine site. Acting responsibly, Dragon commissioned an independent study of the sediments and the potential sources of uranium. From the findings of that study, STUK, the Finnish Radiation and Nuclear Safety Authority, confirmed the sediment samples do not cause any risk to humans. Importantly as a result of a commitment to responsible mining, the uranium levels in the discharge water from the Orivesi mine are shown to be well below the standards for drinking water.

We have completed the restructure of the management team and, with the new team in place, are achieving costs efficiencies and increased productivity. In spite of falling gold prices and reduced throughput and grades in Sweden, we successfully reduced the Group C1 cash costs to US$951 per ounce (2013: US$1,013 per ounce). The lower grades in Sweden have been offset by improved mine planning and higher grades in Finland, particularly from the Jokisivu mine.

During the year we have been working with an external metallurgical consultant to review our process plants and have subsequently invested in areas to improve recovery and productivity. These process improvements also attributed to higher recoveries, further boosting gold production. The review also set the path to allow us to commence processing of Vammala concentrates at our CIL plant in Sweden. The savings generated by this change (US$50/oz to US$70/oz) consequently improved the C1 cash costs. Excitingly we also successfully completed the test processing of third party gold concentrate bringing in a new income stream for our Svartliden operations.

Strategically, Dragon has refocused its exploration teams to assist in near mine exploration, working with the mine geologists to expand and identify new ore bodies on our existing mining concessions. This will ensure new discoveries can be developed rapidly without the significant delays of permitting green field operations. Green field exploration has been reduced with some tenements in northern Finland released or divested. An earn-in agreement with Agnico-Eagle mines was executed in 2013 and Aurion Resources acquired the Kutuvuoma and Silasselkä projects.

Looking ahead we are in the pre-development stage of two new mines, both with advanced permits and within economic trucking distances of our existing operations:

1. The Kaapelinkulma Gold Project has received all required Environmental Permits to undertake mining. The granting of a Mining Concession is awaiting the finalisation of an appeal. The current schedule indicates that the Company's third gold mine in the southern Finland region could potentially deliver first ore to the Vammala Plant by mid-2016.

   Diamond core drilling commenced at Kaapelinkulma in the latter part of the year. The initial campaign comprises 45 holes and has been designed to improve the density of drilling of the Southern lode system, with the objective of updating the Mineral Resource in readiness for detailed mining studies.

2. The Company announced in early 2015 that it had executed a conditional Sale and Purchase Agreement to acquire the Fäboliden Gold Project in northern Sweden. The Fäboliden Gold Project is an advanced project, 25 kilometres southeast of Dragon's Svartliden Production Centre. In addition to the mining and exploration concessions, the agreement also included the ownership of 1,728 hectares of land which retains standing timber of significant value.

   The previous owners completed extensive drilling, including test mining and the completion of a Definitive Feasibility Study for a large tonnage, low grade mining and processing operation. Dragon does not intend to develop this project as a large scale low grade deposit but has identified a number of zones of high grade mineralisation at open pit depths that can be potentially developed to provide ore to the Svartliden Plant. Together with laboratory tests, Dragon has carried out a full scale production test of approximately 1,000 tonnes of higher grade material from Fäboliden at Svartliden. The production test confirmed the results of the bench scale leach test work, yielding a head grade of 3.02 g/t gold and a gold extraction level of 79.4%.

While we remain committed to the Kuusamo Project, the new management acknowledges the complexity of the environmental and social issues in developing the project. As a result we are reengineering our approach to the project and completing a more realistic time frame for its development. Following feedback on our initial EIA we are continuing base line environmental studies and developing engineering options that incorporate the feedback received from the environmental agencies and the community.

Looking ahead, 2015 will not be an easy year. Continued low gold prices together with the development of two new mines and the plan to ramp up production in Finland will require investment. Fortunately Dragon can fund the completion of the Definitive Feasibility Study from existing cash reserves. Operationally, our low C1 cash cost and a commitment to improve recovery from mining through to the gold room should ensure our continued profitable operations. With the new management team in place and a supportive Board, I believe that Dragon is well positioned for commercially sound, safe and environmentally responsible operations into the future.

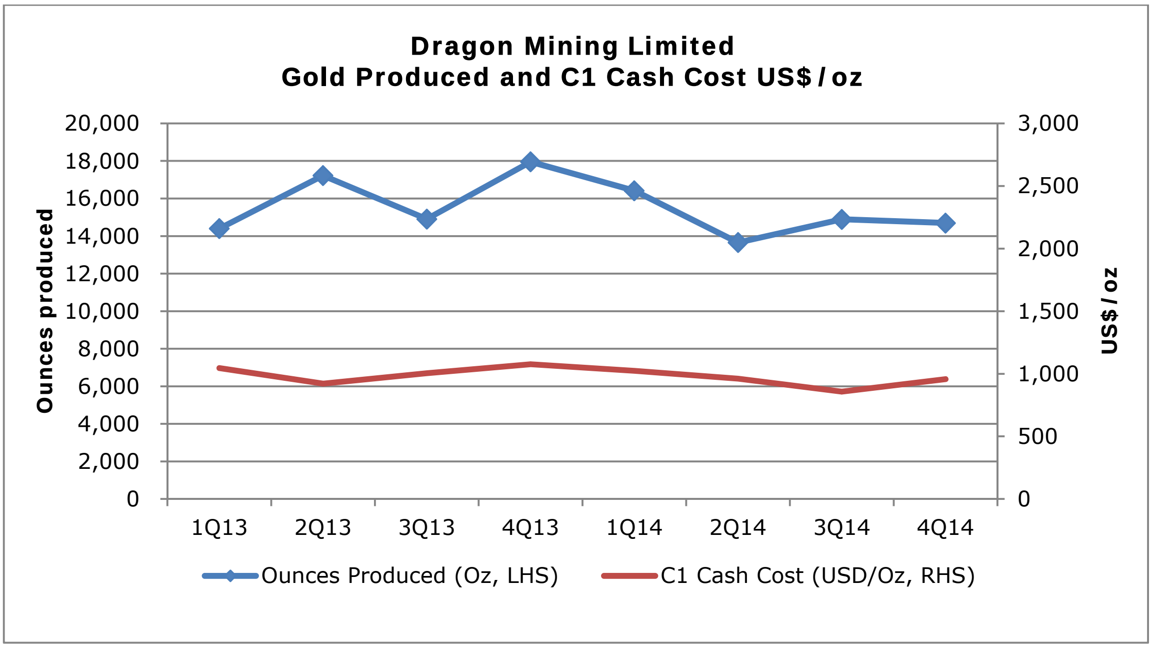
Brett Smith
Executive Director

Operations Review

Group Overview

The Company's gold production for the year was 59,654 ounces (2013: 64,482 ounces) at a C1 cash cost of US$951 per ounce (2013: US$1,013 per ounce). The slightly reduced gold production can be attributed to the net impact of lower grades and ore throughput at the Company's Svartliden Plant offset by higher grades achieved at the Vammala Plant, specifically from the Kujankallio Hinge Zone at the Jokisivu Gold Mine (Jokisivu). The higher grades and process plant improvements also attributed to higher recoveries further boosting gold production at the Vammala Plant.

During the year, the Company commenced the processing of Vammala concentrates at the Svartliden Plant, which positively impacted refining costs and consequently helped to improve C1 cash costs over the prior period.



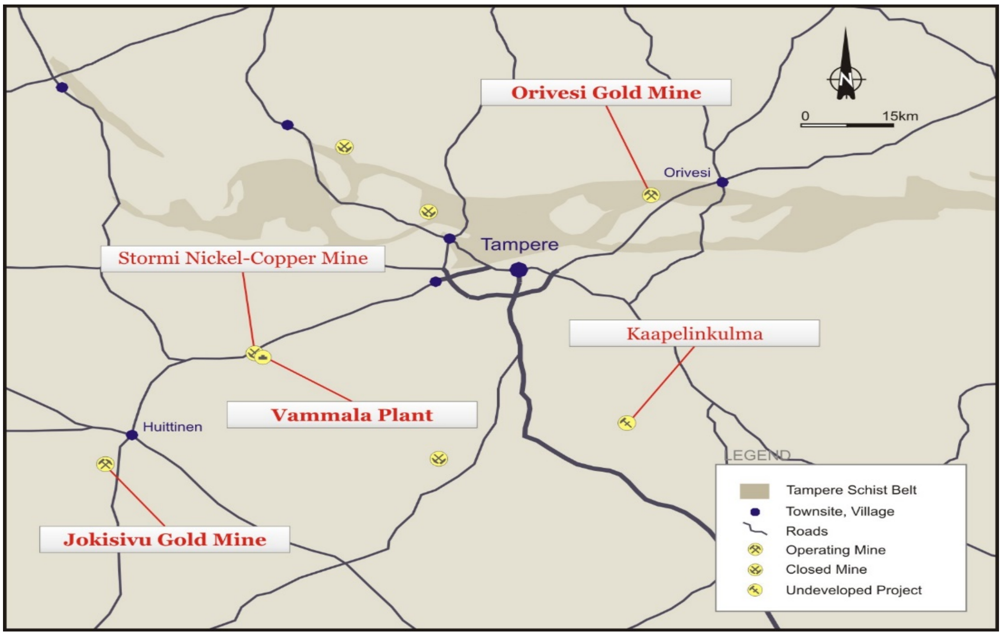
Finland

Vammala Production Centre

The Vammala Production Centre (Vammala) is located in the Sastamala region in southern Finland, approximately 160km northwest of the Finnish capital Helsinki.

It comprises the Vammala Plant, which is a conventional 300,000 tonnes per annum flotation plant (formerly used for nickel processing) plus the Orivesi Gold Mine (Orivesi) and Jokisivu. The Vammala Plant was successfully recommissioned in June 2007 and has produced 214,335 ounces of gold in concentrate to 31 December 2014.

The Vammala Plant was originally set up to produce a concentrate as suitable feed stock for the nearby Harjavalta smelter and in meeting these requirements the Company sacrificed gold recovery. Following successful test trials the Company commenced the processing of Vammala concentrate at Svartliden, thus extending the life of Svartliden and reducing the C1 cash cost for Finland by approximately US$50 to US$70 per ounce.



During 2014, the Vammala Plant treated 303,169 tonnes of ore (2013: 305,967 tonnes of ore) with an average grade of 4.6 g/t gold (2013: 3.7 g/t gold) to produce 38,246 ounces of gold (2013: 28,732 ounces of gold) at an improved recovery of 81.7% (2013: 78.0%) and C1 cash cost of US$934 per ounce (2013: US$1,256 per ounce).

Production was derived from the processing of ore from both Orivesi and Jokisivu comprising:

- 170,782 tonnes from Orivesi at an average grade of 4.93 g/t gold; and
- 125,844 tonnes from Jokisivu at an average grade of 3.19 g/t gold.

Summary of Vammala Production Centre Operating Performance		
	2014	2013
2014 ore milled (tonnes)	**303,169**	305,967
Head grade milled (g/t)	**4.6**	3.7
Gold recovery (%)	**81.7**	78.0
Gold produced (ounce)	**38,246**	28,732
C1 cash cost (US$/ounce)	**934**	1,256

Processing – Vammala Plant

The Vammala Plant achieved 397 lost time injury (LTI) free shifts during 2014. The major safety improvements related to risk based training and the installing of guards on conveyors and other processing equipment, increased site wide safety information and an electrical audit.

During the year, the Vammala Plant operated consistently with mill feed of 303,169 tonnes with the majority of ore coming from Orivesi and Jokisivu underground production stopes and, to a lesser extent, development mining. There were a number of improvements initiated at the Vammala Plant and the staged investment program will continue into 2015. The Company will maintain its primary focus on continued improvements to recovery, operating efficiency and safety.

The Company is investigating the possibility of processing 100% of the Vammala concentrate at Svartliden, which may allow for a further reduction in C1 cash costs.

Mining – Orivesi Gold Mine

Five accidents (one owner miner and four contract miners) occurred at Orivesi in 2014. The following safety improvements and initiatives were executed:

- Reinforcement of the decline;
- Various equipment purchases, including the purchase of a rock bolting and meshing rig and a remote controlled hydraulic hammer; and
- A risk assessment and audit was performed by an external consultant.

Underground safety tours and monthly safety topics discussions are planned to be introduced in early 2015.

A total of 1,591 lateral development metres at Orivesi were completed. Rock bursts took place in the decline between the 625m and 760m levels in May and July. The rock bursts did not cause any personal injuries, but reinforcement of the decline with mesh, cable bolts, fibrecrete and rock bolts was undertaken, which delayed the development progress. Similar reinforcement was also introduced in the deeper parts of the decline.

Development of the Kutema decline continued, advancing a further 482 metres to the 1080m level in 2014 (total development in 2014 was 2,073 metres). Deepening of the decline to the next panel 1080m – 1160m was held pending updated drilling results. Production of Kutema Pipe 2 finished on the 980m level. Work on extending the exploration drift on the 710m level to Sarvisuo was completed in the first quarter of 2015.

During 2014, production stoping at Kutema was primarily undertaken in the 800m – 880m and 880m – 960m mining panels with mining panel 960m – 1040m was under construction.

Caving of the panel (lode 5) 820m – 860m hampered production at the end of the year. To reduce the risk of stope caving, stope dimensions will decrease with the focus continuing to concentrate on high grade ore recovery.

Construction of the ventilation station was completed in 2014.

Diamond drilling programs targeting the Kutema Deeps and Sarvisuo areas were continuing at the end of 2014. Results from the drilling programs should be available in the beginning of the 2nd quarter of 2015 and these will enable the Company to make a decision as to whether or not development work will continue at Orivesi.

Mining – Jokisivu Gold Mine

The number of the days without accident reached 941 at the end of 2014. A major safety improvement completed during the year involved the relocation of the ramp away from the open pit wall. The audit and risk assessment will be completed at the beginning of 2015 by an external consultant.

Underground development for the year was 1,190 metres and the bottom of the decline was located at the 275m level. The excavation of the decline has not advanced since the end of 2012.

The Kujankallio Hinge Zone yielded very high gold grades between 6 to 10 grams per tonne during the second half of the year and was the major factor behind the record gold production from Jokisivu.

Finland Outlook

Vammala Production Centre

Throughput from Vammala is expected to be consistent with that achieved in 2014 and improvements in C1 cash costs are anticipated, particularly if more of the Vammala concentrate can be processed at the Svartliden Plant.

Vammala Plant

The Vammala Plant will continue to process material from both Orivesi and Jokisivu during 2015 and efforts to maximise plant utilisation and recovery over the course of the year will be maintained.

Orivesi Gold Mine

The results of the diamond core drilling programs at Kutema Deeps between the 1080m and 1140m levels will be available at the beginning of the 2nd quarter 2015. The technical and economic viability of deepening the decline will be determined on the basis of the strength of the drilling results. The results from the diamond drilling of the Sarvisuo area from the 260m and 280m levels will be available in July 2015 and from the 710 exploration drift by the 4th quarter 2015.

Jokisivu Gold Mine

At the current production rate, the present Ore Reserves are expected to last until mid-2017. The underground diamond core drilling programs underway at Arpola and Kujankallio are designed to achieve continuous mining from both deposits. This could increase mining production to a level, whereby Jokisivu becomes cash positive as a standalone mine.

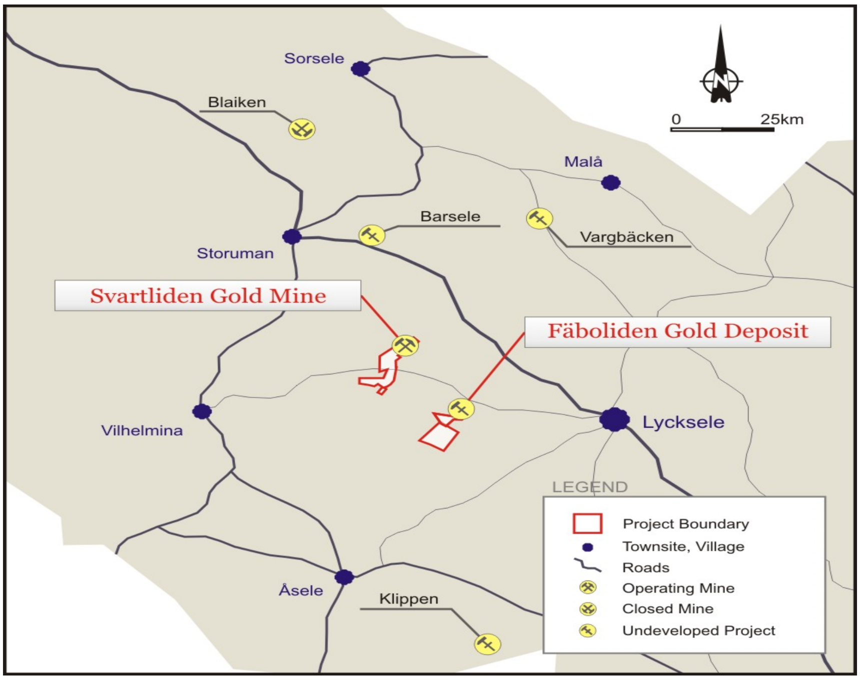
Sweden

Svartliden Production Centre

The Svartliden Production Centre (Svartliden) is located in northern Sweden and was the first integrated mine and treatment plant to be developed under the existing Swedish Environmental and Mining Acts.

The operation was brought into production in March 2005 and has produced a total of 372,281 ounces of gold as at 31 December 2014. The Svartliden gold deposit has been mined by open-cut and underground methods with ore processed through a conventional carbon in leach (CIL) plant that has a design throughput capacity of 300,000 tonnes per annum.

The open-pit and underground mining operations at Svartliden were concluded during 2013 and the plant continued to process low grade stockpiled ore during 2014. The production of gold from low grade stockpiles at Svartliden is expected to cease during the first half of 2015.



During the year, the Company successfully completed a 1000 tonne production test on material sourced from Fäboliden and secured a Sales and Purchase Agreement for the Fäboliden Gold Project, pending certain conditions precedent. The Fäboliden Gold Project represents a key strategic element for the continued operation of Svartliden, along with processing of concentrates from the Company's Finnish operation and other external sources.

During 2014, the Svartliden Plant treated 311,937 tonnes at an average grade of 2.3 g/t gold to produce 21,410 ounces of gold, at a recovery of 91.5% and C1 cash cost of US$982 per ounce.

Production was derived from the processing of low grade stockpiles and Vammala concentrate.

One Lost Time Injury (LTI) occurred and the target of zero LTI's was narrowly missed.

All discharge levels were below Permit Conditions with all water treatment processes operating efficiently during the year. Svartliden has the most stringent discharge conditions of any operating mine in Sweden.

Summary of Svartliden Production Centre Operating Performance		
	2014	2013
Ore milled (tonnes)	**311,937**	324,623
Head grade milled (g/t)	**2.3**	3.7
Gold recovery (%)	**91.5**	92.5
Mill utilisation	**98.0**	97.8
Gold produced (ounce)	**21,410**	35,750
C1 cash cost (US$/ounce)	**982**	818

Processing

Gold recovery of 91.5% for the year, was slightly lower than 2013, with heavily oxidised ore in older parts of the low grade stockpile a contributing factor. Continued focus on reliability and operational consistency resulted in a high plant utilisation rate of 98.0%. This utilisation rate assisted gold production for the year with an increase in residence times in the leaching circuit.

Sweden Outlook

Gold production levels from Svartliden will reduce during the coming year due to the depletion of stockpiled material expected in the first half of 2015. The processing of concentrate is planned to continue in 2015 and a key focus will be on advancing the Fäboliden Gold Project towards production.

Optimisation of the water treatment processes will continue, and rehabilitation works will be ongoing. The focus on safety, environment and operational efficiency will be maintained to ensure Svartliden remains a productive and cost efficient operation that is safe for its employees, contractors, neighbours, and the environment.

Occupational Health and Safety

The Company continues to work closely with all stakeholders to seek continuous improvement in Occupational Health and Safety (OH&S) taking into account evolving scientific knowledge and technology, management practices and community expectations.

The Company ensures it maintains compliance with the applicable laws, regulations and the standards of the countries it operates in by:

- Improving and monitoring OH&S performance;
- Training and ensuring its employees and contractors understand their obligations and are held accountable for their responsibilities;
- Communicating and openly consulting with employees, contractors, government and community on OH&S issues; and
- Developing risk management systems to appropriately identify, assess, monitor and control hazards in the workplace.

During the year the Company noted the following OH&S highlights across its operations in Sweden and Finland:

- A 29% decrease in LTIFR compared to 2013;
- A new safety record of 388 days without LTI was achieved at Vammala on 22 December 2014 and both the Jokisivu Mine and the Vammala Plant were LTI free in 2014; and
- Investment in a comprehensive secondary reinforcement program of the Orivesi decline resulting in a significant reduction of safety and productions risks at the Orivesi Mine.

Environment - Finland

Environmental Management

The Company operates in three national regulatory environments and the supra-national regime of the European Union. While compliance with these regulatory environments and specific operational licence conditions are the basis of the Company's environmental management procedures, Dragon is committed to the principle of developing and implementing best applicable practices in environmental design and management and will actively work to:

- Protect the environment surrounding its operations;
- Give environmental aspects due consideration in all phases of mining projects, from exploration through to development, operation, production and final closure; and
- Act systematically in the planning, execution, monitoring and improvement of environmental performance.

General

The Company's current operations are located in inhabited areas of southern Finland. Both the Orivesi Gold Mine and the Jokisivu Gold Mine, and Kaapelinkulma Gold Project are situated close to summer cottages and agriculture, whereas the Vammala Plant is set on an old mining site. The Kuusamo Gold Project is located in the northeast of Finland, in an area where tourism is an important source of income. Whether operating in populated areas in southern Finland or in tourism areas in the north, the Company engages in open dialogue with local communities and municipalities.

Vammala Plant

The Vammala Plant is recirculating process water in accordance with best applicable practices to reducing water emissions. Tailings from the plant are discharged as slurry into the tailings ponds where water is pumped back to the plant. Additionally, surface water run-off is collected and used in the process circuit. The old underground mine is used for storage of excess or make up water, reducing the need for water to be discharged to the local waterways. However, during heavy rainfalls or spring floods the storage capacity can be exceeded resulting in excess water discharged. The quality of discharged water is sampled and monitored and water flows are measured with continuous measuring wells.

As part of the preparations for the permitting to extend the Tailings Storage Facility, a letter has been sent to the ELY Centre to clarify whether an Environmental Impact Assessment (EIA) will be required.

The Environmental Permit for the increase in production to 300,000 tonnes per annum, usage of A-pond in the tailings storage facility and processing material from Kaapelinkulma was applied for in 2011 and issued in June 2014. The decision was appealed by the Company. The primary reason for the Company to appeal was the aspects of the water balance are technically impossible.

In September, the Company was provided a possibility to give a reply to the appeals by other parties received based on the permit decision. The reply was filed in October and the Company expects the decision of Vaasa Administrative Court to be issued in late 2015.

Orivesi Gold Mine

The Orivesi Gold Mine is located in the Finnish countryside with lakes and summer cottages nearby. The area is sensitive to noise caused by mining activities and therefore the Company has put considerable effort into reducing noise levels around ventilation air fans. In 2014 Orivesi succeeded in decreasing its environmental impact on lower watercourses significantly due to water circulation on the site, a dry year and efficient pH control.

In 2013, an NGO measured elevated uranium concentrations, compared to background levels, in sediments downstream of the Orivesi Mine site. These observations were later confirmed by new measurements carried out by the environmental authorities. Dragon investigated these claims and commissioned an independent study to review the lake sediments and the water discharged from the mine. According to STUK, The Finnish Radiation and Nuclear Safety Authority, uranium concentrations in the measured sediment samples do not cause any risk to humans and that the uranium levels in the discharge water are well below the standards for drinking water.

The situation was subject to further investigations given there were no elevated uranium levels in the Orivesi ore. The investigations were carried out by an external consultant according to a plan agreed with the supervising authority, the ELY Centre. Though uranium concentrations in sediments downstream are elevated, the study report confirms that uranium levels in the mine are at background levels and reconfirmed uranium levels in the water discharge from the mine are below the requirements even for drinking water standards. The report and its contents were accepted by ELY in November 2014.

The new Environmental Permit is still being processed. In December a supplement to the Environmental Permit application that was initially filed in 2010 was submitted to the Regional State Administrative Agency (AVI). The main contents of the supplement was the Natura assessment, which discusses the environmental impacts Orivesi may cause to the specific nature types of Harjunvuori-Viitapohja Natura 2000 area that exists downstream from the mine. Additional information, a uranium study report and information relating to noise levels and environmental compliance in general, was filed in 2014.

Jokisivu Gold Mine

The Jokisivu Gold Mine is located in an agricultural area of Finland. The importance of the area for farming and the existence of the protected flying squirrel have been acknowledged and managed by the Company during the operation of the mine. Encouragingly, Jokisivu is settled into a local community, and inventories of flying squirrels have shown that the number of squirrels in the area has actually increased since mining operations commenced and the Company implemented a habitat management plan.

The Company has invested in the establishment of good relations with the local community. The Satakunta regional office of the Finnish Association for Nature Conservation visited the site in April. The visit was deemed successful, with the representatives satisfied with what they saw.

In 2014 Jokisivu operated in compliance with all environmental permit conditions and good practices.

Kuusamo Gold Project

In early 2014, two public meetings were held as part of the public hearing process for the EIA Report that had been finalised in late 2013. The public hearing period for the EIA Report closed in March 2014, after which the ELY Centre, the authority responsible on the EIA Report, received 37 statements, 20 opinions from interested associations and 170 opinions from private persons. The ELY Centre provided their statement on the submitted EIA Report in June 2014.

According to the ELY Centre, the Company requested further investigations and clarifications are required before the EIA Report can be resubmitted. The Company considers the feedback as constructive and will use the feedback, together with the feedback from the community, to look at minimising the impact the project has on the environment and local communities. The Company is working to incorporate the feedback into the refinement of the design and scope of the project which will lead to an update and resubmission of the EIA Report.

The final report for the Radiological Baseline Study (Study) was received from the Finnish Radiation and Nuclear Safety Authority (STUK) in December 2014. The aim of the Study was to examine naturally occurring radiation in the Juomasuo area and is required when planning for operations in areas that may contain elevated radiation levels. It was concluded that radioactive concentrations in the Juomasuo area and its vicinity are comparable to the concentrations measured elsewhere in nature. The activity levels showed no significant annual variation, or any variation linked to the sample type and location. The natural products can be used safely as normal.

A general water monitoring program was ongoing in 2014.

The Company acknowledges the complexity of the social and environmental aspects of developing the Kuusamo Gold Project, including the municipal council concerns for mining in the area. The Company remains committed to develop the Project with open communication and consultation with the local communities.

Kaapelinkulma Gold Project

In March 2014, the Company received a letter from the Supreme Administrative Court regarding an appeal of the Nature Conservation Organization of Pirkanmaa (NCOP). According to NCOP's appeal a butterfly (*Lopinga Achinea*), which is listed in the Habitats Directive's Annex IV of species in need of strict protection, exists in the Kaapelinkulma area. The NCOP had previously appealed to the regional Administrative Court regarding the decision to award a Mining Lease in the Kaapelinkulma area by the Finnish Mining authority (The Finnish Chemicals and Safety Agency Tukes).

A response to the appeal with the Company commissioned an inventory report by an independent consultant. The report confirms that the butterfly is present in the region but its habitat is not threatened by the planned mining operation. The final decision is expected to be positive for the Company with a Mining Concession expected to be issued during the 4th quarter 2015.

An application for a review of the current environmental permit conditions was filed in August. The Environmental Permit was initially issued in 2011 and remains effective until further notice.

Environment - Sweden

Svartliden Production Centre

Environmental challenges at Svartliden are quite different compared to the Finnish operations. While the location is remote, with the closest permanent residence at a distance of eight kilometres, there are Natura2000 protected areas both south and north of the site. There is a continuous focus on water management, and permit conditions for water discharge from the site are the most stringent of all mines in Sweden.

With respect to the 2009 allegations related to environmental offenses, the Swedish Court of Appeal proceedings took place on 23-24 September 2014 in Umeå, Sweden. The Court ruling released on 15 October 2014 upheld the Lycksele District Court ruling and acquitted the Company on all counts and ruled that the Company's legal costs be refunded by the State. No appeal was made and the ruling gained legal force. Legal costs were accordingly reimbursed to the Company.

The new Environmental Permit, which was issued in 2012 for the Svartliden operations, has been in effect since March 2013. The Company has met all discharge limits and other permit conditions during the year.

The Svartliden Water Treatment Plant (WTP) operated during the warmer summer months to maximise efficiency of the biological nitrogen removal process and then put on standby at the onset of winter. The WTP treats process water that has accumulated in the Tailings Storage Facility (TSF) and removes heavy metals and nitrogen. The WTP represents a substantial and material commitment to the long term rehabilitation of the operation.

The other year round water treatment processes ran effectively during the year, these include arsenic and cyanide removal from process water discharged to the TSF and removal of heavy metals from the runoff water from the Waste Rock Storage Facility.

Fäboliden Gold Project

A number of environmental baseline measurements were taken in the Fäboliden area to complement earlier work completed by the previous owner, as part of the Company's ongoing project development work on the Fäboliden Gold Project.

Sustainability Policy

The Company continues to strengthen its commitment to the sustainable development of its mineral resources, and the community, through its Board approved Mission Statement and Sustainability Policy (Policy). The Policy covers the Company's commitment to best practices in environmental performance, constructive community relations, openness and accountability and to the creation of a safe work place for its employees.

Community Relations

The Company recognises that its operations involve a range of community stakeholders. All facets of the Company's activities are carried out in consultation with other nearby land users and community organisations.

The Company has engaged in several public meetings in Kuusamo to present the Kuusamo Gold Project and the EIA Report that was published in December 2014. To further enhance the local presence and to facilitate the dialogue with all local stakeholders, the Company has established a small office in Kuusamo in order to facilitate these discussions.

In Sweden local reindeer herders were invited to a site visit at Svartliden and were given a guided tour of the operation to gain a better understanding of the site.

A number of minor sponsoring activities have been undertaken with a focus on local community activities, in particular junior sporting activities.

Exploration Review

With gold prices remaining at low levels for the duration of 2014 the Company continued to focus programs to those required for the defining and upgrading of Mineral Resources at the Orivesi Gold Mine, the Jokisivu Gold Mine and the Kaapelinkulma Gold Project in southern Finland. A total of 19,790 metres of diamond core drilling from both surface and underground was completed over the course of the year, a 26% increase on the metres drilled in 2013.

The drilling campaigns completed during the year returned numerous encouraging results, which continued to underline the prospective nature of the Company's project portfolio in the Nordic Region.

Advanced Projects - Finland

Orivesi Gold Mine

The Orivesi Gold Mine is located 80 kilometres northeast of the Vammala Plant in the municipality of Orivesi in southern Finland. The mine is hosted by the Paleoproterozoic Tampere Schist Belt, with gold mineralisation occurring within a series of vertical pipe like lodes that are associated with strongly deformed, andalusite rich silicified zones.

A total of 60 underground diamond core drill holes were completed during 2014 and a further 17 holes drilled in the first two months of 2015. Holes were directed at both the Kutema and Sarvisuo lode systems and the areas in their near vicinity, targeting extensions to the known lode systems and seeking to identify new mineralised zones. Drilling completed also provided information to support ongoing mine planning and underground development.

At Kutema a number of campaigns were carried out during the year, including the drilling of:

- a further 6 holes (25 completed) in a 27 hole program that commenced in 2013 and which was designed to target the Kutema lode system between the 960m and 1200m levels. The holes completed in this campaign during the year yielded a number of significant intercepts including 10.25 metres @ 14.29 g/t gold and 12.00 metres @ 7.97 g/t gold, from the 1070m and 1110m levels respectively (Results released to the ASX: 30 April 2014 – Quarterly Activities Report for the Quarter ended 31 March 2014 and 31 July 2014 – Quarterly Activities Report for the Quarter ended 30 June 2014);
- 4 holes of a 12 hole program that was designed to assist with stope definition of the Kutema lode system, returning several encouraging intercepts including 31.50 metres @ 15.89 g/t gold and 13.50 metres @ 4.56 g/t gold (Results released to the ASX: 19 January 2015 – Encouraging Results from Southern Finland Drilling Activities);
- a 5 hole program that targeted the extensions of Kutema Pipe 2 below the 1020m level and the southern side of Kutema Pipe 5 where earlier drilling had returned significant gold intercepts (Results released to the ASX: 31 July 2014 – Quarterly Activities Report for the Quarter ended 30 June 2014);
- a 12 hole program that was designed to test the Kutema lode system between the 980m and 1020m levels returning better intercepts of 9.00 metres @ 5.01 g/t gold and 18.00 metres @ 5.40 g/t gold. Select drill holes in this program were also extended to test previously untested areas in the vicinity of the lodes returning a best intercept of 3.65 metres @ 8.30 g/t gold, 50 metres northeast of Kutema Pipe 5 (Results released to the ASX: 2 March 2015 – Robust Drill Intercepts Received from the Orivesi Gold Mine); and
- 30 holes in a 31 hole program from the 1020m and 1040m levels that was designed to better define the extent and geometry of the Kutema lode system between the 1060m and 1220m levels. Highlight intercepts from this campaign include 20.40 metres @ 5.64 g/t gold, 5.00 metres @ 21.68 g/t gold and the robust 17.30 metres @ 24.18 g/t gold at the 1155m level, 14.15 metres @ 14.37 g/t gold at the 1175m level and 12.30 metres @ 6.09 g/t gold at the 1100m level (Results released to the ASX: 19 January 2015 – Encouraging Results from Southern Finland Drilling Activities and 2 March 2015 – Robust Drill Intercepts Received from the Orivesi Gold Mine).

These campaigns have demonstrated the continuation of the high grade zone associated with Pipe 5 at Kutema extends to at least the 1175m level, below current planned development levels and at widths and grades commensurate with higher levels. Whereas drilling of Kutema Pipe 2 area has shown that this zone is pinching-out with the last production level for this Pipe expected at the 980m level. The Pipe 2 area however, will continue to be tested as the mine progresses deeper.

A series of drilling campaigns were also completed in the Sarvisuo area and its immediate surrounds in 2014. These campaigns included the drilling of:

- 5 holes of a 6 hole exploration program from the 710m level that was designed to follow-up significant intercepts obtained from earlier drilling in the area north of the Kutema and Sarvisuo lode systems. The program returned a best intercept of 4.00 metres @ 5.31 g/t gold (Results released to the ASX: 30 April 2014 – Quarterly Activities Report for the Quarter ended 31 March 2014);
- a 10 hole program that was planned to evaluate targets at Sarvisuo, Sarvisuo West and the area north of Sarvisuo, yielding several significant intercepts from the Sarvisuo West area including 3.25 metres @ 7.93 g/t gold and 3.00 metres @ 43.60 g/t gold (Results released to the ASX: 27 October 2014 – Drilling Activities Continue In Southern Finland);

- 2 holes of a 10 hole exploration program targeting the area north of Savrisuo between the 240m and 300m levels returning an intercept of 3.25 metres @ 4.98 g/t gold at the 290m level, between historic intercepts at the 170m and 570m levels (Results released to the ASX: 27 October 2014 – Drilling Activities Continue In Southern Finland); and
- 2 exploration holes to evaluate previously untested or poorly tested areas west of the Sarvisuo lode system. The results yielded several promising intercepts including the very high grade intercept of 3.55 metres @ 59.94 g/t gold from the 330m level (Results released to the ASX: 2 March 2015 – Robust Drill Intercepts Received from the Orivesi Gold Mine).

The results obtained from the holes drilled to the west of the Sarvisuo lode system continue to be encouraging, returning a number of promising intercepts that may indicate the presence of a new mineralised zone, in close proximity to the existing underground infrastructure. Results from drilling below the 620m level at Sarvisuo however were not promising, the results failing to identify any high grade extensions of this system.

Drilling will continue at Orivesi in 2015 with programs targeting extensions of the Kutema lode system down to and below the 1200m level, whilst drilling will advance to better delineate the zones of mineralization identified to the west of Sarvisuo.

Efforts will also continue to be directed to the under-explored areas surrounding the Kutema and Sarvisuo lode systems in the quest for new pipes and pipe clusters, which could be brought into production quickly given the host alteration zone is predominantly encompassed by the existing, fully permitted Orivesi Mining Concession and the close proximity of existing underground infrastructure.

Jokisivu Gold Mine

The Jokisivu Gold Mine is located 40 kilometres southwest of the Vammala Plant in the municipality of Huittinen in southern Finland. The mine is hosted by the Palaeoproterozoic Vammala Migmatite Belt, with gold mineralisation occurring within relatively undeformed and unaltered diorite, in one to five metre wide shear zones that are characterised by laminated, pinching and swelling quartz vein zones.

Underground diamond core drilling resumed at Jokisivu during the year following a brief hiatus, with programs directed at both the Kujankallio and Arpola deposits. Surface diamond core drilling was undertaken at Arpola. A total of 50 holes were drilled from underground positions and 15 holes from surface positions during 2014.

Underground drilling at Kujankallio was designed to initially target the Hinge Zone and western extension of the Main Zone between the 260m and 290m levels. This initial campaign was followed by several similar programs that targeted the Main Zone between the 245m and 305m levels and the Main and Hinge Zones between the 290m and 340m levels.

The three programs yielded a number of significant intercepts, as announced to the ASX on 30 April 2014 – Quarterly Activities Report for the Quarter ended 31 March 2014, 31 July 2014 – Quarterly Activities Report for the Quarter ended 30 June 2014, 27 October 2014 – Drilling Activities Continue in Southern Finland and 19 January 2015 – Encouraging Results from Southern Finland Drilling Activities, including highlight intercepts:

- 5.25 metres @ 13.26 g/t gold in drill hole HU/JS-590 at the 275m level;
- 2.05 metres @ 11.15 g/t gold in drill hole HU/JS-584 at the 257m level;
- 2.70 metres @ 28.68 g/t gold in drill hole HU/JS-584 at the 253m level;
- 3.00 metres @ 10.79 g/t gold in drill hole HU/JS-587 at the 264m level;
- 4.10 metres @ 16.71 g/t gold in drill hole HU/JS-599 at the 293m level;
- 3.70 metres @ 21.34 g/t gold in drill hole HU/JS-609 at the 264m level; and
- 2.80 metres @ 10.38 g/t gold in drill hole HU/JS-617 at the 320m level.

The results from these programs confirmed the continuation of the Kujankallio lodes down to the 340m level and allowed for the formulation of production plans down to the 310m level.

The drilling of the first underground program at Arpola was completed during the latter half of the year. Results received from the 9 hole program yielded encouraging narrow, high grade intercepts including 2.15 metres @ 59.20 g/t gold, 0.50 metres @ 102.00 g/t gold and 0.70 metres @ 44.20 g/t gold (Results released to the ASX: 19 January 2015 – Encouraging Results from Southern Finland Drilling Activities). They provided confidence that the high grade zones intercepted with drifting on the 50m and 65m levels continue through to the 80m level. Surveyed fault planes on the upper levels however may have a bearing on the way these zones continue through.

Diamond core drilling from surface recommenced at Arpola with the completion of a 15 hole program. Ten holes were positioned to evaluate the immediate extensions of the main Arpola lodes that could not be intersected from available underground development positions or the decline, whilst 5 holes were planned to evaluate an area southeast of the Arpola open-pit where historic drilling returned near surface high-grade intercepts. Assays have been received from 7 holes returning a number of significant intercepts including 8.55 metres @ 9.52 g/t gold, 2.55 metres @ 14.53 g/t gold and the very high grade 0.50 metres @ 330.00 g/t gold (Results released to the ASX: 19 January 2015 – Encouraging Results from Southern Finland Drilling Activities).

Drilling will continue in 2015 at Jokisivu from both underground and surface positions at an accelerated rate with the objective of significantly increasing the Mineral Resource base to levels that will allow a sustainable increase in production from the Jokisivu Mine in the near term.

Kaapelinkulma Gold Project

The Kaapelinkulma Gold Project is an advanced exploration project, 65 kilometres east of the Vammala Plant in the municipality of Sastamala in southern Finland. Sited within the Paleoproterozoic Vammala Migmatite Belt, two zones of gold mineralisation have been identified at Kaapelinkulma, both associated with a north-northwest trending shear zone.

The Kaapelinkulma Gold Project has received all required Environmental Permits to undertake the mining of 161,000 tonnes of ore and 760,000 tonnes of waste. The granting of a Mining Concession is awaiting the finalisation of an appeal.

A conceptual mine plan to develop the Kaapelinkulma Gold Project, comprising a selective open-pit mining operation of the near surface material and the trucking of this material 90 kilometres to the Vammala Plant for processing has been devised and a work program has been established to advance the project.

The current schedule indicates that the Company's third gold mine in the southern Finland region could potentially deliver first ore to the Vammala Plant by mid-2016.

Diamond core drilling commenced on the Kaapelinkulma Gold Project in the latter part of the year. The initial campaign comprises 45 holes and has been designed to improve the density of drilling of the Southern lode system, with the objective of updating the Mineral Resource in readiness for detailed mining studies. Ten holes had been drilled by the end of the year.

Kuusamo Gold Project

The Kuusamo Gold Project is located in northern Finland, approximately 700 kilometres northeast of the Finnish capital Helsinki. It comprises a series of contiguous tenements that encompass a portion of the Paleoproterozoic Kuusamo Schist Belt, a metamorphosed volcanic and sedimentary sequence that is enriched in gold and cobalt. Kuusamo is an advanced exploration project that still needs to successfully progress through the permitting and approvals processes.

To assist the process going forward, the Company has established a new Finnish subsidiary called Kuusamo Gold Oy and is about to commence the process of transferring its Kuusamo tenement holding to this new subsidiary.

During 2014 and in acknowledgement of the complexity of the social and environmental aspects of developing the Kuusamo Gold Project, including the municipal councils concerns for mining in the area, the Company focused its efforts on environmental and community relations and reengineering the project to reduce its environmental impact.

No drilling was undertaken on the project during the year, though final assay results were received for the Phase 14 and Phase 15 diamond core drilling programs that were completed in 2013 at the Juomasuo deposit. These campaigns yielded a series of encouraging intercepts including highlights 17.75 metres @ 8.55 g/t gold and 25.60 metres @ 7.91 g/t gold (Results released to the ASX: 28 March 2014 – Further Significant Intercepts from the Kuusamo Gold Project), confirming the strike and depth extensions of the targeted sulphide lodes in the northern and central portions of the Juomasuo deposit.

The 2012 airborne VTEM geophysical dataset was reviewed by independent Western Australian based consultants, Resource Potentials Pty Ltd during the year. This exercise resulted in the identification of a number of new and interesting targets, including 61 "high priority" (Priority 1) bedrock conductors that provide a platform from which future exploration on the Kuusamo Gold Project area could advance. The identified targets include four of the five deposits already identified, known target areas and a series of previously unidentified target areas. Results of the geophysical review were released to the ASX on 31 July 2014 – Quarterly Activities Report for the Quarter ended 30 June 2014. The Company has used the new geophysical information to consolidate its Kuusamo Gold Project holding.

The Company has used the new geophysical information to consolidate its Kuusamo Gold Project holding.

Feedback was received in 2014 on the Environmental Impact Assessment Report (EIA Report). The EIA Report requires further investigations and clarifications before it can be resubmitted. The Company considered the feedback constructive and is now working at incorporating this into the refinement of the design and scope of the project.

Importantly, the Company will use the feedback to look at minimising the impact the project has on the environment and local communities and to further its sustainable development approach to the project.

Work on the radiological baseline study by the Finnish Radiation and Nuclear Safety Authority (STUK) was completed during the year with the issue of the final report. The aim of the radiological baseline study was to examine the natural radioactivity in the environment, around the Kuusamo Gold Project area. The baseline study is required when planning a mining operation in areas that may contain elevated radiation levels.

The study concluded that radioactive concentrations in the Juomasuo area and its near vicinity are comparable to the concentrations measured elsewhere in nature. The highest concentration levels were measured in the sediment samples, water plant, mosses and fish and were similar to samples of the same kind, collected elsewhere in Finland. The activity levels in environmental samples showed no significant annual variation, any variation linked to the sample type and location.

The natural products in the area such as mushrooms, berries, as well as foods, fish, agricultural products, game and reindeer meat can be used safely as normal.

Advanced Projects - Sweden

Fäboliden Gold Project

The Company announced to the ASX on 4 February 2015 that it had executed a conditional Sale and Purchase Agreement (Agreement) with the Bankruptcy Estate of Lappland Goldminers Fäboliden AB (Bankruptcy Estate) to acquire the Fäboliden Gold Project in northern Sweden. This acquisition delivers ownership of the Fäboliden Gold Deposit to the Company, a potential source of open pittable material that could be processed at Svartliden.

In consideration for the acquisition, the Company will make staged payments to the Bankruptcy Estate comprising:

- 6 million SEK (AU$0.95 million) within ten (10) business days of receiving confirmation that the pledgees in the Bankruptcy Estate approve the Agreement;

- 24 million SEK (AU$3.79 million) within ten (10) Business Days from the date of a final, legally binding and unappealable granting by the appropriate court of the extension of the start-up time set out in the Environmental Permit of at least four (4) years; and
- 10 million SEK (AU$1.58 million) on or before the date 18 months after the Completion Date, the Completion Date being the seventh day following the fulfilment of the two conditions:

  1. *a final, legally binding and unappealable granting by the appropriate court of the extension of the start-up time set out in the Environmental Permit of at least 4 years; and*
  2. *a final, legally binding and unappealable approval from the Mining Inspectorate of Sweden or an approval from the Swedish Government of the transfer of the Exploitation Concession to Dragon Mining.*

If the conditions are not achieved within two years of execution of the Agreement, the Agreement shall be considered void and payments reversed, apart from 0.25 million SEK (AU$0.04 million) that will be retained by the Bankruptcy Estate.

The Fäboliden Gold Project is an advanced project located in northern Sweden, 25 kilometres southeast of Dragon Mining's wholly owned Svartliden Production Centre and 750 kilometres north of the Swedish capital Stockholm. The area is accessed via a major sealed road that links the regional townships of Lycksele and Vilhelmina.

The 1,740 hectare project area comprises the Fäboliden K nr 1 Exploitation Concession that hosts the Fäboliden Gold Deposit and four contiguous Exploration Permits that encompass the southwest strike extensions of the deposits host geological sequence. In addition, an Environmental Permit to open a mine and process facility at Fäboliden; the Designation of Land for development of a mine at Fäboliden; and ownership of 1,728 hectares of land that the deposit occurs and which retains standing timber with a value of approximately 18 million SEK, were included with the acquisition.

The Fäboliden Gold Deposit is classified as an orogenic gold deposit, with mineralisation delineated over a strike length of 1,300 metres, is up to 50 metres wide and extends to a depth of at least 500 metres.

The deposit was defined from drilling undertaken over a 21 year period, totaling 333 holes and 64,784.47 metres. The majority of drilling has been performed by diamond core methods on a nominal grid spacing of 50 metres by 50 metres for the near surface material, increasing to 100 metres by 100 metres and greater for the depth extensions.

In addition, other activities carried out by the previous owners include test mining and processing in 2005 and completion of a Definitive Feasibility Study for a large tonnage low grade mining and processing operation in 2012.

In May 2011 Lappland Goldminers AB, the parent entity of Lappland released to the First North Stockholm market a Measured and Indicated Mineral Resource for the Fäboliden Gold Deposit totaling 2.241 million ounces grading 1.06 g/t gold at a reporting cut-off grade of 0.4 g/t gold. In addition, 914,000 ounces of gold grading 1.03 g/t gold was reported as Inferred.

The estimate was compiled by independent mining consultants, Golders Associates (UK) Ltd in England and was reported in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. It followed earlier Mineral Resource estimates completed in 2008 and 2010.

The Company intends to focus on the identified narrower, near surface higher grade zones within the defined lower grade envelope, the higher grade material considered more amenable to open pit mining and processing at Svartliden. The existing infrastructure at Svartliden, including the plant and tailings disposal will enable the Company to potentially develop an operation at a greatly reduced cost and smaller environmental foot print compared to the original Fäboliden concept.

As part of the due diligence process, the Company submitted a representative drill core sample from the near surface higher grade zone at Fäboliden, to ALS Metallurgy in Perth for bench scale comminution and leaching test work, using process parameters from Svartliden as reference.

The leach test work yielded extraction levels ranging from 70.3% to 84.4%, with all tests completed displaying relatively fast leaching, with approximately 97% of the final gold extraction being achieved after 16 hours. Cyanide and lime consumption were moderate at approximately 1.0 kg/t and 0.3 kg/t, respectively.

Minnovo Pty Ltd, the independent consultants who managed the test work program commented that the initial leach test conducted at P80 53 µm, which returned a gold extraction level of 84.43% appeared to be anomalous as the subsequent tests undertaken at this grind size failed to replicate the initial result. It was thus concluded that at the minimum grind size (P80 53 µm) considered achievable when processing at Svartliden, that gold extraction levels exceeding approximately 75% are unlikely for material from Fäboliden.

During the due diligence period, the Company also carried out a full scale production test of approximately 1,000 tonnes of higher grade gold bearing material from Fäboliden at Svartliden. This material was excavated during the 2005 test mining and processing program and stockpiled at surface. The production test confirmed the results of the new bench scale leach test work, yielding a head grade of 3.02 g/t gold and a gold extraction level of 79.4%.

A conceptual mine plan to develop the Fäboliden Gold Deposit comprising a selective mining operation of the near surface, higher grade material and the trucking of this material 25 kilometers to Svartliden for processing through the conventional comminution and Carbon In Leach plant to produce a dorė bar on site has been devised. A work program has been established to advance the project, the defined schedule indicating that the Company could potentially deliver first ore to Svartliden in the second half of 2016.

Exploration Projects - Finland

Hanhimaa Gold Project (Diluting to 30% Interest)

The Company and Agnico Eagle Mines Limited (NYSE:AEM)(TSX:AEM) ("Agnico Eagle") executed the Hanhimaa Earn-In Agreement ("Agreement") in 2013, whereby Agnico Eagle could earn up to 70% interest in the Hanhimaa Gold Project in northern Finland, with the staged expenditure of €9 million. Amendments to the Agreement were agreed by the parties in late 2013 and early 2015.

Under the amended terms of the Agreement, Agnico Eagle can expend €5 million within 6 years of the commencement date to earn a 51% interest in the Hanhimaa Gold Project. Upon earning the 51% interest Agnico Eagle can then elect to earn an additional 19% by expending a further €4 million within 3 years of completion of the Stage 1 earn-in period. Agnico Eagle will be the manager during the earn-in and can now withdraw at any time, having achieved the minimum expenditure level of €1.5 million.

The Hanhimaa Gold Project covers a portion of the highly prospective Central Lapland Greenstone Belt. The near contiguous tenement holding principally encompasses the 20 kilometre long north-south trending Hanhimaa Shear Zone, 10 kilometres west of Agnico Eagles' Kittila Gold Mine.

Agnico Eagle have completed three phases of drilling totaling 41 diamond core drill holes (10,477 metres) since commencing activities. These programs have targeted the Kiimalaki, Kellolaki, Kiimakuusikko, Väli-kiima, Jaukkara and Rottamalaki areas.

Kutuvuoma and Silasselkä Projects

A Definitive Purchase Agreement ("Agreement") was executed by the Company and Aurion Resources Limited (TSX-V:AU) (Aurion) in May 2014, whereby Aurion can acquire a 100% interest in the Kutuvuoma and Silasselkä Projects in northern Finland.

In consideration, the Company were to receive 6,000,000 Common Shares in Aurion and Aurion will expend €1,000,000 on the Projects, in accordance with the Payment Schedule, or sooner at Aurion's discretion. Dragon will also retain a Net Smelter Royalty and receive bonus payments based on the definition of gold equivalent Mineral Resources by Aurion on the projects.

In addition the Company and Aurion agreed to a number of amendments to the Agreement in March 2015, which will provide Aurion the opportunity to advance the Kutuvuoma and Silasselkä Projects in the current market.

In accordance with the Agreement, the Company has received the first three of four tranches of Common Shares in Aurion and the first of two allotments of Common Shares for agreeing to the amendments, giving the Company 4,250,000 Common Shares, which represents a 9.71% holding in Aurion on an undiluted basis. The Common Shares will be escrowed for 18 months, from the date of issuance of the initial tranche of Common Shares in Aurion on 8 September 2014.

The final tranche of Common Shares in accordance with the Agreement and second allotment of Commons Shares for agreeing to the amendments is available to the Company on the third anniversary of the Kutuvuoma Claims and the Silasselkä Claims becoming valid or sooner at Aurion's election.

Exploration Projects – Sweden

Svartliden Gold Mine

Dragon Mining did not undertake any exploration activities at the Svartliden Gold Mine or on the surrounding exploration holding during 2014. The Company focused on consolidating its position in the immediate Svartliden area, reducing the holding under the Company's management by 60%, including the full withdrawal from the Harspund Joint Venture with no retained interest.

Reserves and Resources

In February and April 2015 Dragon Mining released updates of its Mineral Resources and Ore Reserves.

- 27 February 2015 – Mineral Resources for the Finland and Sweden Production Centres Updated
- 14 April 2015 – Ore Reserves for the Finland and Sweden Production Centres Updated

The Company has ensured that the Mineral Resources and Ore Reserves quoted are subject to good governance arrangements and internal controls. The Mineral Resources and Ore Reserves have been generated by an independent external consulting organisation whose personnel have exposure to best practices in modelling and estimation methods. The consulting organisation has also undertaken reviews of the quality and suitability of the underlying information, which included a site visit of the Company's projects in late 2013. In addition, the Company's management carries out regular reviews and audits of internal processes and external contractors that have been engaged by the Company.

The Company reports Mineral Resources and Ore Reserves at least annually in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results and Mineral Resources and Ore Reserves. The date of reporting of the Mineral Resources is 31 December and Ore Reserves 1 January each year, in conjunction with the Company's Annual Reporting Period. If there are any material changes to its Mineral Resources or Ore Reserves during the course of the year the Company is required to promptly report these changes.

Mineral Resources – Gold

The Mineral Resources - Gold for the Company totalled 6,161,200 tonnes grading 4.5 g/t gold for 889,800 ounces as at 31 December 2014 and is inclusive of Ore Reserves. It represents an overall increase in tonnes, but decrease in ounces from the Mineral Resources – Gold as reported at 31 December 2013.

Vammala Production Centre – Southern Finland

The updated Measured, Indicated and Inferred Mineral Resource for the Vammala Production Centre totals 1,929,200 tonnes grading 5.3 g/t gold for 331,300 ounces comprising material from the Orivesi Gold Mine, Jokisivu Gold Mine and the Kaapelinkulma Gold Project.

Orivesi Gold Mine

At the Orivesi Gold Mine, the updated Mineral Resources for the Orivesi Gold Mine totals 426,000 tonnes grading 6.7 g/t gold for 92,000 ounces at a 3 g/t gold reporting cut-off grade, representing material from two lode systems 300 metres apart, Kutema and Sarvisuo. The combined Kutema and Sarvisuo Mineral Resources represents a 28% decrease in tonnes and 25% decrease in ounces when compared to the combined Kutema and Sarvisuo Mineral Resources as at 31 December 2013 of 587,000 tonnes grading 6.5 g/t gold for 122,100 ounces at a 3 g/t gold reporting cut-off grade.

This decrease in tonnes and ounces is due to mining depletion from ore stopes and development drives. The confidence level of the estimate however has improved as a result of an increase in production drilling over the course of 2014, which resulted in a large proportion of Indicated material from the 2013 estimate being upgraded to the Measured category.

Jokisivu Gold Mine

The updated Mineral Resources for the Jokisivu Gold Mine totals 1,381,000 tonnes grading 4.9 g/t gold for 218,200 ounces at a 2 g/t gold reporting cut-off grade, representing material from two deposits, Kujankallio and Arpola.

The updated Mineral Resource for Jokisivu represents an increase in tonnes and ounces of 19.9% and 0.8%, respectively when compared to the Mineral Resource as at 31 December 2013 of 1,152,000 tonnes grading 5.8 g/t gold for 216,480 ounces at a 3 g/t gold reporting cut-off grade. The increases achieved are primarily due to the lowering of the reporting cut-off grade from 3 g/t gold to 2 g/t gold, a result of improved practices and costs at Jokisivu.

When comparing the updated Jokisivu Mineral Resources to the 31 December 2013 Mineral Resource at a similar cut-off grade, a 21.7% decrease in tonnes and 16.8% decrease in ounces is noted at the 3 g/t gold level. These decreases are attributable to mining depletion and more stringent reporting practices adopted by the Company.

Kaapelinkulma Gold Project

The Mineral Resources for the Kaapelinkulma Gold Project total 122,200 tonnes grading 5.4 g/t gold for 21,000 ounces at a 2 g/t gold reporting cut-off grade remains unchanged since 31 December 2013.

The Company confirms that it is not aware of any new information or data that materially affects the Kaapelinkulma Mineral Resources and the assumptions and technical parameters underpinning the estimates at 31 December 2013 continue to apply and have not materially changed.

Svartliden Production Centre – Northern Sweden

The total Mineral Resource for the Svartliden Production Centre of 460,000 tonnes grading 3.8 g/t gold for 55,700 ounces, reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. It comprises material from the Svartliden Gold Mine and remaining stockpiles.

Svartliden Gold Mine (In-situ)

The in-situ Mineral Resources for the Svartliden Gold Mine total 383,000 tonnes grading 4.1 g/t gold for 51,300 ounces and remain unchanged since 31 December 2013.

They comprise well defined zones of gold mineralisation adjacent to and beneath the Svartliden Gold Mine open-pit. The deposit has been closed off by drilling at depth and along strike and there is little scope for additional Mineral Resources to be defined from further drilling in the immediate mine area.

The Company confirms that it is not aware of any new information or data that materially affects the in-situ Svartliden Mineral Resources and the assumptions and technical parameters underpinning the estimates at 31 December 2013 continue to apply and have not materially changed.

Svartliden Gold Mine (Stockpiles)

The Mineral Resource for stockpiled material at the Svartliden Gold Mine totals 77,000 tonnes at 1.8 g/t gold for 4,400 ounces. It represents a decrease in tonnages and ounces from the 31 December 2013 Mineral Resource of 410,000 tonnes at 2.2 g/t gold for 30,000 ounces. The decrease is attributed to processing of the stockpiled material throughout 2014.

Fäboliden Gold Project

The Fäboliden Gold Deposit totals 94,075,000 grading 1.05 g/t gold for 3,155,000 ounces at a reporting cut-off grade of 0.4 g/t gold. This resource estimate was compiled by independent mining consultants, Golders Associates (UK) Ltd in England on behalf of the previous owners and was reported in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dragon will initially focus on the narrower, higher grade material within the broader lower grade envelope.

Dragon confirms that it is not aware of any new information or data that materially affects the Fäboliden Mineral Resources and the assumptions and technical parameters underpinning the previously reported estimates continue to apply and have not materially changed.

Kuusamo Gold Project – Northern Finland

The total Mineral Resource for the Kuusamo Gold Project of 3,849,000 tonnes grading 4.1 g/t gold for 507,200 ounces remains unchanged since 31 December 2013.

Dragon confirms that it is not aware of any new information or data that materially affects the Kuusamo Gold Mineral Resources and the assumptions and technical parameters underpinning the previously reported estimates continue to apply and have not materially changed.

Mineral Resources – Other Metals

Vammala Nickel-Copper Project – Southern Finland

The Mineral Resources for the Vammala Nickel-Copper Project have decreased to 1,600,000 tonnes grading 0.44% nickel and 0.29% copper as a result of tenure encompassing the previously reported Mineral Resource for the Ekojoki deposit lapsing during 2014. The Mineral Resource for the Stormi deposit remains unchanged since 31 December 2013.

Dragon Mining confirms that it is not aware of any new information or data that materially affects the Stormi Mineral Resource and the assumptions and technical parameters underpinning the previously reported estimates continue to apply and have not materially changed.

Kuusamo Gold Project Cobalt Mineralisation – Northern Finland

The Mineral Resource for Cobalt for the Kuusamo Gold Project totals 9,069,000 tonnes grading 0.12% cobalt and remains unchanged since 31 December 2013.

Dragon confirms that it is not aware of any new information or data that materially affects the Kuusamo Cobalt Mineral Resources and the assumptions and technical parameters underpinning the previously reported estimates continue to apply and have not materially changed.

Ore Reserves – Gold

The Company’s Proved and Probable Ore Reserves as at 1 January 2015 total 596,000 tonnes grading 4.2 g/t gold for 80,900 ounces. This represents a decrease in tonnes and ounces from the previously reported Ore Reserve at 31 December 2013 of 917,000 tonnes grading 4.0 g/t gold for 118,000 ounces.

The Ore Reserves are based on the Mineral Resource estimates as at 31 December 2014, and in addition to site specific mining, cost and revenue factors, used a gold price of US$1,200 per ounce and exchange rates of USD/EUR 1.18 and USD/SEK 8.00.

Vammala Production Centre – Southern Finland

Orivesi Gold Mine

The updated Proved and Probable Ore Reserves for the Orivesi Gold Mine totals 209,000 tonnes grading 5.7 g/t gold for 38,500 ounces as at 1 January 2015. This represents a decrease in tonnes and ounces when compared to the Ore Reserves as at 31 December 2013 of 347,000 tonnes grading 5.8 g/t gold for 65,000 ounces. The decreases are attributable to mining depletion, with replenishment of Ore Reserves hindered by the pinching-out of Kutema Pipe 2 and the failure to locate any continuous zones of high grade mineralisation below the 620m level at Sarvisuo.

The updated Ore Reserve comprise a total of 201,000 tonnes of underground Ore Reserves, which is categorized as Probable and occurs predominantly in the Kutema area below the 720m level. Ore Reserves that are categorized as Proved comprise 7,000 tonnes of stockpiled ore.

The Ore Reserves are estimated from underground stope and development designs and were based on the mines operating performance. Further drilling is likely to allow material currently defined as Inferred Mineral Resources to be upgraded to the Indicated Mineral Resource category and at that time stope designs could be modified and Ore Reserves increased.

Jokisivu Gold Mine

The updated Proved and Probable Ore Reserves for the Jokisivu Gold Mine totals 209,000 tonnes grading 5.7 g/t gold for 38,500 ounces as at 1 January 2015. This represents an increase in tonnes and ounces when compared to the Ore Reserves as at 31 December 2013 of 160,000 tonnes grading 4.5 g/t gold for 23,000 ounces.

These increases are attributable to improvements at Jokisivu achieved over the course of 2014, which has resulted in a lowering of the cut-off grade for insitu underground ore from 4.5 g/t to 3.6 g/t gold.

The updated Ore Reserve comprises a total of 290,000 tonnes of underground Ore Reserves, which is categorized as Probable, of which 226,000 tonnes occurs in the Kujankallio area and 64,000 tonnes in the Arpola area. Ore Reserves that are categorized as Proved comprise 19,000 tonnes of stockpiled ore.

The Ore Reserves are estimated from underground stope and development designs and were based on the mines operating performance.

Svartliden Production Centre – Northern Sweden

Svartliden Gold Mine

The updated Proved and Probable Ore Reserves for the Svartliden Production Centre totals 77,000 tonnes grading 1.8 g/t gold for 4,400 ounces and represents a decrease in tonnes and ounces when compared with the 31 December 2013 Ore Reserve total of 410,000 tonnes grading 2.2 g/t gold for 30,000 ounces.

The decreases are the result of mining depletion. The remaining Ore Reserves comprise low grade stockpiles at Svartliden, the processing of these due to be completed during the first quarter of 2015.

Reserves and Resources Statement

Ore Reserves – Gold

Reported as at 1 January 2015

	Proved			Probable			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Svartliden Production Centre									
Svartliden Gold Mine	77,000	1.8	4,400	-	-	-	77,000	1.8	4,400
Svartliden Total	**77,000**	**1.8**	**4,400**	**-**	**-**	**-**	**77,000**	**1.8**	**4,400**
Vammala Production Centre									
Orivesi Gold Mine	8,000	4.3	1,100	201,000	5.8	37,400	209,000	5.7	38,500
Jokisivu Gold Mine	19,000	3.8	2,000	290,000	3.8	36,000	310,000	3.8	38,000
Vammala Total	**27,000**	**3.6**	**3,100**	**491,000**	**4.6**	**73,400**	**519,000**	**4.6**	**76,500**
Group Total	**104,000**	**2.2**	**7,500**	**491,000**	**4.6**	**73,400**	**596,000**	**4.2**	**80,900**

Note: Ore Reserve estimates have been rounded to reflect accuracy. All the estimates are on dry tonne basis.

Mineral Resources – Gold (2012 JORC Code) (Inclusive of Ore Reserves)

Reported as at 31 December 2014

	Measured			Indicated			Inferred			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Svartliden Production Centre												
Svartliden Gold Mine												
Open Pit	77,000	3.2	8,000	150,000	3.1	15,100	-	-	-	228,000	3.2	23,100
Underground	20,000	5.9	3,700	96,000	5.9	18,200	39,000	4.9	6,200	155,000	5.7	28,200
Stockpiles	77,000	1.8	4,400	-	-	-	-	-	-	77,000	1.8	4,400
Svartliden Total	**174,000**	**2.9**	**16,100**	**246,000**	**4.2**	**33,300**	**39,000**	**4.9**	**6,200**	**460,000**	**3.8**	**55,700**
Vammala Production Centre												
Orivesi Gold Mine												
Kutema (below 720)	228,000	6.3	46,600	96,000	7.2	22,100	29,000	4.7	4,300	353,000	6.4	73,000
Sarvisuo	-	-	-	36,000	8.6	9,900	37,000	7.7	9,100	72,000	8.2	19,000
Total	**228,000**	**6.3**	**46,600**	**132,000**	**7.6**	**32,000**	**66,000**	**6.4**	**13,400**	**426,000**	**6.7**	**92,000**
Jokisivu Gold Mine												
Kujankallio	222,000	5.6	40,000	296,000	4.7	44,700	316,000	3.4	34,500	834,000	4.5	119,300
Arpola	37,000	6.8	8,000	276,000	4.9	43,100	225,000	6.5	46,700	538,000	5.7	97,900
Stockpiles	9,000	3.6	1,000	-	-	-	-	-	-	9,000	3.6	1,000
Total	**268,000**	**5.6**	**49,000**	**572,000**	**4.8**	**87,800**	**541,000**	**4.7**	**81,200**	**1,381,000**	**4.9**	**218,200**
Kaapelinkulma Gold Project												
South	**-**	**-**	**-**	84,900	5.6	15,200	29,800	5.2	5,000	114,700	5.5	20,200
North	**-**	**-**	**-**	-	-	-	7,500	3.6	900	7,500	3.6	900
Total				**84,900**	**5.6**	**15,200**	**37,300**	**4.2**	**5,900**	**122,200**	**5.2**	**21,000**
Vammala Total	**496,000**	**5.9**	**95,600**	**788,900**	**5.3**	**135,000**	**644,300**	**4.8**	**100,500**	**1,929,200**	**5.3**	**331,300**
Kuusamo Region												
Kuusamo Gold Project												
Juomasuo	160,000	7.4	38,000	1,389,000	4.6	206,100	822,000	3.9	103,000	2,371,000	4.6	347,000
Hangaslampi	-	-	-	341,000	5.3	57,500	62,000	4.3	8,600	403,000	5.1	66,100
Pohjasvaara	-	-	-	82,000	3.2	8,400	51,000	4.7	7,700	133,000	3.8	16,100
Meurastuksenaho	-	-	-	61,000	2.4	4,700	831,000	2.3	61,800	892,000	2.3	66,500
Sivakkaharju	-	-	-	-	-	-	50,000	7.2	11,500	50,000	7.2	11,500
Kuusamo Total	**160,000**	**7.4**	**38,000**	**1,873,000**	**4.6**	**276,700**	**1,816,000**	**3.3**	**192,600**	**3,849,000**	**4.1**	**507,200**
Group Total	**830,000**	**5.6**	**149,700**	**2,907,900**	**4.8**	**445,000**	**2,499,300**	**3.7**	**299,300**	**6,238,200**	**4.5**	**894,200**

Mineral Resources – Gold (2004 JORC Code)

	Measured			Indicated			Inferred			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Svartliden Production Centre												
Fäboliden	**31,453,000**	**1.06**	**1,075,000**	**34,104,000**	**1.06**	**1,166,000**	**27,518,000**	**1,03**	**914,000**	**94,075,000**	**1.05**	**3,155,000**

Mineral Resources – Other Metals (2012 JORC Code)

Reported as at 31 December 2014

	Measured			Indicated			Inferred			Total		
	Tonnes	Nickel (%)	Copper (%)	Tonnes	Nickel (%)	Copper (%)	Tonnes	Nickel (%)	Copper (%)	Tonnes	Nickel (%)	Copper (%)
Vammala Nickel-Copper Project												
Stormi	-	-	-	-	-	-	1,600,000	0.44	0.29	1,600,000	0.44	0.29
Total	-	-	-	-	-	-	**1,600,000**	**0.44**	**0.29**	**1,600,000**	**0.44**	**0.29**

	Measured		Indicated		Inferred		Total		
	Tonnes	Cobalt (%)	Tonnes	Cobalt (%)	Tonnes	Cobalt (%)	Tonnes	Cobalt (%)	Cobalt Tonnes
Kuusamo Gold Project									
Juomasuo – Gold	160,000	0.14	1,389,000	0.14	822,000	0.10	2,371,000	0.13	3,000
Juomasuo – Cobalt	287,000	0.12	2,845,000	0.11	1,908,000	0.12	5,040,000	0.12	5,900
Hangaslampi – Gold	-	-	341,000	0.06	62,000	0.06	403,000	0.06	260
Hangaslampi – Cobalt			161,000	0.09	18,000	0.14	180,000	0.10	180
Pohjasvaara	-	-	82,000	0.08	51,000	0.10	133,000	0.09	120
Meurastuksenaho	-	-	61,000	0.10	831,000	0.21	892,000	0.20	1,830
Sivakkaharju	-	-	-	-	50,000	0.03	50,000	0.03	10
Total	**447,000**	**0.13**	**4,879,000**	**0.11**	**3,742,000**	**0.13**	**9,069,000**	**0.12**	**11,300**

Note: Mineral Resources may not sum to equal totals due to rounding.

Competent Persons Statement:

The information in this report that relates to Exploration Results has been previously released to the ASX on the 28 March 2014 – Further Significant Intercepts from the Kuusamo Gold Project; 30 April 2014 – Quarterly Activities Report for the Quarter ended 31 March 2014; 31 July 2014 – Quarterly Activities Report for the Quarter ended 30 June 2014; 27 October 2014 – Drilling Activities Continue In Southern Finland; 30 October 2014 – Quarterly Activities Report for the Quarter ended 30 September 2014; 19 January 2015 – Encouraging Results from Southern Finland Drilling Activities; 4 February 2015 – Dragon Mining Acquires the Fäboliden Gold Project in Northern Sweden; and 2 March 2015 – Robust Drill Intercepts Received from the Orivesi Gold Mine, which can be found at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation that was compiled by Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists and Mr. Matti Talikka MSc (Geology), a Member of the Australasian Institute of Mining and Metallurgy, who are full time employees of the company and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was previously provided by Mr. Neale Edwards and Mr. Matti Talikka for the announcements of the 28 March 2014, 30 April 2014, 31 July 2014, 27 October 2014, 30 October 2014, 19 January 2015, 4 February 2015, and 2 March 2015 listed above.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists and Mr. Matti Talikka MSc (Geology), a Member of the Australasian Institute of Mining and Metallurgy, confirm that the form and context in which the Exploration Results are presented in this report have not been materially modified from the announcements dated 28 March 2014, 30 April 2014, 31 July 2014, 27 October 2014, 30 October 2014, 19 January 2015, 4 February 2015, and 2 March 2015. Mr Neale Edwards and Mr Matti Talikka have provided written consent approving the inclusion of the Exploration Results in the report in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Orivesi and Jokisivu Gold Mines were previously released to the ASX on the 27 February 2015 – Mineral Resources for the Finland and Sweden Production Centres Updated, which can be found at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation that was compiled by Mr Paul Payne, a Member of the Australasian Institute of Mining and Metallurgy and an associate employee of RungePincockMinarco

Limited. Mr Payne has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was previously provided by Mr Paul Payne for the 27 February 2015 announcement.

The information in this report that relates to Mineral Resources for the Kuusamo Gold Project, the Kaapelinkulma Gold Project and the Vammala Nickel-Copper Project in Finland and the Svartliden Gold Mine in Sweden were previously released to the ASX on 18 March 2014 – Resource Updates Lift Kuusamo Ounces; 18 March 2014 – Mineral Resources for the Finland and Sweden Production Centres Update; and 18 March 2014 – Resource Updates for the Stormi and Ekojoki Nickel Copper Deposits, which can be found at www.asx.com.au (Code:DRA). It fairly represents, information and supporting documentation that was compiled by Mr. Trevor Stevenson, a Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional (Geology), who is a former employee of RungePincockMinarco Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was previously provided by Mr. Trevor Stevenson for the 18 March 2014 – Resource Updates Lift Kuusamo Ounces; 18 March 2014 – Mineral Resources for the Finland and Sweden Production Centres Update; and 18 March 2014 – Resource Updates for the Stormi and Ekojoki Nickel Copper Deposits announcements.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Orivesi and Jokisivu Gold Mines as reported on the 27 February 2015 or the Kuusamo Gold Project, Kaapelinkulma Gold Project; Vammala Nickel-Copper Project and Svartliden Gold Mine as reported on the 18 March 2014, and the assumptions and technical parameters underpinning the estimates in the 27 February 2015 and 18 March 2014 announcements continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists and Mr. Matti Talikka MSc (Geology), a Member of the Australasian Institute of Mining and Metallurgy, who are full time employees of Dragon Mining and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirm that the form and context in which the Mineral Resources are presented in this report have not been materially modified and are consistent with the 27 February 2015 and 18 March 2014 announcements. Mr Neale Edwards and Mr Matti Talikka have provided written consent approving the statement of Mineral Resources – Gold (2012 JORC Code) and Mineral Resources – Other Metals (2012 JORC Code) in the report in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Fäboliden Gold Project was previously released to the ASX on 4 February 2015 - Dragon Mining Acquires the Fäboliden Gold Project in Northern Sweden, which can be found at www.asx.com.au (Code:DRA). It was based on information compiled by personnel of Golders Associates (UK) Ltd and was prepared and first disclosed under the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. It has not been updated since to comply with the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves on the basis that the information has not materially changed since it was last reported. Written consent was provided by Mr Neale Edwards for the inclusion in the 4 February 2015 announcement in the form and context in which the information regarding the Mineral Resources has been used, having verified this information to be consistent with the original work.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Fäboliden Gold Project as reported on the 4 February 2015 and the assumptions and technical parameters underpinning the estimates in the 4 February 2015 announcement continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employees of Dragon Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirms that the form and context in which the Mineral Resources are presented in this report have not been materially modified and is consistent with the 4 February 2015 announcement. Mr Neale Edwards has provided written consent approving the statement of Mineral Resources – Gold (2004 JORC Code) in the report in the form and context in which it appears.

The information in this report that relates to Ore Reserves was previously released to the ASX on 14 April 2015 – Ore Reserves for the Finland and Sweden Production Centres Updated, which can be found *at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation that was prepared by Mr. Joe McDiarmid, who is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy and is an employee of RungePincockMinarco Limited. Mr. Joe McDiarmid has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was provided by Mr. Joe McDiarmid for the 14 April 2015 – Ore Reserves for the Finland and Sweden Production Centres Updated.*

Mr. Joe McDiarmid, who is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy and is an employee of RungePincockMinarco Limited. Mr. Joe McDiarmid has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mr. Joe McDiarmid has provided written consent approving the statement of Ore Reserves in the report in the form and context in which it appears.

DRAGON MINING FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2014

DIRECTORS' REPORT

The Directors submit their report together with the consolidated financial report of the Consolidated Entity, being the Company and its subsidiaries for the year ended 31 December 2014 and the auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Non-Executive Chairman - Mr Arthur G Dew, B.A., L.L.B. (appointed 7 February 2014)

Mr Dew is a non-practising Barrister with a broad range of corporate and business experience and has served as a Director, and in some instances Chairman of the Board of Directors, of a number of publicly listed companies in Australia, Hong Kong and elsewhere. He is Chairman and Non-Executive Director of Allied Group Limited and Allied Properties (H.K) Limited, both Hong Kong listed companies and is a Non-Executive Director of Hong Kong listed SHK Hong Kong Industries Limited. He is also a Non-Executive Director of ASX listed company Tanami Gold NL and was a Non-Executive Director of Eurogold Pty Ltd (resigned 17 November 2014).

Mr Dew is a member of the Audit and Risk Management Committee.

Executive Director - Mr Brett R Smith, B.Eng., MBA and M.A (appointed 7 February 2014)

Mr Smith has participated in the development of a number of mining and mineral processing projects including coal, iron ore, base and precious metals. He has also managed engineering and construction companies in Australia and internationally. Mr Smith has served on the Boards of private mining and exploration companies and has over 30 years international experience in the engineering, construction and mineral processing businesses.

Non-Executive Director - Peter L Gunzburg, B.Com (appointed 8 February 2010)

Mr Gunzburg has over 20 years' experience as a stockbroker. He has a commerce degree from the University of Western Australia and has previously been a Director of Resolute Limited, the Australian Stock Exchange Limited, Eyres Reed Limited and CIBC World Markets Australia Limited. Mr Gunzburg has been Executive Chairman of Eurogold Limited since September 2001 and is a Non-Executive Director of ASX listed companies Fleetwood Corporation Limited and Newzulu Limited (previously PieNetworks Limited).

Mr Gunzburg is Chairman of the Audit and Risk Management Committee.

Chairman – Mr Peter G Cordin, BE, MIEAust, FAusIMM (CP) (appointed 20 March 2006, resigned 7 February 2014)

Executive Director – Mr Kjell E Larsson, MSc in Mining Engineering (appointed 1 June 2012, resigned 31 March 2014)

Non-Executive Director – Mr Christian Russenberger BBA (appointed 18 November 2009, removed 7 February 2014)

Non-Executive Director - Dr Markku J Mäkelä, Prof PhD (appointed 13 November 2008, resigned 19 March 2014)

DIRECTORS' REPORT (CONTINUED)

Company Secretary

Shannon Coates LLB, CSA (cert), GAICD (appointed 19 December 2013)

Ms Coates has over 19 years' experience in corporate law and compliance. She is currently named company secretary to a number of public companies listed on ASX and AIM, and has provided company secretarial and corporate advisory services to Boards and various committees across a variety of industries, including financial services, resources, manufacturing and technology.

2. Directors' Meetings

The number of Directors' and Board Committee meetings held and the number of meetings attended by each of the Directors of the Company during the year ended 31 December 2014 was:

	Board Meetings		Audit & Risk Management		Remuneration & Nomination	
Director	**Eligible to Attend**	**Attend**	**Eligible to Attend**	**Attend**	**Eligible to Attend**	**Attend**
Mr AG Dew	8	8	2	2	-	-
Mr BR Smith	8	8	-	-	-	-
Mr PL Gunzburg	10	10	2	2	-	-
Mr PG Cordin	2	2	-	-	-	-
Mr MJ Mäkelä	4	4	1	1	-	-
Mr C Russenberger	2	2	-	-	-	-
Mr KE Larsson	2	2	-	-	-	-

3. Directors Interests

As at the date of this report, the relevant interests of the Directors in the shares of the Company are:

	Ordinary Shares		Options	
	Direct	**Indirect**	**Direct**	**Indirect**
Mr AG Dew[1]	-	21,039,855	-	-
Mr BR Smith	-	-	-	-
Mr PL Gunzburg[2]	-	100,000	-	-

[1]Mr Dew is a Director of Allied Properties (HK) Limited, which via its wholly owned subsidiary Allied Property Resources Limited ("APRL"), indirectly holds an interest of 23.68%. Accordingly Mr Dew is taken to have a relevant interest in the 21,039,855 shares held by APRL. Mr Dew does not personally hold any shares in Allied Properties (HK) Limited or APRL.
[2]Held indirectly by Supergun Pty Ltd as trustee for the Bricklaying Super Fund of which Mr Gunzburg is a beneficiary.

DIRECTORS' REPORT (CONTINUED)

4. Nature of Operations and Principal Activities

The Company comprises Dragon Mining Limited, the parent entity, and its subsidiaries as set out in Note 22. Of these subsidiaries, the operating entities are Dragon Mining (Sweden) AB in Sweden and Dragon Mining Oy in Finland.

The Company operates gold mines and processing facilities in Sweden and Finland. In Sweden the processing operation is known as the Svartliden Production Centre ("Svartliden"), consisting of a 300,000tpa CIL processing plant and the Svartliden Gold Mine (mining completed 2013). In Finland, the Vammala Production Centre ("Vammala") consists of a converted 300,000tpa nickel flotation plant, the Orivesi Gold Mine ("Orivesi") and the Jokisivu Gold Mine ("Jokisivu"). Annual production from these production centres is in the range of 50,000 to 65,000 ounces of gold depending on the grade of ore feed.

The principal activities of the Company during the period were:

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

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

5. Ongoing Priorities

Operations

- Significant emphasis will continue to be made on improving the safety performance of the Company's operations;
- Production of gold concentrate at Vammala will continue from ore mined at Orivesi and Jokisivu;
- Production of gold from stockpiles at Svartliden is expected to cease during the first half of 2015. The Company is actively reviewing options to provide additional sources of ore for processing at Svartliden and concluding negotiations on the proposed acquisition of the Fäboliden Gold Project with the administrators of Lappland Goldminers Fäboliden AB; and
- Svartliden will continue to process Vammala concentrate and complete optimisation test work and the commercial processing of third party concentrates.

Development and Exploration

- The focus of the Company's exploration activities will remain on drilling at both Orivesi and Jokisivu to identify extensions to known mineralisation and new zones of mineralisation;
- Drilling will continue at the Kaapelinkulma Gold Project ("Kaapelinkulma") to provide additional information to better delineate the extent and geometry of identified mineralisation with view to determine the viability of mining at Kaapelinkulma;
- The Company is undertaking negotiations to acquire the Fäboliden Gold Project and land from the bankrupt estate of Lappland Goldminers Fäboliden AB (refer note 8 Subsequent Events after Balance Date);and
- The Company will continue to focus efforts at the Kuusamo Gold Project ("Kuusamo") on environment and community relations.

6. Operating and Financial Review

Operating Overview

In 2014, gold production was 59,655 ounces (2013: 64,482 ounces), which can be attributed to lower grade and ore throughput at Svartliden. The lower than expected gold production at Svartliden was significantly offset by better than expected grades at Vammala. The table below details the production and C1 cash costs for each of the Production Centres:

Description	Svartliden, Sweden		Vammala, Finland	
	2014	2013	2014	2013
Gold production (oz)	21,410	35,750	38,245	28,732
[1]C1 cash cost (USD/oz)	982	815	934	1,253
Tonnes milled (t)	311,937	324,623	303,219	305,967
Gold grade (g/t)	2.30	3.84	4.64	3.80

[1]The Company has adopted the C1 cash cost definitions as set out by Mackenzie Wood (formerly Brook Hunt). Where used, the information has not been subject to audit by the Group's external auditors.

Throughout the year the Company:

- Executed a redundancy program at Svartliden where all non-production roles were made redundant;
- Following successful test trials the Company commenced the processing of Vammala concentrate at Svartliden thus extending the life of Svartliden and reducing the cash cost of production for Finland by approximately USD$70/oz;
- Commissioned an independent review of safety procedures in Finland and is progressively implementing the recommendations;
- Initiated a number of improvement projects at Vammala to improve recovery. These staged investments will continue into 2015 to further improve production efficiency;
- Invested in a significant secondary reinforcement program for the Orivesi decline to improve safety and reduce productivity risks associated with the mines increasing rock stress at depth; and
- Optimised stope designs in Orivesi to ensure stable stopes and maximize mining recovery of high grade ore.

Advanced Projects

As a strategic decision, the Company focussed its drilling campaigns in 2014 on the defining and upgrading of additional Mineral Resources at Orivesi, Jokisivu and the Kaapelinkulma Gold Project in southern Finland. A total of 19,790 metres of diamond core drilling from both surface and underground was completed over the course of the year.

Underground diamond core drilling at Orivesi continued to return significant intercepts that demonstrated the continuation of Pipe 5 of the Kutema lode system to at least the 1165m level, at widths and grades commensurate with higher levels. Drilling of the Kutema Pipe 2 position however indicated that this pipe was pinching out, with the last production level expected at approximately the 980m level. The Pipe 2 position will continue to be tested as the mine progresses deeper.

Promising results were received from a drilling program that targeted areas to the north and west of the Sarvisuo lode system in the search for new pipes or pipe clusters. An intercept received from the 290m level, between historic intercepts at the 170m and 570m levels was considered very encouraging, indicating the identification of a possible new mineralised zone in the broader Sarvisuo area, in close proximity to the existing underground infrastructure at Orivesi.

The Company recommenced underground diamond core drilling at Jokisivu, targeting the depth continuations of the Kujankallio Main Zone and Hinge Zone. Encouraging results were received from a series of campaigns that supported the continuation of the lode structures to the 305m level and allowed for the formulation of production plans down to the 290m level.

DIRECTORS' REPORT (CONTINUED)

6. Operating and Financial Review (continued)

Drilling at the Arpola deposit at Jokisivu from both surface and underground resumed in the latter portion of the year. Initial results have returned promising intercepts that will improve the understanding of gold mineralisation in this area in readiness for mine planning and scheduling at Jokisivu.

During the year, an internal review of Kaapelinkulma commenced as the Company evaluates the viability of establishing its third operating mine in the southern Finland region. Diamond core drilling began at the end of the year, the program designed to provide additional information to better delineate the extent and geometry of the identified mineralisation.

Over the course of the year and in acknowledgement of the complexity of the social and environmental aspects of developing Kuusamo, including the municipal councils concerns for mining in the area, the Company focused its efforts on environmental and community relations. Feedback was received on the Environmental Impact Assessment Report ("EIA Report"), the report not fulfilling its requirements and requiring further investigations and clarifications before the EIA Report can be resubmitted. The Company considered the feedback constructive and is now working at incorporating this into the refinement of the design and scope of the project.

Exploration

During the year, Agnico Eagle Mines Limited ("Agnico Eagle") continued to advance the Hanhimaa Gold Project by completing an 18 hole program over four targets. The program returned a series of modest, but encouraging intercepts from the early staged project. Agnico Eagle can earn up to 70% interest in the Hanhimaa Gold Project in northern Finland with staged expenditure of €9.0 million over 7 years.

The Company withdrew from the Harspund Joint Venture in northern Sweden in 2014 with no retained interest.

Consolidated Financial Review

In spite of a weakened gold price and reduced production, the Consolidated Entity generated a net profit after tax for the year ended 31 December 2014 of $7.8 million (2013: Restated loss of $22.2 million).

Revenue from operations amounted to $78.8 million (2013: $85.9 million) with the decrease in revenue attributable to lower grades, throughput and weaker gold prices.

Production costs decreased to $63.9 million (2013: Restated $79.6 million) which reflected the restructuring of the organisation and the cessation of mining activity at Svartliden.

At 31 December 2014, the Company had net assets of $23.1 million (2013: Restated $16.6 million) and a working capital surplus of $23.0 million (2013: Surplus $13.1 million).

Key movements on the Consolidated Statement of Financial Position include:

- An increase in total current assets to $32.0 million (2013: Restated $26.5 million) due to an $11.0 million increase in cash and trade receivables that was partially offset by a $5.3 million decrease in the value of inventory (ore stockpiles and gold in circuit);
- The Company recognised available for sale investments being the market value of 3 million Aurion Resources Limited shares received as part of the Definitive Purchase Agreement;
- The primary reason for the reduction in non-current assets was due to depreciation, there was no impairment recognised during 2014; and
- The factoring facility drawdown was fully repaid at 31 December 2014.

DIRECTORS' REPORT (CONTINUED)

6. Operating and Financial Review (continued)

Corporate

Board Restructure and Management Changes

On 7 February 2014, the Company's former Chairman Mr Peter G Cordin and Executive Director Mr Kjell E Larsson resigned, and Non-Executive Director Mr Christian Russenberger was removed by shareholders.

On that date, shareholders appointed Mr Arthur G Dew and Mr Brett R Smith as Directors. Mr Dew was subsequently appointed Non-Executive Chairman and Mr Smith as Executive Director.

On 19 March 2014, Dr Markku J Mäkelä resigned as Non-Executive Director of the Company.

On 8 September 2014, Mr Daniel K Broughton was appointed as Chief Financial Officer of the Company.

On 31 October 2014, Mr Mark S Cheng resigned as Chief Financial Officer having served a 3 month notice period.

During the year a number of operational management changes were made with the appointment of Mr Ilpo Mäkinen as the GM of Finland and Mr Josh Stewart as Chief Operational Officer. A number of senior roles were eliminated together with these appointments.

Sale of interest in Weld Range Metals Limited

On 3 July 2014, the Company announced it had executed a Share Buy Back Agreement ("Agreement") with Weld Range Minerals Limited ("Weld Range") to sell back to Weld Range the Company's 39.95% interest in Weld Range, a non-core asset active in the Murchison District of Western Australia.

The Agreement is subject to the following conditions precedent:

- Shareholder approval being obtained by Weld Range in accordance with section 257B of the Corporations Act;
- Weld Range issuing 37,910,463 shares to the Company immediately prior to conducting the buy back by way of conversion of the debt to equity at an issue price of $0.10 per share; and
- The Directors of Weld Range resolving that the Agreement does not materially prejudice Weld Range's ability to pay its creditors.

Refer to Section 8 Significant Events after Balance Date for an update on the Company's sale of its interest in Weld Range Metals Limited.

Sale of non-core northern Finland interests to Aurion Resources Limited

On 23 May 2014, a Definitive Purchase Agreement ("Agreement") was executed between the Company and TSX-V listed Aurion Resources Limited ("Aurion"), whereby Aurion could acquire a 100% interest in the Kutuvuoma and Silasselkä projects in Northern Finland. In consideration the Company will receive a total of 6 million Common Shares in Aurion. Aurion will also expend EUR 1.0 million on the projects over 3 years in accordance with the Payment Schedule (refer to note 25 for payment schedule details) or sooner at Aurion's discretion.

If at any time prior to the full payment of the purchase price Aurion fails to advance to the Company any payment or issuance in accordance with the Payment Schedule, the Company may terminate the Agreement (subject to the conditions of the Agreement). In accordance with the Agreement, Aurion shall not be entitled to the return of any payment made in connection with the Agreement.

On 15 September and 26 November 2014, the Company received the first and second tranches of Common Shares (2 million and 1 million Common Shares respectively), on successfully attaining the required Conditions Precedent as defined in the Agreement and following the seventeen Claims that comprise the Silasselkä project (Silasselkä 1–5; 8-19) becoming valid. The shares are escrowed for 18 months from the date of issuance of the initial tranche of Common Shares in Aurion on 15 September 2014.

On 31 December 2014, the Company has a total holding of 3 million Common Shares representing a 7.22% holding in Aurion. Refer to Section 8 Significant Events after Balance Date for an update on shares received by the Company after 31 December 2014.

DIRECTORS' REPORT (CONTINUED)

6. Operating and Financial Review (continued)

Corporate (continued)

Svartliden Court Ruling

On 15 October 2014, the Company was acquitted on all alleged charges relating to an environmental breach concerning the levels of arsenic and other metals contained in surface runoff and ground water at Svartliden. This was reported as a contingent liability at 30 June 2014 and in accordance with the positive ruling the State reimbursing approximately $0.03 million (SEK1.9 million) of the Company's legal costs.

7. Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Company other than those listed above.

8. Significant Events after Balance Date

On 2 January 2015, the Company announced it had executed a Share Sale Agreement ("Agreement") with Ausinox plc ("Ausinox") to sell the Company's 39.95% interest in Weld Range Minerals Limited ("Weld Range"). The Agreement supersedes the Share Buy Back Agreement previously executed with Weld Range and pursuant to the Agreement:

- Ausinox will buy 10,311,834 Weld Range shares from the Company;
- In addition, the debt Weld Range currently owes the Company of $3.8 million comprising principal and accrued interest to 30 June 2014 will be assigned to Ausinox; and
- Consideration payable to the Company by Ausinox will be A$1.0 million.

On 6 February 2015, the Company announced it had extended the completion date of the Agreement from 31 January 2015 to 28 February 2015. In light of this announcement, the Company further expects to extend the completion date of the Agreement from 28 February 2015 to 31 March 2015.

On 13 January 2015, the Company announced that the third tranche of 1 million Common Shares in Canadian explorer Aurion were issued following the eighteen Claims that comprise portion of the Kutuvuoma project becoming valid. The third tranche of Common Shares increased the Company's holding to 4 million shares, which represents a 9.40% holding in Aurion. The shares are escrowed for 18 months from the date of issuance of the initial tranche of Common Shares in Aurion on 8 September 2014.

On 4 February 2015, the Company announced that it had executed a conditional Sale and Purchase Agreement ("Agreement") with the Bankruptcy Estate of Lappland Goldminers Fäboliden AB ("Bankruptcy Estate") to acquire the Fäboliden Gold Prospect in Northern Sweden. The acquisition will deliver ownership of the Fäboliden Gold Deposit to the Company which will provide a potential source of open pittable material to be processed at Svartliden. In consideration for the acquisition the Company will make staged payments totalling 40 million SEK (approximately A$6.3 million) to the Bankruptcy Estate subject to certain conditions precedent being met. If the conditions precedents are not met within 2 years of execution of the Agreement, the Agreement shall be considered void and the payments reversed less $0.25 million SEK (approximately A$0.04 million) which will be retained by the Bankruptcy Estate.

On 4 February 2015, the Company announced that it had reached agreement with Agnico Eagle to further amend the Hanhimaa Earn-In Agreement, whereby the Stage 1 Earn-In Period has been extended by a period of 2 years. Under the amended terms Agnico Eagle can earn up to 70% interest in the Hanhimaa Gold Project in northern Finland with staged expenditure over 9 years. Agnico Eagle are the managers during the earn-in and can now withdraw at any time, having achieved the minimum expenditure level of €1.5 million.

9. Dividends

No dividend has been paid or declared since the commencement of the period and no dividends have been recommended by the Directors.

DIRECTORS' REPORT (CONTINUED)

10. Environmental Regulation

The Company's operations are subject to environmental regulations under statutory legislation in relation to its exploration and mining activities. Management believes that the Company has adequate systems in place for the management of the requirements under those regulations, and are not aware of any breach of such requirements as they apply to the Company, except as indicated below.

Vammala Production Centre, Jokisivu and Orivesi mine sites, Finland

- In 2013, the environmental organisation "Friends of the Earth" measured elevated uranium concentrations, compared to background levels, in sediments downstream of the Orivesi mine site. To put this in context STUK, The Finnish Radiation and Nuclear Safety Authority, uranium concentrations in the measured sediment samples do not cause any risk to humans. The Company also commissioned an independent investigation as to the possible sources of this uranium. The investigation established that the uranium levels in the mine discharge water are well below the standards for drinking water;

- A new permit allowing for the processing of Kaapelinkulma ore and an increase in production was issued. Unfortunately this new permit contained inconsistencies associated with water management and has been appealed;

- The present permit remains in place during this appeal. While technically exceeding the production volumes of this appeal, no parties have appealed the processing of the Kaapelinkulma ore or the increase in production volumes. To support the updated production volumes the Company has agreed with the environmental agency to complete a comparative study of environmental impacts in relation to increased production levels; and

- In March the Company received a letter from the Supreme Administrative Court regarding an appeal of the Nature Conservation Organization of Pirkanmaa ("NCOP"). According to NCOP's appeal a butterfly (Lopinga Achinea), which is listed in the Habitats Directive's Annex IV of species in need of strict protection, exists in the Kaapelinkulma area. The NCOP had previously appealed to the regional Administrative Court regarding the decision to award a Mining Lease in the Kaapelinkulma area by the Finnish Mining authority (The Finnish Chemicals and Safety Agency "Tukes"). A response to the appeal was addressed with the inventory report of an outside consultant. The report confirms that the butterfly is present in the area but the conclusion is that its habitat is not threatened by the planned mining operation. The final decision is expected to be positive to the Company awarding the Mining Lease and it's likely issued during autumn 2015.

11. Share Options

During the year there were no options granted

Unissued shares under option

At the date of this report the unissued ordinary shares in the Company under option are:

Number	Type	Exercise Price	Expiry Date
[1]120,000	Unquoted	$1.45	7 June 2015
[1]120,000			

[1]The remaining options on issue at 31 December 2014 will forfeit 31 January 2015 (60,000) due to resignation and 28 February 2015 (60,000) due to retirement. At that point the Company will have no further options on issue.

All options expire on the earlier of their expiry date or 1 month from the date on which the option holder's employment with the Company is terminated. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

DIRECTORS' REPORT (CONTINUED)

11. Share Options (continued)

During the year 2,054,000 vested options held by former and current employees of the Company expired or lapsed unexercised due to resignation or cancellation by agreement for nil consideration.

Number	Type	Exercise Price	Expiry Date
1,224,000	Unquoted	$1.45	22 September 2014
150,000	Unquoted	$1.45	19 October 2014
400,000	Unquoted	$1.00	1 June 2015
160,000	Unquoted	$1.45	7 June 2015
120,000	Unquoted	$1.00	16 July 2015
2,054,000			

No options were exercised during the year on the basis they were out of the money and had a fair value of nil.

12. Remuneration Report - audited

This remuneration report for the year ended 31 December 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2011* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this report, Key Management Personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, including any Director (whether Executive or otherwise) of the Company.

12.1 Remuneration Policy

The Board recognises that the Company's performance depends upon the quality of its Directors and Executives. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Company embodies the following principles in its remuneration framework:

- Provides competitive rewards to attract high calibre executives;
- Structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia, Sweden and Finland;
- Benchmarks remuneration against appropriate industry groups; and
- Aligns Executive incentive rewards with the creation of value for shareholders.

There are performance levels that link Executives remuneration to Company performance including cash bonuses. In addition, options are used as part of compensation packages to strengthen the alignment of interest between management and shareholders in an effort to enhance shareholder value.

12.2 Company Performance

The table below shows the Company's financial performance over the last five years.

	2014	2013 Restated	2012	2011	2010
Net profit/(loss) after tax	$7.76m	*($22.17m)	($4.26m)	($6.20m)	$17.99m
Basic earnings per share	$0.09	*($0.25)	($0.05)	($0.08)	$0.24
Diluted earnings per share	$0.09	*($0.25)	($0.05)	($0.08)	$0.24
Market capitalisation	$8.09m	$11.55m	$56.86m	$91.71m	$121.37m
Closing share price	$0.09	$0.13	$0.64	$1.22	$1.65

*An error was detected in the audited Financial Statements for the year ended 31 December 2013. The error was caused by the exclusion of stockpile carrying values from the impairment testing for Svartliden. The effect of the error was to understate the 2013 impairment charge by $6.3 million and overstate assets by $6.9 million. Refer to note 6 in the notes to the financial statements.

DIRECTORS' REPORT (CONTINUED)

12. Remuneration Report – audited (continued)

12.3 Remuneration Arrangements

The Board is responsible for determining and reviewing the compensation arrangements for the Chairman, Directors, Managing Director and Executive team.

The Board sets remuneration policies, strategies and practices for the Board, its Committees, the Managing Director, any direct reports to the Managing Director, Senior Executives and other management as appropriate.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative information and internal and independent external advice. Performance reviews of the Senior Executives were undertaken during the year.

To ensure the Board is fully informed when making remuneration decisions, it can seek external remuneration advice.

12.4 Remuneration of Non-Executive Directors

The Company's constitution and ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

Non-Executive Directors' fees not exceeding an aggregate of $500,000 per annum was approved by shareholders at the Annual General Meeting held in May 2012. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually.

The Board considers the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. Each Non-Executive Director receives a fee for being a Director of the Company. An additional fee is payable for each Board Committee on which a Director sits due to the extra workload and responsibilities. Each Non-Executive Director may also receive an equity based component where approval has been received from shareholders in a General Meeting.

12.5 Service Contracts

Compensation and other terms of employment for Executive Directors and other KMP are formalised in contracts of employment. The major provisions of each of the agreements relating to compensation are set out below.

Mr Brett R Smith – Executive Director
Mr Smith has a contract of employment with the Company dated 31 March 2014 and is employed on a 3 year term as Executive Director, ending 30 May 2017. The contract specifies the duties and obligations to be fulfilled by the Executive Director. The arrangement can be terminated by either party by providing 6 months written notice, which based on current remuneration rates would amount to a termination payment of $200,000.

Mr Josh Stewart – Chief Operating Officer
Mr Stewart has a contract of employment with the Company dated 3 April 2014. The contract specifies the duties and obligations to be fulfilled by the Chief Operating Officer. The arrangement can be terminated by either party by providing 6 months written notice, which based on current remuneration rates would amount to a termination payment of $175,370.

Mr Neale Edwards – Chief Geologist
Mr Edwards has a contract of employment with the Company dated 19 August 1996. The contract specifies the duties and obligations to be fulfilled by the Chief Geologist. The arrangement can be terminated by either party by providing 3 months written notice, which based on current remuneration rates would amount to a termination payment of $50,000.

DIRECTORS' REPORT (CONTINUED)

12. Remuneration Report – audited (continued)

12.5 Service Contracts (continued)

Mr Daniel Broughton – Chief Financial Officer
Mr Broughton has a contract of employment with the Company dated 31 March 2014 and is employed on a 3 year term as Chief Financial Officer, ending 31 March 2017. The contract specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The arrangement can be terminated by either party by providing 3 months written notice, which based on current remuneration rates would amount to a termination payment of $46,250.

Mr Kjell Larsson – Chief Operating Officer (resigned 21 September 2014)
Mr Larsson had a contract of employment with the Company dated 26 August 2011. The arrangement could be terminated by either party by providing 6 months written notice. Mr Larsson resigned 31 March 2014.

Mr Mark Cheng – Chief Financial Officer (resigned 31 October 2014)
Mr Cheng had a contract of employment with the Company dated 16 March 2012. The arrangement could be terminated by either party by providing 3 months written notice. Mr Cheng resigned on 31 October 2014.

12.6 Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of the business and individual performance and relevant comparable remuneration in the mining industry.

Structure
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Company.

12.7 Variable Remuneration – Short Term Incentive (STI)

Objective
The objective of the STI is to reward performance that exceeds expectation and is linked to the achievement of the Company's performance measures (as set out below) by the Executives charged with meeting those targets. The total potential STI available is set at a level that provides sufficient incentive to the Executives to achieve the operational targets at a reasonable cost to the Company.

Structure
Actual STI payments granted to each executive depend on their performance over the preceding year and are determined during the annual performance appraisal process.

The performance appraisal process outcomes are at the discretion of the Board and take into account the following factors:

- Performance of business unit;
- Operational performance of a business unit;
- Risk management;
- Health and safety; and
- Leadership/team contribution.

These factors were chosen to ensure the STI payments are only granted when value has been created for shareholders and results are consistent with the strategic plans of the Company. The Executive has to demonstrate outstanding performance in order to trigger payments under the short-term incentive scheme.

On an annual basis, after consideration of performance against KPIs, the overall performance of the Company and each individual business unit is assessed by the Board. The individual performance of each Executive is also assessed and these measures are taken into account when determining the amount, if any, to be paid to the Executive as a short-term incentive.

The Board approved a discretionary cash bonus for the Executive Director relating to 2014 performance which will be paid in 2015.

DIRECTORS' REPORT (CONTINUED)

12. Remuneration Report – audited (continued)

12.8 Variable Remuneration – Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to reward Executives and Directors in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTIs are made to Executives and Directors who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

Structure
Performance criteria as these employee share options are issued with an exercise price at a premium to the average of the Company's ordinary share price on the date of issue. Award is subject to a three year service condition.

The Company prohibits Directors or Executives from entering into arrangements to protect the value of any Company shares or options that the Director or Executive has become entitled to as part of their remuneration package. This includes entering into contracts to hedge their exposure.

12.9 Equity-based Compensation (LTI)

On resignation of the Executive, any LTI options held that have vested will need to be exercised within 30 days of termination or they will be forfeited. Any LTI options that have not vested will be forfeited.

On termination on notice by the Company, any LTI options that have vested, or will vest during the notice period will need to be exercised within 30 days of termination or they will be forfeited. LTI options that have not vested will be forfeited.

12.10 Analysis of Movements in Options and Rights

During the year ended 31 December 2014, no shares were issued on the exercise of options previously granted as compensation to KMP on the basis the options were forfeited. The value of the options forfeited in the period was $nil as the option exercise price was higher than the market share price at the date of forfeiture.

12.11 Shares Issued on Exercise of Remuneration Options

No Director or Key Management Personnel exercised remuneration options in the year ended 31 December 2014.

12.12 Transactions with KMP

Eurogold Limited, of which Mr PL Gunzburg is the Executive Chairman, rents office premises from the Company. The rental amounted to $21,278 for the year ended 31 December 2014 (2013: $31,589).

In addition to his role as the Company's Chief Financial Officer, Mr D Broughton provides Chief Financial Officer service ("services") to ASX listed gold explorer, Tanami Gold NL ("Tanami"). Tanami is a Company of which Mr A Dew, the Company's Non-Executive Chairman, is also Non-Executive Director.

The provision of services commenced from 8 September 2014 whereby the Company will charge Tanami for 50% of Mr D Broughton's salary cost. During the year, the Company charged Tanami $31,050 of which $25,000 was outstanding at 31 December 2014.

DIRECTORS' REPORT (CONTINUED)

12. Remuneration Report – audited (continued)

12.13 Directors and Executive Officers Remuneration

		Short Term			Other Long Term Benefits	Post Employment		Share Based Payments			
In dollars		Salary & Fees	Bonuses	Non Monetary Benefits	Long Service Leave	Super-annuation Benefits	Termination Benefits	Calculated Value of Options (Non Cash)	Total Remuneration	Proportion of Remuneration Performance Related %	Value of Options as a Proportion of Total Remuneration
Directors		$	$	$	$	$	$	$	$	%	%
Mr AG Dew[1]	2014	53,692	-	-	-	5,029	-	-	58,721	-	-
(Non-Executive Chairman)	2013	-	-	-	-	-	-	-	-	-	-
Mr BR Smith[2]	2014	356,250	200,000	-	-	33,370	-	-	589,620	34%	-
(Executive Director)	2013	-	-	-	-	-	-	-	-	-	-
Mr PL Gunzburg	2014	34,067	-	-	-	3,182	-	-	37,249	-	-
(Non-Executive Director)	2013	55,046	-	-	-	5,023	-	-	60,069	-	-
Former Directors											
Mr PG Cordin[3,10]	2014	10,256	-	-	-	949	-	2,988	14,193	-	21%
(Chairman)	2013	100,000	-	-	-	9,125	-	12,574	121,699	-	10%
Mr KE Larsson[4]	2014	360,297	-	-	-	61,850	-	212	422,359	-	0%
(Executive Director)	2013	484,398	-	-	-	64,394	-	11,225	560,017	-	2%
Mr C Russenberger[5,10]	2014	5,641	-	-	-	-	-	-	5,641	-	-
(Non-Executive Director)	2013	55,000	-	-	-	-	-	-	55,000	-	-
Dr MJ Mäkelä[6]	2014	11,563	-	-	-	-	-	-	11,563	-	-
(Non-Executive Director)	2013	55,000	-	-	-	-	-	-	55,000	-	-
Total all specified Directors	**2014**	**831,766**	**200,000**	**-**	**-**	**104,380**	**-**	**3,200**	**1,139,346**	**18%**	**-**
	2013	**749,444**	**-**	**-**	**-**	**78,542**	**-**	**23,799**	**851,785**	**-**	**3%**
Specified Executives											
Mr JD Stewart[7]	2014	350,740	-	-	-	87,612	-	-	438,352	-	-
(Chief Operating Officer)	2013	134,209	-	4,420	-	35,596	-	8,729	182,954	-	5%
Mr NM Edwards	2014	200,000	-	-	3,823	18,708	-	-	222,530	-	-
(Chief Geologist)	2013	200,000	-	-	-	18,250	-	5,820	224,070	-	3%
Mr DK Broughton[8]	2014	57,556	-	-	-	5,468	-	-	63,024	-	-
(Chief Financial Officer)	2013	-	-	-	-	-	-	-	-	-	-
Former Specified Executives											
Mr MSC Cheng[9]	2014	192,220	-	-		17,924	21,022	2,237	233,403		1%
(Chief Financial Officer)	2013	261,201	-	33,891	-	72,604	-	13,310	381,006	-	3%
Total all named Executives	**2014**	**800,516**	**-**	**-**	**3,823**	**129,712**	**21,022**	**2,237**	**957,310**	**-**	**-**
	2013	**595,410**	**-**	**38,311**	**-**	**126,450**	**-**	**27,859**	**788,030**	**-**	**4%**
Total all specified Directors and Executives	**2014**	**1,632,282**	**200,000**	**-**	**3,823**	**234,092**	**21,022**	**5,437**	**2,096,656**	**10%**	**-**
	2013	**1,344,854**	**-**	**38,311**	**-**	**204,992**	**-**	**51,658**	**1,639,815**	**-**	**3%**

[1] Appointed 7 February 2014.
[2] Appointed 7 February 2014.
[3] Appointed 20 March 2006, resigned 7 February 2014.
[4] Appointed 1 June 2012, resigned 7 February 2014.
[5] Appointed 18 November 2009, removed 7 February 2014.
[6] Appointed 13 November 2008, resigned 19 March 2014.
[7] Appointed Chief Operating Officer 5 May 2014, previous title General Manager.
[8] Appointed 8 September 2014.
[9] Appointed 16 March 2012, resigned 31 October 2014.
[10] The salary amounts relating to Messurs Cordin and Russenberger for 2014 are in dispute by the Company and have not been paid as at the date of this report.

12. Remuneration Report – audited (continued)

12.14 Options of Directors and Key Management Personnel

During the year ended 31 December 2014, there were no options over ordinary shares in the Company that were granted as compensation to Key Management Personnel.

2014	Balance at 1 January 2014	Granted as Remuneration	Options Forfeit	Options Expired	Balance at 31 December 2014	Vested During The Year	*Vested and Exercisable at 31 December 2014
Directors							
Mr AG Dew	-	-	-	-	-	-	-
Mr BR Smith	-	-	-	-	-	-	-
Mr PL Gunzburg	-	-	-	-	-	-	-
Former Directors							
Mr PG Cordin	600,000	-	(600,000)	-	-	-	-
Mr MJ Mäkelä	-	-	-	-	-	-	-
Mr C Russenberger	-	-	-	-	-	-	-
Mr KE Larsson	550,000	-	(550,000)	-	-	-	-
Executives							
Mr JD Stewart	120,000	-	-	(120,000)	-	-	-
Mr NM Edwards	80,000	-	-	(80,000)	-	-	-
Mr DK Broughton	-	-	-	-	-	-	-
Former Executives							
Mr MSC Cheng	120,000	-	(120,000)	-	-	-	-
Mr HO Poyry	120,000	-	(120,000)	-	-	-	-
Total	**1,590,000**	**-**	**(1,220,000)**	**(200,000)**	**-**	**-**	**-**

2013	Balance at 1 January 2013	Granted as Remuneration	Options Forfeit	Options Expired	Balance at 31 December 2013	Vested During The Year	*Vested and Exercisable at 31 December 2013
Directors						-	
Mr PG Cordin	600,000	-	-	-	600,000	60,000	600,000
M TT Järvinen	100,000	-	-	(100,000)	-	-	-
Mr MJ Mäkelä	-	-	-	-	-	-	-
Mr C Russenberger	-	-	-	-	-	-	-
						-	
Executives						-	
Mr KE Larsson	150,000	400,000	-	-	550,000	320,000	420,000
Mr JD Stewart	120,000	-	-	-	120,000	36,000	120,000
Mr NM Edwards	80,000	-	-	-	80,000	24,000	80,000
Mr MSC Cheng	120,000	-	-	-	120,000	40,000	80,000
Mr HO Poyry	120,000	-	-	-	120,000	36,000	120,000
Total	**1,290,000**	**400,000**	**-**	**(100,000)**	**1,590,000**	**516,000**	**1,420,000**

12.15 Shareholdings of Directors and Key Management Personnel

2014	Balance at 1 January 2014	Granted as Remuneration	Net Change Other	Balance at 31 December 2014
Directors				
Mr AG Dew[1]	-	-	21,039,855	21,039,855
Mr BR Smith	-	-	-	-
Mr PL Gunzburg[2]	76,440	-	23,560	100,000
Former Directors				
Mr PG Cordin[3]	472,728	-	(472,728)	-
Mr C Russenberger[3]	55,454	-	(55,454)	-
Mr KE Larsson[3]	50,000	-	(50,000)	-
Executives				
Mr JD Stewart	1,600	-	-	1,600
Mr NM Edwards	-	-	-	-
Mr DK Broughton	-	-	-	-
Total	**656,222**	**-**	**20,485,233**	**21,141,455**

[1]Mr Dew is a Director of Allied Properties (HK) Limited, which via its wholly owned subsidiary Allied Property Resources Limited ("APRL"), indirectly holds an interest of 23.68%. Accordingly Mr Dew is taken to have a relevant interest in the 21,039,855 shares held by APRL. Mr Dew does not personally hold any shares in Allied Properties (HK) Limited or APRL.
[2]Held indirectly by Supergun Pty Ltd as trustee for the Bricklaying Super Fund of which Mr Gunzburg is a beneficiary.
[3]Net change due to resignation on 7 February 2014.

12. Remuneration Report – audited (continued)

12.15 Shareholdings of Directors and Key Management Personnel

2013	Balance at 1 January 2013	Granted as Remuneration	Net Change Other	Balance at 31 December 2013
Directors				
Mr PG Cordin	472,728	-	-	472,728
Mr PL Gunzburg	99,273	-	(22,833)	76,440
Mr C Russenberger	55,454	-	-	55,454
Mr KE Larsson	-	-	50,000	50,000
Executives				
Mr JD Stewart	1,600	-	-	1,600
Total	**629,055**	**-**	**27,167**	**656,222**

13. Indemnification and Insurance of Directors, Officers and Auditors

The Company provides Directors' and Officers' liability insurance covering Directors of the Company against liability in their role as Directors of the Company, except where:

- The liability arises out of conduct involving a wilful breach of duty; or
- There has been a contravention of Sections 232(5) or (6) of the *Corporations Act 2001*.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

14. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

15. Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties, where the auditor's expertise and experience with the Company and the Group are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the period the following fees were paid or payable for non-audit services provided by Ernst & Young.

	31 Dec 2014 $
Tax and Compliance services	166,624
	166,624

DIRECTORS' REPORT (CONTINUED)

16. Lead Auditors Independence Declaration under Section 370C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 45 and forms part of the Directors Report for the year ended 31 December 2014.

Directors Declaration

In accordance with a resolution of the Directors of Dragon Mining Limited, I state that:

1. In the opinion of the Directors:

(a) The financial statements and notes of Dragon Mining Limited for the financial year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of its financial position as at 31 December 2014 and performance

  (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b).

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2014.

On behalf of the Board

Mr PL Gunzburg
Non-Executive Director
27 February 2015

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Auditor's independence declaration to the Directors of Dragon Mining Limited

In relation to our review of the financial report of Dragon Mining Limited for the year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
27 February 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Dragon Mining Limited ("Dragon" or the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. To ensure that the Board is well equipped to discharge its responsibilities, the Company has adopted systems of control and accountability as the basis for the administration of corporate governance.

The Board is committed to administering its policies and procedures transparently, with integrity and following best practice principles. For the financial year ended 31 December 2014, the Company's Corporate Governance system was structured to promote compliance with the Second Edition of the ASX Corporate Governance Council's ("ASX") Principles of Good Corporate Governance and Best Practice Recommendations ("Principles"). The Company notes that for the financial year ended 31 December 2015, the Third Edition of the ASX Principles will be followed and reported against. The below table summarises the Company's compliance with the Second Edition of the ASX Principles as at the date of this report.

Recommendation		Comply	Reference	ASX Listing Rule / CGC recommendations
ASX Principle 1 — Lay solid foundations for management and oversight				
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 48	ASX CGC 1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 49	ASX CGC 1.2
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Pages 48-49	ASX CGC 1.3
ASX Principle 2 — Structure the Board to add value				
2.1	A majority of the Board should be independent directors.	No	Page 49	ASX CGC 2.1
2.1	The Chair should be an independent director.	No	Page 49	ASX CGC 2.2
2.3	The roles of Chair and Managing Director (MD) should not be exercised by the same individual.	Yes	Page 49	ASX CGC 2.3
2.4	The Board should establish a nomination committee.	No	Page 50	ASX CGC 2.4
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 50	ASX CGC 2.5
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Pages 49-50	ASX CGC 2.6
ASX Principle 3 — Act ethically and responsibly				
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 50 and Website	ASX CGC 3.1
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Page 50	ASX CGC 3.2
3.3	Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	Page 51	ASX CGC 3.3
3.4	Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive's positions and women on the Board.	Yes	Page 51	ASX CGC 3.4
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Pages 50-51	ASX CGC 3.5

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation		Comply	Reference	ASX Listing Rule / CGC recommendations
ASX Principle 4 — Safeguard integrity in corporate reporting				
4.1	The Board should establish an audit committee.	Yes	Page 52	ASX CGC 4.1
4.2	The audit committee should be structured so that it: • Consists only of non-executive directors • Consists of a majority of independent directors • Is Chaired by an independent Chair, who is not Chair of the Board • Has at least three members	 Yes No Yes No	Page 52	ASX CGC 4.2 ASX LR 12.7
4.3	The Audit Committee should have a formal charter.	Yes	Page 52	ASX CGC 4.3
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Page 52	ASX CGC 4.4
ASX Principle 5 — Make timely and balanced disclosure				
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 53 Website	ASX CGC 5.1
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 53	ASX CGC 5.2
ASX Principle 6 — Respect the rights security holders				
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 53-54	ASX CGC 6.1
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 53-54	ASX CGC 6.2
ASX Principle 7 — Recognise and manage risk				
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 52	ASX CGC 7.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 50	ASX CGC 7.2
7.3	The Board should disclose whether it has received assurance from the MD (or equivalent) and the Chief Financial Officer (CFO) (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 52	ASX CGC 7.3
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 52	ASX CGC 7.4
ASX Principle 8 — Remunerate fairly and responsibly				
8.1	The Board should establish a remuneration committee.	No	Page 50	ASX CGC 8.1
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors; • Is chaired by an independent chair; and • Have at least three members.	 No No No	Page 50	ASX CGC 8.2
8.3	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	Yes	Refer to Remuneration Report	ASX CGC 8.3
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Page 50	ASX CGC 8.4

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Unless otherwise stated, Dragon Mining Limited's corporate governance practices were in place throughout the year ended 31 December 2014.

There is a corporate governance section on the Company's website which sets out the various policies, charters and codes of conduct which have been adopted to ensure compliance with the principles and recommendations referred to above.

A description of the Company's main corporate governance practices are set out below.

Board Role and Responsibilities

In accordance with ASX Principle 1, the Board has established a Charter of Board and Senior Executive Functions ("Charter") available on the Company website. The Charter outlines the distinct functions reserved to the Board and to senior executives.

The key responsibilities of the Board include:

- Appointing, removing and remunerating the Managing Director ("MD") or equivalent;
- Where appropriate, ratifying the appointment, removal and remuneration of senior executives;
- Providing input into and final approval of senior executives' development of corporate strategy and performance objectives;
- Overseeing the Company's risk management, internal compliance, integrity of controls, codes of conduct and legal compliance;
- Overseeing the management of occupational health and safety, environmental issues, native title, cultural heritage and community development;
- Monitoring senior executives' performance and implementation of strategy;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments; and
- Monitoring and overseeing the management of shareholder and community relations.

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Board Composition

The table below sets out the composition of the board and independence as at the date of this report.

Director	Role of Director	Independent
Mr AG Dew	Non-Executive Chairman	No
Mr BR Smith	Executive Director	No
Mr PL Gunzburg	Non-Executive Director	Yes

Review of Performance of Senior Executives

Details of the performance review process for Senior Executives are set out in the Remuneration Report, which forms part of the Directors' Report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Independence

As outlined in ASX Principle 2, Directors are expected to contribute independent views to the Board.

The Board has adopted specific principles in relation to the Directors' independence that align with the ASX Principles. These principles state that to be considered independent, a Director should be non-executive and:

The Board has adopted specific principles in relation to the Directors' independence. These principals state a Director must be Non-Executive to be deemed independent and:

- Not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years, not have been employed in an executive capacity by the Company (or Group member), or have been a Director after ceasing to hold any such employment;
- Within the last three years, not have been a principal of a material professional advisor or a material consultant to the Company (or Group member), or an employee materially associated with the service provided;
- Not a material supplier or customer of the Company (or Group member), or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Have no material contractual relationship with the Company (or Group member) other than as a Director of the Company;
- Not have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- Be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is based on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company (or Group) or 5% of the individual Director’s net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed to be material if knowledge of it impacts the shareholders' understanding of the Director's performance.

Notification of departure

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider Mr PL Gunzburg an independent Non-Executive Director (therefore, a majority of the Directors are not).

Mr AG Dew (Chairman) who holds a directorship with Allied Properties Resources Limited (which indirectly holds an interest in the Company of 23.68%) and Mr BR Smith (Executive Director) are not considered to be independent. Though the majority of the Board is not independent, the Board believes that its current composition is adequate given the Company’s size and operations, and includes an appropriate mix of skills and expertise.

Chairman and Managing Director

The role of Chairman and the Managing Director (“MD”), or equivalent, are not to be exercised by the same individual.

The Chairman is responsible for leading the Board and ensuring that Board activities are organised and efficiently conducted. The Board has delegated responsibility for the day-to-day activities to the MD and the Company’s and Senior Executives.

The Board ensures that its members are appropriately qualified and experienced to discharge their responsibilities and have in place procedures to assess the performance of the MD and Senior Executives.

The MD is accountable to the Board for all authority delegated to that position and Senior Executives.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Evaluation Process

The Board reviews its performance and the performance of individual Directors (including the MD), the Board Committees, the Company and Senior Executives regularly. This is an important element of the Board's monitoring role, especially with regard to long term growth of the Company and shareholder value.

External consultants are engaged where it is seen to be beneficial to the Company when undertaking the performance evaluation process.

Due to the recent restructuring of the Board, no formal performance evaluation of the Board, Committees or Directors took place during the year.

In relation to the term of office, the Company's Constitution specifies that one third of all Directors (with the exception of the MD) must retire from office annually and are eligible for re-election.

Remuneration and Nomination Committee

The Company has adopted a Remuneration and Nomination Committee Charter and Policy (refer website) which governs the operations of the Remuneration and Nomination Committee ("Remuneration Committee"). The Remuneration Committee reviews and reassesses the policy annually and obtains the approval of the Board.

To 14 February 2014, the Remuneration Committee consisted of three Non-Executive Directors. On 14 February 2014, the Board resolved to suspend the operation of the Remuneration Committee and undertake the responsibilities previously delegated to the Remuneration Committee at Board level (in accordance with the Remuneration and Nomination Committee Charter).

From 14 February 2014, the full Board assumed responsibility for determining and reviewing the compensation arrangements for the Directors, the MD and Senior Executives. In addition, the Board is responsible for reviewing the appropriateness of the size of the Board relative to its various responsibilities.

The details of the Directors' and Executives' remuneration policies are provided in the Remuneration Report.

The Company's policy does not allow for the issue of options to Non-Executive Directors.

Notification of departure

ASX Principle 8.1 recommends that the Board establish a Remuneration Committee. Given the recent changes to Directors and the reduced size of the Board, on 14 February 2014 the Board resolved to suspend the established Remuneration Committee and undertake the responsibilities previously delegated to the Remuneration Committee at Board level.

ASX Principle 8.2 recommends that the Remuneration Committee should be structured so that it is chaired by an Independent Director and consists of a majority of Independent Directors. The Company is not compliant with this recommendation as the Remuneration Committee was suspended in February 2014.

Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all Directors and employees of the Company. As such, the Company has developed a Code of Conduct (refer website) which has been fully endorsed by the Board and applies to all Directors and employees. The Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour, professionalism and practices necessary to maintain confidence in the Company's integrity.

All business affairs are to be conducted legally, ethically and with strict observance of the highest standards of integrity and propriety. The Directors and Senior Executives have the responsibility to carry out their functions with a view to maximising the financial performance of the Company. This concerns the propriety of decision making in conflict of interest situations and quality decision making for the benefit of Shareholders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Diversity Policy

The Board is committed to workplace diversity and recognises the benefits arising from employee and Board diversity, including a broader pool of quality employees, improving employee retention, accessing different perspectives, and benefiting from all talent available. Diversity includes, but is not limited to, gender, age, ethnicity and background.

The Board has adopted a Diversity Policy (refer website) which has particular focus on improving gender balance in the workplace and increasing the representation of women in management roles. The Diversity Policy provides a framework for Dragon Mining to achieve:

- A diverse and skilled workforce, leading to continuous improvement in company performance and achievement of corporate goals;
- A workforce that best represents the talent available in the communities in which our assets are located and our employees reside;
- A work environment that values and utilizes the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity;
- A workplace culture characterised by inclusive practices and behaviors for the benefit of all staff;
- An environment that encourages the development of necessary skills and experience for leadership roles;
- Improved employment and career development opportunities for women;
- Awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- Workplaces free from all forms of discrimination and harassment.

To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors as well as casual and part-time employees in the below percentages, which show the proportion of women in the organisation as at the date of this Annual Report:

	Women	Proportion
Employees	23	18.4%
Senior Executive positions	3	25%
Board of Directors	0	0%

Notification of departure

ASX Principle 3 recommends that companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. Due to the current nature and scale of the Company’s activities, the Board is yet to establish measurable objectives for achieving gender diversity to report against in this Annual Report for the current financial year.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Securities Trading

The Board has adopted the Securities Dealings Policy (refer website) (which is driven by the *Corporations Act 2001* requirements) that applies to all Directors, officers and employees of the Company. Under this policy and the *Corporations Act 2001*, it is illegal for Directors, officers or employees who have price sensitive information relating to the Group which has not been published or which is not otherwise 'generally available' to:

- Buy, sell or otherwise deal in Company shares, convertible notes or options ("Company securities");
- Advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell Company securities; or
- Pass on information to any other person, if one knows or ought reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) Company securities.

The Company prohibits Directors or executives from entering into arrangements to protect the value of any Dragon Mining Limited shares or options that the director or executive has become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure.

Corporate Reporting

In accordance with ASX Principle 7, the MD and Chief Financial Officer ("CFO") have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal controls are operating efficiently in all material respects.

Audit and Risk Management Committee

The Audit and Risk Management Committee ("Audit Committee") consists of Independent Non-Executive Director, Mr PL Gunzburg (Chairman) and Non-Executive Director, Mr AG Dew.

The Audit Committee operates under a charter approved by the Board (refer website). It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes including but not limited to the safeguarding of assets, the maintenance of proper accounting records and identifying and controlling risks to ensure they do not have a negative impact on the Company. The Audit Committee provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports.

The Audit Committee is also responsible for:

- Ensuring compliance with statutory responsibilities relating to accounting policy and disclosure;
- Liaising with, discussing and resolving relevant issues with the auditors;
- Assessing the adequacy of accounting, financial and operating controls;
- Reviewing half-year and annual financial statements before submission to the Board; and
- Overseeing risk management strategies in relation to (if any) gold hedging, currency hedging, debt management, capital management, cash management and insurance.

Annually the Board reviews the risks facing the Company, assesses these risks and ensures there are appropriate controls to mitigate the identified risks to an acceptable level. In accordance with the ASX Principle 7, the Board has established a Risk Management and Internal Control Policy (refer website) that is designed to safeguard the assets and interests of the Company and to ensure the integrity of reporting.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit and Risk Management Committee (continued)

The MD and CFO represent to the Board in writing that:

The financial statements are founded on a system of sound risk management and internal control compliance that implements the policies adopted by the Board and that both systems are operating effectively and efficiently in all material respects.

ASX Principle 4 recommends that the Audit Committee be structured to ensure that it is chaired by an independent Director, who is not chair of the Board. Mr PL Gunzburg is the Chairman of the Audit Committee and is considered an independent Director. The Board believes Mr PL Gunzburg is the most appropriate person for the position as Chair because of his financial background and industry experience.

Notification of departure

ASX Principle 4 recommends that the Audit Committee consists of a majority of independent directors and has at least three members. The Company is not compliant with these recommendations however, in light of the size of the Board, the Board has formed the view that the current composition of the Audit Committee is adequate.

External Auditors

The Company's external Auditors are Ernst & Young. The performance and independence of the Company Auditors is reviewed by the Audit Committee.

Included in Ernst & Young's existing policy is the requirement for its Audit team to provide a statement as to their independence. This statement was received by the Audit and Risk Management Committee for the period ended 31 December 2014.

Continuous Disclosure

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy (refer website).

The Company is committed to:

- Ensuring that stakeholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market concerning the Company's activities; and
- Complying with the obligations contained in the SX Listing Rules and the Corporations Act 2001 relating to continuous disclosure.

The Company Secretary has been nominated as the person responsible for all communication with the ASX. This involves complying with the continuous disclosure requirements outlined in ASX Listing Rules, ensuring that disclosure with the ASX is co-ordinated and responsibility for administering and implementing the Continuous Disclosure Policy.

The Board reviews and approves all material ASX announcements. The Chairman or the MD must sign off on any ASX announcement or in the absence of both, one of the Directors.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Shareholder Communication

In accordance with ASX Principle 6, the Board has an established a Strategy to Promote Effective Communication with shareholders (refer website).

The Board aims to ensure that shareholders, on behalf of whom they act, are fully informed of all information and all major developments affecting the Company in a timely and effective manner. Information is communicated to the market and shareholders via:

- The Annual Report which is distributed to shareholders on request and is available as an interactive document on the Company's website;
- All quarterly and half yearly reports and all other continuous disclosure announcements made to the ASX via the Company website;
- The Annual General Meeting and other meetings to obtain approval for Board action as appropriate;
- The Company website www.dragonmining.com; and
- The website of the Company's share register, Computershare Investor Services Pty Limited, including a facility for shareholders to amend their particulars.

Further, it is a CLERP 9 requirement that the Auditor of the Company attend the Annual General Meeting. In doing so provides shareholders the opportunity to question the Auditor concerning the conduct of the Audit and the preparation and content of the Auditor's Report.

Shareholders are encouraged to make their views known to the Company and to directly raise matters of concern. Shareholders are encouraged to attend the Annual General Meeting and use this opportunity to ask questions. The Annual General Meeting remains the main opportunity for shareholders to comment and to question the Company's Board and management.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000 Restated
Revenue from gold sales		78,751	85,928
Cost of sales	2(a)	(63,903)	(79,610)
Gross profit		14,848	6,318
Other revenue	2(b)	1,110	888
Other income	2(c)	1,120	288
Exploration expenditure		(3,400)	(6,263)
Capitalised E&E expenditure written off		-	(1,943)
Management and administration expenses		(5,914)	(6,959)
Other expenses	2(d)	(551)	(29,949)
Finance costs	2(e)	(166)	(770)
Foreign exchange gains		873	17,251
Derivatives gains	2(f)	-	538
Profit / (loss) before tax		7,920	(20,601)
Income tax expense	3	(164)	(1,569)
Profit / (loss) after income tax		7,756	(22,170)

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000 Restated
Profit / (loss) after income tax (brought forward)		7,756	(22,170)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation		(1,243)	(12,110)
Loss on financial assets classified as available-for-sale		(48)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(1,291)	(12,110)
Total comprehensive income / (loss) for the period		6,465	(34,280)
Profit / (loss) attributable to:			
Members of Dragon Mining Limited		7,756	(22,170)
		7,756	(22,170)
Total comprehensive income / (loss) attributable to:			
Members of Dragon Mining Limited		6,465	(34,279)
		6,465	(34,279)
Earnings per share attributable to ordinary equity holders of the parent (cents per share)			
Basic earnings per share	20	8.73	(24.95)
Diluted earnings per share	20	8.73	(24.95)

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31 December 2014 $'000	31 December 2013 $'000 Restated
CURRENT ASSETS			
Cash and cash equivalents	4	15,051	5,895
Trade and other receivables	5	11,626	9,777
Inventories	6	5,222	10,518
Other assets	11	142	251
Income tax receivable		-	79
Non-current asset held for sale	7	-	-
TOTAL CURRENT ASSETS		32,041	26,520
NON-CURRENT ASSETS			
Property, plant and equipment	9	6,059	8,873
Mineral exploration costs	10	1,958	2,037
Investment in associate	7	-	-
Development costs	10	697	701
Deferred tax assets	3	-	189
Available for sale investments	8	126	-
Other assets	11	5,460	5,789
TOTAL NON-CURRENT ASSETS		14,300	17,589
TOTAL ASSETS		46,341	44,109
CURRENT LIABILITIES			
Trade and other payables	12	3,865	5,919
Interest bearing loans and borrowings	13	-	2,131
Provisions	14	3,347	4,238
Other liabilities		1,883	1,104
TOTAL CURRENT LIABILITIES		9,095	13,392
NON-CURRENT LIABILITIES			
Provisions	14	13,240	12,517
Deferred tax liabilities	3	896	1,560
TOTAL NON-CURRENT LIABILITIES		14,136	14,077
TOTAL LIABILITIES		23,231	27,469
NET ASSETS		23,110	16,640
EQUITY			
Contributed equity	15	119,992	119,992
Reserves	16	(686)	600
Accumulated losses		(96,196)	(103,952)
TOTAL EQUITY		23,110	16,640

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Contributed Equity *$'000*	*Accumulated Losses* *$'000*	*Foreign Currency Translation* *$'000*	*Option Reserve* *$'000*	*Convertible Note Premium Reserve* *$'000*	*Available for Sale Reserve* *$'000*	*Equity Reserve Purchase of Non-controlling Interest* *$'000*	*Total Equity* *$'000*
At 1 January 2013	119,992	(81,782)	7,716	1,662	2,068	-	1,069	50,725
Loss for the period (Restated)	-	(22,170)	-	-	-	-	-	(22,170)
Other comprehensive income	-	-	(12,110)	-	-	-	-	(12,110)
Total comprehensive income for the period	-	(22,170)	(12,110)	-	-	-	-	(34,280)
Transactions with owners in their capacity as owners:								
Issue of share options	-	-	-	212	-	-	-	212
Forfeiture of share options	-	-	-	(17)	-	-	-	(17)
At 31 December 2013 (Restated)	119,992	(103,952)	(4,394)	1,857	2,068	-	1,069	16,640
At 31 December 2013 as originally stated	119,992	(97,617)	(3,783)	1,857	2,068	-	1,069	23,586
Restatement of accounts (note 1(ag))	-	(6,335)	(611)	-	-	-	-	6,946
At 1 January 2014 (Restated)	119,992	(103,952)	(4,394)	1,857	2,068	-	1,069	16,640
Profit for the period	-	7,756	-	-	-	-	-	7,756
Other comprehensive income	-	-	(1,243)	-	-	(48)	-	(1,291)
Total comprehensive income for the period	-	7,756	(1,243)	-	-	(48)	-	6,465
Transactions with owners in their capacity as owners:								
Issue of share options	-	-	-	6	-	-	-	6
At 31 December 2014	119,992	(96,196)	(5,638)	1,863	2,068	(48)	1,069	23,110

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		78,438	83,842
Payments to suppliers and employees		(59,627)	(67,825)
Payments for mineral exploration		(3,616)	(6,727)
Interest received		145	402
Interest expenses		(16)	(69)
Payments for rehabilitation		(212)	(209)
Income taxes paid		(559)	(1,135)
Derivative transactions		-	(634)
Payment of environmental bonds		(244)	(441)
Net cash from operating activities	4	14,309	7,204
Cash flows from investing activities			
Payments for property, plant and equipment		(447)	(2,460)
Proceeds from sale of property, plant and equipment		52	17
Payments for development		(2,707)	(4,614)
Net cash used in investing activities		(3,102)	(7,057)
Cash flows from financing activities			
Repayment of short-term factoring facility		(2,064)	(86)
Net cash used in financing activities		(2,064)	(86)
Net increase in cash and cash equivalents		9,143	61
Cash and cash equivalents at the beginning of the period		5,895	5,546
Effects of exchange rate changes on cash and cash equivalents		13	288
Cash and cash equivalents at the end of the period	4	15,051	5,895

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Dragon Mining Limited ("the Company" or "the Group") is a company domiciled in Australia. The Company address is Unit B1, 431 Roberts Road, Subiaco Western Australia 6008. The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in associates. The Consolidated Entity is a for profit entity and is primarily involved in gold mining operations and mineral exploration.

(b) Basis of Preparation

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB). The accounting policies adopted are consistent with those of the previous financial year except as detailed in note 1 (aj).

The consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2015.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale assets which are measured at fair value.

The consolidated financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Consolidated Entity as at the end of each reporting period.

Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights in an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

The income, expenses, assets and liabilities of a subsidiary acquired or disposed of during the year are included in the Company's Consolidated Statement of Profit or Loss and Other Comprehensive Income or the Consolidated Statement of Financial Position from the date the Company gains control until the date the Company ceases to have control.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of Consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company losses control of a subsidiary the Company:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of any investment retained;
- Recognises the fair value of the consideration received;
- Recognises any surplus or deficit in the Consolidated Statement of Profit or Loss and Other Comprehensive Income; and
- Reclassifies the Company's share of items previously recognised in Other Comprehensive Income to the Consolidated Statement of Profit or Loss or retained earnings as appropriate.

(d) Revenue Recognition

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Bullion and Concentrate sales

Revenue is recognised when the risk has passed from the Group to an external party and the selling price can be determined with reasonable accuracy. Sales revenue represents gross proceeds receivable from the customer. Certain sales are initially recognised at estimated sales value when the bullion/gold concentrate is dispatched. Adjustments are made for variations in assay and weight between the time of dispatch and time of final settlement. Revenue from the sale of silver is included in sales revenue.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method.

Rental revenue

Rental revenue is recognised in the period in which it is earned.

(e) Income Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements and for unused tax losses.

Deferred income tax is provided on all temporary differences at the Consolidated Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting or taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent it is probable that a taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

Tax consolidation legislation

The Company implemented the tax consolidation legislation as of 1 July 2003. The Company has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the tax authority; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cashflow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the tax authority, classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign Currency Transactions and Balances

Functional & Presentation Currency

The functional currency of each of the Company 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 Company's functional and presentation currency.

Transaction & Balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Group Companies

The results and financial position of all the Consolidated Entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for are translated at the closing rate at the date of that reporting date;
- Income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any monetary items that form part of the Net Investment in a foreign entity are taken to Shareholders' Equity. When a foreign operation is sold or borrowings are repaid the proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Trade and Other Receivables

Trade receivables have 45 day term and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect some or all amounts due according to the original terms of the transaction. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between assets carrying value and the present value of estimated future cash flows. The amount of the provision is recognised in the statement of comprehensive income.

Receivables from related parties are recognised and carried at the nominal amount due. Where interest is charged it is taken up as revenue in profit and loss and included in other revenue.

(i) Inventories

Finished goods, gold concentrate, gold in circuit and stockpiles of unprocessed ore have been valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

Costs are assigned to stockpiles and gold in circuit inventory on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the cost to sell. Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first in first out basis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Deferred Waste

As part of its mining operations, the Company incurs stripping (waste removal) costs during the development and production phase of its operations.

When development stripping costs are incurred expenditure is capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping costs incurred in the production phase create two benefits:

- The production of inventory; or
- Improved access to future ore.

Where the benefits are realised in the form of inventory produced in the period, production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to future ore, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable an allocation is undertaken based on the waste to ore stripping ratio (for the particular ore component concerned). If mining of waste in a period occurs in excess of the expected stripping ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life of component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided using a unit of production ("UOP") method over the life of the identified component of orebody. The UOP method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves) component.

(k) Property, Plant and Equipment

Mine Properties: Areas in Production

Areas in production represent the accumulation of all acquired exploration, evaluation and development expenditure incurred by or on behalf of the Company in relation to an area of interest in which economic mining of a mineral reserve has commenced. Amortisation of costs is provided using a UOP method (with separate calculations being made for each mineral resource). The UOP method results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves

All exploration, evaluation and development expenditure incurred by or on behalf of the Company in relation to an area of interest in which economic mining of a mineral reserve has commenced, is amortised using the UOP method (separate calculations being made for each mineral resource). The unit of production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly and, to the extent that its carrying value exceeds its recoverable amount, the excess is fully provided against in the financial year in which it is determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, Plant and Equipment (continued)

Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than mining plant and equipment and land. The depreciation rates used for each class of depreciable assets are:

Other plant and equipment	5-50%
Buildings	4-33%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of mine properties, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount through the statement of comprehensive income.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing the 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit). A reversal of impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carry amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, an investment in a joint venture is initially recognised at cost. The carrying amount of investments is adjusted to recognise changes in the Company's share of net assets of the joint ventures since the acquisition date. Goodwill relating to the joint ventures is included in the carrying amount of the investments and is neither amortised nor individually tested for impairment.

(m) Mineral Exploration Costs

Exploration expenditure is expensed to the Consolidated Statement of Comprehensive Income and Other Comprehensive Income as and when it is incurred and included as part of cash flows from operating activities. Exploration costs are only capitalised to the Consolidated Statement of Financial Position if they result from an acquisition.

Evaluation expenditure is capitalised to the Consolidated Statement of Financial Position. Evaluation is deemed to be activities undertaken from the beginning of the definitive feasibility study conducted to assess the technical and commercial viability of extracting a mineral resource before moving into the development phase.

The criteria for carrying forward costs are:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

- Exploration and or evaluation activities in the area of interest have not yet reached a state 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 are continuing.

Costs carried forward in respect of an area of interest which is abandoned are written off in the year in which the abandonment decision is made.

Farm In and Farm Out arrangements

Farm In arrangements occur when the Company undertakes to conduct exploration on a tenement owned by a third party over time, with the completion of an agreed program or expenditure amount resulting in the Company acquiring an agreed percentage interest in the tenement. Farm Out arrangements occur when the Company provides a third party with a similar arrangement.

Farm In expenditures are accounted for as exploration costs in accordance with this policy.

In respect of Farm Outs, the Company does not record any expenditure made by the Farmee on its account. Where there is capitalised exploration expenditure it also does not recognise any gain or loss on its exploration and evaluation Farm Out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Cash received from the Farmee is treated as a reimbursement of expenditure incurred (where expenditure is capitalised) or gains on disposal if there is no capitalised expenditure.

(n) Development Expenditure

Areas in Development

Areas in development represent the costs incurred in preparing mines for production. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining leases. These costs carried forward are reclassified to Mine Properties when economic mining of a mineral reserve has commenced (see note 1(k) Property plant and Equipment).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities normally of three months or less, bank overdrafts and excludes any restricted cash. Restricted cash is not available for use by the Company and is therefore not considered highly liquid (i.e. rehabilitation bonds).

For the purposes of the Statement of Cashflows, cash and cash equivalents consists of cash and cash equivalents as defined above net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

(p) Available for Sale Financial Assets

Available for sale financial assets comprise principally marketable equity securities and are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. Available for sale assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, available for sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. The Company assesses, at each reporting date, whether there is objective evidence that an available for sale asset is impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised is removed from equity and recognised in the Consolidated Statement of Profit or Loss.

(q) Recoverable Amount of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired (other than deferred tax assets).

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

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 that asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cost Generating Units "CGUs" to which the individual assets are allocated. These budgets and forecast calculations generally cover the processing of mineral reserves.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Investment in Associate

The Company's investment in its associate is accounted for using the equity method of accounting in the Consolidated Financial Statements and at cost in the parent. The associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint venture.

The Company generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in an associate are carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any impairment loss with respect to the Company's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately; rather the entire carrying amount of the investment is tested for impairment as a single asset. If impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Company's share of its associate's post-acquisition profits or losses is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, and its share of post-acquisition movements in Other Comprehensive Income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Statement of Profit or Loss and Other Comprehensive Income.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

(s) Trade and Other Payables

Trade and other payables are carried at amortised cost due to their short term nature and they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(t) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(u) Employee Benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and other employee benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee Benefits (continued)

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with wages, salaries and annual leave. The liability for long service leave due to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments

Equity-based compensation plans are provided to employees via the Company's share option plan. Under AASB 2 *Share Based Payments*, the Company determines the fair value of options issued to Directors, executives and members of staff as remuneration and recognises that amount as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the vesting period with a corresponding increase in equity.

The fair value at grant date is determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Superannuation

Contributions made by the Company to employee superannuation funds are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period employees' services are provided.

(v) Restoration and Rehabilitation Costs

The Company records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

An obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwinding of the effect of discounting on the provision is recorded as a finance cost in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The carrying amount capitalised is depreciated over the life of the related asset.

(w) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred, except where borrowing costs incurred are directly associated with the construction, purchase or acquisition of a qualifying asset, in which case the borrowing costs are capitalised as part of the cost of the asset.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

(y) Derivative Financial Instruments

Derivative financial instruments are used by the consolidated entity to manage exposures to gold prices and exchange rates. The consolidated entity does not apply hedge accounting.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income immediately.

(z) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which effectively transfer to the consolidated entity all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the consolidated entity is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction in the lease liability.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charges directly against income. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiation of an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the statement of comprehensive income over the lease term.

(aa) Earnings per Share

Basic Earnings Per Share ("EPS") is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

The result is then divided by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). Operating segments results are regularly reviewed by the Company's chief operating decision makers and are used to make decisions about the allocation of resources and to assess performance using discrete financial information. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the Company's chief operating decision makers, being the executive management team.

The Company aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Geographical location;
- National regulatory environment;
- Nature of the products and services; and
- Nature of the production processes.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. An operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(ac) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Fair Value Measurement

The Company measures financial instruments, such as derivatives at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Directors and management determine the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the forecast to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Significant Accounting Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus.IMM *"Australian Code for reporting of Identified Mineral Resources and Ore Reserves"*. The information has been prepared by or under supervision of competent persons as identified by the Code. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(af) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Mine Rehabilitation provision

The Company assesses its mine rehabilitation provision half-yearly in accordance with the accounting policy stated in note 1(v). Significant judgment is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known, which in turn would impact future financial results.

Impairment of non-financial assets

As described in note 1(q) the Company undertakes a formal assessment of the recoverable amount of non-financial assets where indications of impairment exist.

The future recoverability of capitalised mine properties and plant and equipment is dependent on a number of key factors including; gold price, pre-tax discount rates used in determining the estimated discounted cash flows of Cash Generating Units ("CGUs"), foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources, technological changes, cash costs of production, and future legal changes (including changes to environmental restoration obligations).

Impairment is recognised when the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of each CGU has been determined using the value in use ("VIU") model for the Finnish CGU and the fair value less cost to sell ("Fair Value") model for the Swedish CGU.

Both the VIU and Fair Value models are based on (where appropriate) discounted cash flows using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on CGU Life of Mine ("LOM") plans.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Company's planning process documents, including LOM plans, external expert reports where appropriate and operational budgets. LOM operating and capital cost assumptions are based on the Group's latest budget and LOM plans.

Significant judgements and assumptions are required in making estimates of VIU and Fair Value. This is particularly so in the assessment of long life assets. CGU valuations are subject to variability in key assumptions including, but not limited to, long-term gold prices, currency exchange rates, discount rates, and production and operating costs. An adverse change in one or more of the assumptions used to estimate VIU and Fair Value could result in a reduction in each CGU's VIU and or Fair Value.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(af) Significant Accounting Estimates and Assumptions (continued)

In determining the VIU and Fair Value of CGUs, future cash flows are discounted (where appropriate) using rates based on the Company's estimated pre-tax weighted average cost of capital. When it is considered appropriate to do so, an additional premium is applied with regard to the geographic location and nature of the CGU.

LOM operating and capital cost assumptions are based on the Company's latest budget and LOM plans. Operating cost assumptions reflect the expectation that costs will, over the long term, have a degree of positive correlation to the prevailing commodity price and exchange rate assumptions.

Any variation in the key assumptions used to determine VIU would result in a change of the assessed VIU. If the variation in assumption had a negative impact on VIU, it could indicate a requirement for impairment of non-current assets.

After assessing the VIU and Fair Value of each CGU against its carrying value, no impairment charges were recognised for the current financial year.

Income taxes

The Company is subject to income taxes in Australia, Sweden and Finland. The Company's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Consolidated Statement of Financial Position.

Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investment, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation.

These judgments and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Share-based payments

The Company measures the cost of cash settled transactions with employees by reference to the fair value at the grant date using the Black & Scholes as discussed in note 26(ii).

(ag) Restatement of 2013 Audited Financial Statements

On 5 August 2014, the Company announced that an error had been detected in the audited Financial Statements for the year ended 31 December 2013.

This error was detected as part of the preparation of the 2014 half year report and relates to an understatement of the impairment charges necessary at 31 December 2013. Specifically, the error was caused by the exclusion of stockpile carrying values from the impairment testing performed on the Swedish operations at the Svartliden Production Centre.

The effect of the error was to understate the required impairment charge by $6.3 million and consequently to overstate the net assets by $6.9 million, with the balance being debited to the foreign currency translation reserve. No tax benefit from this additional charge has been brought to account.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ah) Restatement of 2013 Audited Financial Statements (continued)

The table below shows the summary effect of the required adjustment audited Financial Statements for the year ended 31 December 2013:

Item	Previously Reported Amount $'000	Adjustment Amount $'000	Restated Balance $'000
Statement of Comprehensive Income for the year ended 31 December 2013			
Loss after income tax	15,835	6,335	22,170
Other comprehensive loss	11,499	611	12,110
Total comprehensive loss for the year	27,334	6,946	34,280
Basic loss per share	17.82 cents	7.13 cents	24.95 cents
Statement of Financial Position as at 31 December 2013			
Inventories	17,464	(6,946)	10,518
Total assets	51,055	(6,946)	44,109
Net assets	23,586	(6,946)	16,640
Accumulated losses	97,617	6,336	103,952
Foreign currency translation reserve	3,783	611	4,394

There was no impact on the Consolidated Statement of Cash Flows for the period ending 31 December 2013.

(ai) Accounting Standards and Interpretations Issued but Not Yet Effective

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 31 December 2014 and the Group has not yet determined the impact on the financial statements:

AASB 9	Financial Instruments	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Amendments to AASB 9 (December 2009 & 2010 editions)(AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.	1 January 2018	1 July 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ai) Accounting Standards and Interpretations Issued but Not Yet Effective (continued)

		AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ai) Accounting Standards and Interpretations Issued but Not Yet Effective (continued)

AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 January 2015
AASB 2014-1 Part A -Annual Improvements	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ai) Accounting Standards and Interpretations Issued But Not Yet Effective (continued)

AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. This Standard also makes an editorial correction to AASB 11 AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 January 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ai) Accounting Standards and Interpretations Issued but Not Yet Effective (continued)

AASB 15	Revenue from Contracts with Customers	In Dec 2014, the AASB issued AASB 15 *Revenue from Contracts with Customers*, which replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (INT 13 Customer Loyalty Programmes, INT 15 Agreements for the Construction of Real Estate, INT 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services). The core principle of AASB 15 is that an entity recognises 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 those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2017	1 January 2017
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: • clarify that AASB 1053 relates only to general purpose financial statements; • make AASB 1053 consistent with the availability of the AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards; • clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and• specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	1 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ai) Accounting Standards and Interpretations Issued but Not Yet Effective (continued)

AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 January 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (AugustCorp 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 January 2016
Disclosure Initiative	Amendments to IAS 1	As part of the IASB's Disclosure Initiative projects, the IASB issued Amendments to IAS 1 in December 2014. The amendment is still to be adopted by AASB. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 January 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aj) New Accounting Standards and Interpretations

In the year ended 31 December 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company and effective for the current annual reporting period.

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

2 REVENUE AND EXPENSES

	2014 $'000	2013 $'000 Restated
a) Cost of sales		
Cost of production net of inventory movements	58,661	60,252
Depreciation of mine properties, plant and equipment	5,242	19,357
Other costs	-	1
	63,903	79,610
b) Other revenue		
Finance revenue	459	402
Rent and service income	651	486
	1,110	888
Breakdown of finance revenue		
Bank and external interest	117	80
Associate	342	322
	459	402
c) Other income		
Gain on sale of plant and equipment	28	23
Other	1,092	265
	1,120	288
d) Other expenses		
Depreciation of non-mine site assets	98	96
Impairment of property, plant and equipment	-	540
Impairment of development assets	-	2,433
Impairment of mine properties	-	12,233
Impairment of buildings	-	173
Write down of stockpiles	-	6,335
Rehabilitation costs	-	4,500
Project generation expenses	111	14
Impairment allowance for non-recovery of debt	342	3,625
	551	29,949
e) Finance costs		
Interest	50	135
Other	116	635
	166	770

2 REVENUE AND EXPENSES (continued)

	2014 $'000	2013 $'000
f) Derivatives – gains and losses		
Gain on Gold derivatives	-	522
Gain on Currency forward contracts	-	16
	-	538
g) Employee benefits		
Wages and salaries	11,398	12,281
Defined contribution superannuation expense	1,714	1,555
Other employee benefits	1,635	2,608
	14,747	16,444
h) Lease payments included in the statement of comprehensive income		
Minimum lease payments – operating leases	23	35

3 INCOME TAX

	2014 $'000	2013 $'000
(a) Income Tax Expense		
The major components of income tax expense are:		
Current income tax		
Current income tax (benefit)/charge	3,669	657
Adjustments in respect of current income tax of previous year	(1,390)	17
Deferred income tax		
Income tax benefit arising from previously unrecognised tax loss	(3,676)	(236)
Relating to origination and reversal of temporary differences	1,561	1,131
Income tax expense reported in the statement of comprehensive income	164	1,569
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged/(credited) directly to equity	-	-
Unrealised (loss)/gain on available-for-sale investments	-	-

3 INCOME TAX (continued)

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting (loss)/profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2014 $'000	2013 $'000 Restated
Accounting profit/(loss) before income tax	7,920	(20,601)
At the Group's statutory income tax rate of 30% in Australia (31 Dec 2013: 30%)	2,376	(6,180)
Adjustments in respect of current income tax of previous year	(1,390)	17
Effect of different rates of tax on overseas income	(2,913)	1,545
Other	475	495
Previously unrecognised tax losses utilised/recognised	(3,676)	(236)
Tax losses and other temporary differences not recognised as benefit not probable	5,292	5,928
Aggregate income tax expense	164	1,569

(d) Recognised deferred tax assets and liabilities

	2014 $'000	2013 $'000
Consolidated deferred income tax at reporting date relates to the following:		
Deferred tax assets		
Leave entitlements	40	-
Rehabilitation provision	914	743
Investment in associate	-	-
Mine Properties, Property, plant and equipment	1,042	3,166
Exploration costs	3,120	1,973
Accruals	61	
Unrealised foreign exchange	-	1,449
Other	119	21
Temporary differences not recognised	(5,292)	(7,154)
Set off of deferred tax liabilities pursuant to set off provisions	(5)	(9)
Gross deferred income tax assets	-	189
Deferred tax liabilities		
Prepayments	-	(9)
Accelerated deduction	(896)	(1,560)
Mine Properties, Property, plant and equipment	(5)	
Set off of deferred tax liabilities pursuant to set off provisions	5	9
Gross deferred income tax liabilities	(896)	(1,560)

3 INCOME TAX (continued)

(e) Tax Losses
Future benefits of tax losses total approximately $8.4 million (31 December 2013: $10.9 million). The consolidated entity has available capital losses at a tax rate of 30% amounting to $0 (31 December 2013: $37.7 million)

The benefits of the tax losses will only be obtained by the companies if:

- They continue to comply with the provisions of the Income Tax Legislation relating to the deduction of losses of prior periods;
- They earn sufficient assessable income to enable the benefits of the deductions to be realised; and
- There are no changes in Income Tax Legislation adversely affecting the Company's ability to realise the benefits.

(f) Unrecognised temporary differences

As at 31 December 2014, aggregate unrecognised temporary differences of $4.6 million (31 December 2013 $3.0 million) are in respect of investments in subsidiaries and associates for which no deferred tax assets have been recognised.

(g) Tax consolidation

Effective July 1 2003, for the purpose of income taxation, Dragon Mining Limited and its 100% Australian owned subsidiaries formed a Tax Consolidation Group ("Tax Group"). Members of the Tax Group have entered into a tax sharing and funding arrangement whereby each entity in the Tax Group has agreed to pay a tax equivalent amount to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the Tax Group. For the year ended 31 December 2014, there are no tax consolidation adjustments (2013: nil). The nature of the tax funding arrangement for the Tax Group is such that no tax consolidation adjustments (contributions by or distributions to equity participants) would be expected to arise. The head entity of the Tax Group is Dragon Mining Limited. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

4 CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	15,023	5,867
Short-term deposits	28	28
	15,051	5,895

Cash at bank earns interest at floating rates based on daily deposit rates.

Short-term deposits are normally made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is equal to their book value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4 CASH AND CASH EQUIVALENTS (continued)

Reconciliation of net profit/(loss) after tax to net cash flows from operations	2014 $'000	2013 $'000 Restated
Net profit/(loss) after tax	7,756	(22,170)
Adjustments for:		
- Depreciation and amortisation	5,340	19,453
- Capitalised exploration expenditure written off	-	1,943
- Property, plant and equipment impairment charge	-	540
- Development expenditure impairment charge	-	2,433
-Inventory impairment charge	-	6,335
- Mine Property impairment charge	-	12,233
- Buildings impairment charge	-	173
- Non-cash loss on gold forward contracts	-	(1,172)
- Net foreign exchange gains	(2,311)	(14,760)
- Provision for non-recovery of loan from associate	342	3,625
- Loss on disposal of investment	(28)	-
- Net profit on disposal of property, plant and equipment	-	(23)
- Tax (benefit)/expense	(395)	434
- Gain on farm out of exploration asset	(173)	-
- Non-cash rehabilitation costs	(212)	4,292
Changes in operating assets and liabilities		
- Decrease in receivables	(2,190)	(1,483)
- (Increase)/decrease in other assets	95	(1,174)
- (Increase)/decrease in inventories	5,294	(3,710)
- (Increase)/decrease in deferred waste	-	925
- Increase/(decrease) in trade creditors and accruals	335	(3,692)
- Increase/(decrease) in provisions	456	3,002
Net operating cash flows	14,309	7,204

5 TRADE AND OTHER RECEIVABLES

Current	2014 $'000	2013 $'000
Trade debtors (i)	9,358	8,709
Other debtors (ii)	2,268	1,068
Receivables from associate (iii)	3,968	-
Impairment allowance account	(3,968)	-
	11,626	9,777

Non-Current		
Receivables from associate (iii)	-	3,625
Impairment allowance account	-	(3,625)
	-	-

(i) Trade debtors are non-interest-bearing and generally on 45 day terms.
(ii) Other debtors are non-interest bearing and generally on 30 day terms.
(iii) For terms and conditions relating to receivables from associate refer to note 21.

5 TRADE AND OTHER RECEIVABLES (continued)

(a) Impairment
An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the Group for trade receivables in the current year (2013: nil).

The ageing of trade debtors is as follows:

	Total	0-30 days	30-60 days	60-90 days
2014	9,358	4,795	4,560	3
2013	8,709	4,849	3,860	-

Except for receivable from associates, other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying value approximates fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.

(c) Foreign exchange and interest rate risk
Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 27.

6 INVENTORIES

	2014 $'000	2013 $'000 Restated
Work in progress – at cost		
- Ore and concentrate stockpiles	2,562	6,423
- Gold in circuit	1,751	2,998
- Raw materials and stores – at cost	909	1,097
	5,222	10,518

Restatement of inventories balance

The Company restated its audited Financial Statements for the year ended 31 December 2013 as a result of detecting an error. Specifically, the error was caused by the exclusion of stockpile carrying values from the impairment testing performed on the Swedish operations at Svartliden. The effect of the error was to understate the 2013 impairment charge by $6.3 million and consequently overstate the net assets by $6.9 million, with the balance being debited to foreign currency translation reserve. The inventories balance before the restatement was $17.5 million. Further disclosure is provided at note 1(ag) in the Summary of Significant Accounting Policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7 NON-CURRENT ASSET HELD FOR SALE/INVESTMENT IN ASSOCIATE

(a) Movements in the carrying amount of investment in associate

Weld Range Metals Limited	2014 $'000	2013 $'000
At 1 January	-	-
Reclassified to non-current asset held for sale	-	-
Share of loss for the period	-	-
At 31 December	-	-

The share of losses not recognised during the period was $475,000 and cumulatively $4,549,000.

Refer to note 28 Significant Events after Balance Date for an update on the Company's sale of its interest in Weld Range Metals Limited.

(b) Investment details *Unlisted*	2014 $'000	2013 $'000
Weld Range Metals Limited - 39.95% interest	-	-
	-	-

(c) Summarised financial information

The following table illustrates summarised financial information relating to Weld Range Metals Limited:

Extract from Weld Range Metals Limited's statement of financial position:	2014 $'000	2013 $'000
Current assets	1	82
Non-current assets	-	-
	1	82
Current liabilities	10,596	9,564
Non-current liabilities	-	-
	10,596	9,564
Net deficit	10,595	9,482
Extract from Weld Range Metals Limited's statement of comprehensive income:		
Revenue	-	-
Expenses	(1,189)	(1,714)
Loss for the year	(1,189)	(1,714)

Weld Range Metals Limited had exploration commitments of $0.79 million at 31 December 2014 and had no contingent liabilities.

8 AVAILABLE FOR SALE ASSETS

(a) Available for sale financial assets	2014 $'000	2013 $'000
Quoted equity shares	126	-
Aurion plc 7.22%	126	-

The Company has 3 million Common Shares representing a 7.22% holding in Aurion plc. Subsequent to initial recognition, these shares are measured at fair value being the published price quotation in an active market. Changes therein are recognised in other comprehensive income and presented in the unrealised gain/(loss) reserve in equity. The fair value movement in the asset during the period was a loss of $47,911 (2013: nil) which has been recognised in the Consolidated Statement of Other Comprehensive Income.

9 PROPERTY, PLANT AND EQUIPMENT

	2014 $'000	2013 $'000 Restated
Land		
At cost	1,391	1,488
Buildings		
At cost	1,788	1,833
Less accumulated depreciation and impairment	(1,377)	(1,551)
	411	282
Property, plant and equipment		
At cost	26,992	28,642
Less accumulated depreciation and impairment	(24,213)	(23,910)
	2,779	4,732
Mine Properties		
At cost	77,930	78,773
Less accumulated amortisation and impairment	(76,452)	(76,402)
	1,478	2,371
Total property, plant and equipment		
At cost	108,100	110,736
Less accumulated amortisation and impairment	(102,041)	(101,863)
	6,059	8,873

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period:

	2014 $'000	2013 $'000 Restated
Land		
Carrying amount at beginning of period	1,488	1,239
Additions	9	-
Disposals	(22)	-
Net foreign exchange movement	(84)	249
Carrying amount at end of period	1,391	1,488
Buildings		
Carrying amount at beginning of period	282	533
Disposals	(4)	-
Impairment charge	-	(173)
Reclassification from development costs	263	-
Depreciation	(111)	(149)
Net foreign exchange movement	(19)	71
Carrying amount at end of period	411	282
Property, plant and equipment		
Carrying amount at beginning of period	4,732	5,970
Additions	371	390
Disposals	(19)	(83)
Impairment charge	-	(540)
Reclassification from development costs	139	676
Depreciation	(2,211)	(2,641)
Net foreign exchange movement	(233)	960
Carrying amount at end of period	2,779	4,732
Mine properties		
Carrying amount at beginning of period	2,371	18,084
Additions	27	678
Disposals	-	-
Impairment charge	-	(12,233)
Reclassification from development costs	2,252	10,925
Depreciation	(3,018)	(16,663)
Net foreign exchange movement	(154)	1,580
Carrying amount at end of period	1,478	2,371

No impairment losses were recognised during the year ended 31 December 2014 (2013: $15.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	2014 $'000	2013 $'000
Impairment losses:		
Property, plant and equipment	-	(540)
Mine properties	-	(12,233)
Buildings	-	(173)
Development assets	-	(2,433)
	-	(15,379)

10 MINERAL EXPLORATION AND DEVELOPMENT COSTS

	2014 $'000	2013 $'000
Mineral exploration costs		
Balance at beginning of financial period (i)	2,037	3,480
Expenditure written off	-	(1,943)
Transfers to development	-	-
Net foreign exchange movement	(79)	500
Total exploration expenditure (i)	1,958	2,037
Development		
Balance at beginning of financial period	701	8,065
Current period expenditure	2,803	6,099
Transfers from exploration	-	-
Reclassification (to)/from property, plant & equipment	(2,391)	(11,601)
Expenditure written off	(107)	(76)
Impairment charge	-	(2,433)
Net foreign exchange movement	(309)	647
Total development expenditure	697	701
Total mineral exploration and development expenditure	2,655	2,738

The recoverability of the carrying amount exploration and evaluation is dependent on the successful development and commercial exploitation, or alternatively through the sale of the respective area of interest.

11 OTHER ASSETS

	2014 $'000	2013 $'000
Current		
Prepayments	142	251
Other assets	-	-
	142	251
Non-current		
Environmental and other bonds	5,460	5,789

The environmental bonds relate to cash that has been deposited with Swedish and Finnish government authorities. The bonds are held in an interest bearing account and can only be drawn down when rehabilitation programs have been completed and authorised by the relevant government authority.

12 TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade payables and accruals	3,865	5,919

Trade payables are non-interest bearing and are normally settled on 30 day terms.

(a) Fair values
Due to the short term-nature of these payables, their carrying value approximates fair value.

(b) Interest rate, foreign exchange and liquidity risk
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 27.

13 INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	2014 $'000	2013 $'000
Current			
Factoring facility drawn down (i)		-	2,131
		-	2,131

(i) In Finland, when selling concentrate to the smelter, there is a minimum six week delay between shipment of gold concentrate and payment by the refiner. In order to access funds for working capital, the Company established a factoring facility where funds can be drawn down from Nordea Bank for up to a maximum of 75% of gold concentrate delivered to the refiner. Interest is payable at one week Libor plus a credit margin of 1.35% on funds drawn down. In addition, the facility attracts a collateral management fee and a credit insurance fee which insures 90% of the nominal value of an assigned invoice. The factoring facility was fully repaid during the year and the Company will not access this facility when processing the concentrate at Svartliden.

(a) Fair values
The carrying value of bank loans and factoring facility drawn down approximate fair value.

(b) Interest rate, foreign exchange and liquidity risk
Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 27.

(c) Defaults and breaches
During the current and prior years, there were no defaults or breaches of any of the loans.

14 PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee entitlements	2,138	1,928
Rehabilitation (i)	1,209	2,310
	3,347	4,238
Non-current		
Employee entitlements	31	31
Rehabilitation (i)	13,209	12,486
	13,240	12,517

(i) Rehabilitation

	$'000
Balance at 1 January 2014	14,796
Additions	534
Rehabilitation borrowing cost unwound	37
Utilised	(211)
Net foreign exchange movement	(738)
Balance at 31 December 2014	14,418

A provision for rehabilitation is recorded in relation to the gold mining operations for the rehabilitation of the disturbed mining area to a state acceptable to various Swedish and Finnish authorities. While rehabilitation is ongoing, final rehabilitation of the disturbed mining area is not expected until the cessation of production. Accordingly, the provisions are expected to be settled primarily at the end of the mine life, although some amounts will be settled during the course of the mine life.

Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted based on rates that reflect current market assessments and the risks specific to that liability. Additions during the year to the rehabilitation provision include obligations that do not have an associated mining asset recognised at the balance sheet date.

Rehabilitation provisions are subject to an inherent amount of uncertainty in both timing and amount and as a result are continuously monitored and revised.

15 CONTRIBUTED EQUITY

	2014	2013	2014	2013
Share capital	Number of Shares		$'000	$'000
Ordinary shares, fully paid	88,840,613	88,840,613	119,992	119,992

15 CONTRIBUTED EQUITY (continued)

Ordinary shares have the right to receive dividends as declared and entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The Company has granted options to Directors and executives to subscribe for the Company's shares. Details of the options are provided at note 26.

(a) Ordinary share movement during the period

	$'000	No. of shares
At 1 January 2013	119,992	88,840,613
Balance at 31 December 2013	119,992	88,840,613
Balance at 31 December 2014	119,992	88,840,613

(b) Capital management

When managing capital, Management's objective in addition to ensure the Company continues as a going concern is ensure optimal returns to shareholders. Management aims to maintain a capital structure that ensures the lowest cost of capital available. Total capital is calculated as equity' (as shown in the Consolidated Statement of Financial Position) (including non-controlling interest) plus net debt.

The Company monitors the adequacy of capital by analysing cash flow forecasts over the term of the life of mine for each of its projects. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The Company is not subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 RESERVES

	2014 $'000	2013 $'000 Restated
Foreign currency translation reserve (i)	(5,638)	(4,394)
Option reserve (ii)	1,863	1,857
Convertible note premium reserve (iii)	2,068	2,068
Available-for-sale asset reserve (iv)	(48)	-
Equity reserve–purchase of non-controlling interest (v)	1,069	1,069
	(686)	600
(i) Movements in foreign currency translation reserve		
Balance at the beginning of period	(4,395)	7,715
Translation of foreign entities' statement of financial positions	(1,243)	(12,110)
Balance at the end of period	(5,638)	(4,395)
(ii) Movements in option reserve		
Balance at the beginning of period	1,857	1,662
Employee share option expense	6	212
Cancellation of employee share options	-	(17)
Balance at the end of the period	1,863	1,857
(iii) Movements in convertible note premium reserve		
Balance at the beginning of period	2,068	2,068
Balance at the end of the period	2,068	2,068
(iv) Movements in available-for-sale reserve		
Balance at the beginning of period	-	-
Net losses on available-for-sale investments	(48)	-
Balance at the end of the period	(48)	-
(v) Movements in equity reserve		
Balance at the beginning of period	1,069	1,069
Balance at the end of the period	1,069	1,069

Nature and purpose of reserves

(i) Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(ii) Option reserve
This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 26 for further details of these benefits.

(iii) Convertible note premium reserve
The convertible note premium reserve is used to record the equity component of the convertible notes.

(iv) Available-for-sale reserve
This reserve is used to record the increases and decreases in the fair value of available-for-sale investments. Refer to note 8 for further details of these assets.

(v) Equity reserve – purchase of non-controlling interest
This reserve is used to record differences between the consideration paid for acquiring the remaining non-controlling interest and the carrying value of net assets attributed to the non-controlling interest.

17 DIVIDENDS

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

18 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors

Mr AG Dew	Non-Executive Chairman (appointed 7 February 2014)
Mr BR Smith	Executive Director (appointed 7 February 2014)
Mr PL Gunzburg	Non-Executive Director (appointed 8 February 2010)
Mr PG Cordin	Non-Executive Chairman (appointed 20 March 2006, resigned 7 February 2014)
Mr KE Larsson	Acting CEO (appointed 1 June 2012, terminated 31 March 2014)
Dr MJ Mäkelä	Non-Executive Director (appointed 13 November 2008, resigned 19 March 2014)
Mr C Russenberger	Non-Executive Director (Appointed 18 November 2009, removed 7 February 2014)

Specified Executives

Mr JD Stewart	Chief Operating Officer (appointed 5 May 2014)
Mr NM Edwards	Chief Geologist (appointed 19 August 1996)
Mr DK Broughton	Chief Financial Officer (appointed 8 September 2014)
Mr MSC Cheng	Chief Financial Officer (appointed 16 March 2012, resigned 31 October 2014)

(b) Compensation of Key Management Personnel

	2014 $	2013 $
Key Management Personnel		
Short-term	1,832,282	1,830,756
Long-term	3,823	-
Post-employment	234,092	292,693
Termination benefits	21,022	
Share based payments	5,437	60,387
Total	**2,096,656**	**2,183,836**

19 REMUNERATION OF AUDITORS

The auditor of Dragon Mining Limited is Ernst & Young.

	2014 $	2013 $
Remuneration of Ernst & Young (Australia) for:		
- auditing or reviewing accounts	144,118	80,000
- tax consulting	108,680	20,326
- compliance services	-	47,169
	252,798	147,495
Remuneration of Ernst & Young (other than Australia) for:		
- auditing or reviewing accounts	85,083	101,762
- tax consulting	20,241	33,749
- compliance services	37,703	1,440
	143,027	136,951
Remuneration of non-Ernst & Young audit firms for:		
- tax consulting	-	39,200
- compliance services	-	-
	-	39,200

20 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options and dilutive convertible notes). There have been no post balance sheet movements impacting the diluted earnings per share.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014	2013 Restated
Basic earnings/(loss) per share		
Gain/(loss) used in calculation of basic earnings/(loss) per share ($'000)	7,756	(22,170)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	88,840,613	88,840,613
Basic gain/(loss) per share (cents)	8.73	(24.95)
Diluted earnings/(loss) per share		
Loss used in calculation of basic earnings/(loss) per share ($'000)	7,756	(22,170)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	88,840,613	88,840,613
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	88,840,613	88,840,613
Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS. These may be dilutive in future if exercised.	120,000	2,854,000
Diluted gain/(loss) per share (cents)	8.73	(24.95)

21 RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The consolidated financial statements include the financial statements of Dragon Mining Limited and the subsidiaries listed in the following table:

Name of Entity	Incorporation	Class	Equity Holding	
			2014 %	2013 %
Dragon Mining Investments Pty Ltd	Australia	Ordinary	100	100
Dragon Mining (Sweden) AB	Sweden	Ordinary	100	100
Viking Gold & Prospecting AB	Sweden	Ordinary	100	100
Dragon Mining Oy	Finland	Ordinary	100	100

(b) Transactions with related parties

(i) Eurogold Limited, of which Mr PL Gunzburg is the Executive Chairman, rents office premises from the Company on normal commercial terms and conditions. The rental amounted to $21,278 for the year ended 31 December 2014 (2013: $31,589)

(ii) The Company has effected Directors' and Officers' Liability Insurance.

(iii) In addition to his role as the Company's Chief Financial Officer, Mr D Broughton provides Chief Financial Officer service ("services") to ASX listed gold explorer, Tanami Gold NL ("Tanami"). Tanami is a Company of which Mr A Dew, the Company's Non-Executive Chairman, is also Non-Executive Director. The provision of services commenced from 8 September 2014 whereby the Company will charge Tanami for 50% of Mr D Broughton's salary cost. During the year, the Company charged Tanami $31,050 of which $25,000 was outstanding at 31 December 2014.

Associate

Dragon Mining has a 39.95% interest in Weld Range Metals Limited ("Weld Range Metals"), which owns the Weld Range tenements in Western Australia. Mr PL Gunzburg is a Director of Weld Range.

Dragon Mining continued to provide loans to Weld Range Metals to fund its share of project costs. Interest on the loan to Weld Range Metals is charged at the ANZ business mortgage rate plus 1% per annum. The loan has a fixed and floating charge over all of the assets of Weld Range Metals. Interest of $342,072 was charged for the year ended 31 December 2013 (2013: $321,476).

Dragon Mining has given an undertaking that the loan will not require repayment in cash unless adequate capital raisings are finalised by Weld Range Metals. Weld Range Metals is evaluating various capital raising opportunities to fund the development of the nickel and chromium laterite resources and further evaluate the iron and PGM targets.

Entity with significant influence over the Group

As at 31 December 2014, Allied Property Resources Limited ("APRL"), a wholly owned subsidiary of Allied Properties (HK) Limited, owns 21,039,855 ordinary shares for an interest of 23.68%.

Employees

Contributions to superannuation funds on behalf of employees are disclosed in note 2(g).

22 SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified its operating segments to be Sweden and Finland, on the basis of geographical location, different national regulatory environments and different end products. Dragon Mining (Sweden) AB, the primary entity operating in Sweden, produces gold bullion from the Svartliden Production Centre. Dragon Mining Oy in Finland produces gold concentrate from the Vammala Production Centre, processing ore from the Orivesi and Jokisivu Gold Mines.

Discrete financial information about each of these operating segments is reported to the Board and executive management team (the chief operating decision makers) on at least a monthly basis.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

Segment results include management fees and interest charged on intercompany loans, both of which are eliminated in the Group result. They also include foreign exchange movements on intercompany loans denominated in AUD, and external finance costs that relate directly to segment operations.

The segment results include derivative gains and losses relating to forward gold sales and foreign currency contracts entered into.

Unallocated corporate costs are non-segmental expenses such as head office expenses and finance costs that do not relate directly to segment operations.

Major customers

The Group has one major customer to which it provides gold concentrate from the Vammala Production Centre in Finland. In addition, the Company also sold gold on-market through third parties (Argor Heraeus and Macquarie Bank).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 SEGMENT INFORMATION (continued)

	Sweden 2014 $'000	Finland 2014 $'000	Total 2014 $'000
Segment revenue			
Gold sales to external customers	39,090	39,661	78,751
Inter-segment	-	8,550	8,550
Interest revenue	218	-	218
Other revenue	1	649	650
Elimination of inter-segment revenue	-	-	(8,550)
Elimination of inter-segment interest revenue			(192)
Unallocated interest revenue	-	-	433
Total revenue	**39,309**	**48,860**	**79,860**
Segment interest expense	29	21	49
Depreciation and amortisation	3,173	2,156	5,329
	3,173	**2,156**	**5,329**
Segment result			
Pre-tax segment result	5,490	24,570	30,060
Income tax expense	(164)	-	(164)
Post tax segment result	**5,326**	**24,570**	**29,896**
Unallocated items:			
Corporate interest revenue			433
Elimination of inter-company debt forgiveness in segment results			(21,201)
Other corporate income			(96)
Corporate costs			(2,464)
Finance costs			(6)
Elimination of inter-company interest expense and management fees in segment results			1,194
Profit after tax as per the Consolidated Statement of Profit or Loss			**7,756**
Segment assets	**17,930**	**23,984**	**41,914**
Unallocated items:			
Available-for-sale investments			-
Other corporate assets			4,427
Total assets			**46,341**
Segment acquisitions of non-current assets	246	2,933	3,179
Unallocated items:			
Corporate and other acquisitions	-	-	4
	246	**2,933**	**3,183**

	Australia 2014 $'000	Sweden 2014 $'000	Finland 2014 $'000	Total 2014 $'000
Non-current assets by geographic location	**71**	**6,484**	**7,745**	**14,300**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 SEGMENT INFORMATION (continued)

	Sweden 2013 $'000	Finland 2013 $'000	Total 2013 $'000
Segment revenue			
Gold sales to external customers	52,479	33,449	85,928
Inter-segment	-	364	364
Interest revenue	45	-	45
Other revenue	2	484	486
Elimination of inter-segment revenue	-	-	(364)
Unallocated interest revenue	-	-	357
Total revenue	**52,526**	**34,297**	**86,816**
Segment interest expense	850	1,964	2,814
Depreciation and amortisation	12,918	6,521	19,439
Exploration expenditure written off	-	1,943	1,943
Development expenditure written off	76	-	76
Impairment of development	-	2,433	2,433
Impairment of PP&E	-	540	540
Impairment of mine properties	-	12,233	12,233
Impairment of buildings	-	173	173
Write down of inventories	6,334	-	6,334
	19,328	**23,843**	**43,171**
Segment result			
Pre-tax segment result	(1,074)	(24,467)	(25,541)
Income tax expense	(1,969)	-	(1,969)
Post tax segment result	**2,643**	**(24,467)**	**(27,110)**
Unallocated items:			
Corporate interest revenue			357
Other corporate income			12,288
Corporate costs			(11,063)
Finance costs			(9)
Unallocated treasury losses			-
Elimination of inter-segment sales			1
Elimination of inter-company interest expense and management fees in segment results			3,366
Profit after tax as per the Consolidated Statement of Profit or Loss			**(22,170)**
Segment assets	**20,976**	**20,201**	**41,177**
Unallocated items:			
Available-for-sale investments			-
Other corporate assets			2,932
Total assets			**44,109**
Segment acquisitions of non-current assets	2,010	4,452	6,462
Unallocated items:			
Corporate and other acquisitions	-	-	26
	-	-	**6,488**

	Australia 2013 $'000	Sweden 2013 $'000	Finland 2013 $'000	Total 2013 $'000
Non-current assets by geographic location	**70**	**10,401**	**7,118**	**17,589**

23 FARM IN AND FARM OUT ARRANGEMENTS

Harspund joint venture

On 11 August 2014, the Company announced that, as part of its on-going process to manage available cash and focus on advanced assets that would prolong operational life at its established Production Centres in the near term, it withdrew from the Harspund Joint Venture in northern Sweden with no retained interest.

Hanhimaa earn-in agreement (diluting to 30% Interest)

The Hanhimaa Gold Project covers portion of the highly prospective Central Lapland Greenstone Belt. The near contiguous tenement holding principally encompasses the 20 kilometre long north-south trending Hanhimaa Shear Zone, 10 kilometres west of the Kittila Gold Mine.

In February 2013, the Company executed the Hanhimaa Earn-In Agreement with Agnico Eagle Mines Limited ("Agnico Eagle) whereby Agnico Eagle can earn up to 70% interest in the Hanhimaa Gold Project in Northern Finland with the staged expenditure of €9.0 million.

In November 2013, the Company and Agnico Eagle reach agreement to amend the Hanhimaa Earn-In Agreement, whereby the Stage 1 earn-in period and the period to expend the minimum expenditure commitment have both been extended by periods of twelve months.

Under the amended terms of the Agreement, Agnico Eagle can expend €5.0 million within 4 years of the commencement date to earn a 51% interest in the Hanhimaa Gold Project. Upon earning the 51% interest Agnico Eagle can then elect to earn an additional 19% by expending a further €4.0 million within 3 years of completion of the stage 1 earn-in period. Agnico Eagle will be the manager during the earn-in and can withdraw at any time following expenditure of €1.5 million within 24 months of the commencement date.

24 EXPENDITURE COMMITMENTS

(a) Exploration commitments

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

	2014 $'000	2013 $'000
Within one year	46	537
One year or later and no later than five years	390	4,055
More than five years	-	-
	436	4,592

24 EXPENDITURE COMMITMENTS (continued)

(b) Capital commitments

Commitments relating to the acquisition of equipment contracted for but not recognised as liabilities are as follows:

	2014 $'000	2013 $'000
Within one year	90	626
One year or later and no later than five years	-	-
	90	626

(c) Operating lease expense commitments

Future operating lease commitments not provided for in the financial statements are as follows:

	2014 $'000	2013 $'000
Within one year	17	-
One year or later and no later than five years	16	-
	33	-

(d) Remuneration commitments

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

	2014 $'000	2013 $'000
Within one year	472	170
	472	170

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Directors and executives referred to in the Remuneration Report section of the Directors' Report that are not recognised as liabilities and are not included in the Directors' or executives' remuneration.

25 CONTINGENT ASSETS AND LIABILITIES

Finland

On 23 May 2014, the Company signed a Definitive Purchase Agreement ("DPA") with the listed Canadian entity Aurion Resources Limited (TSX-V:AU) ("Aurion"), whereby Aurion can acquire a 100% interest in two of the Company's non-core projects, Kutuvuoma and Silasselkä ("Projects"), in northern Finland.

The Payment Schedule from the original Letter of Intent, as announced to the ASX on 5 March 2014, "Aurion to Acquire Northern Finland Projects from Dragon Mining", was re-negotiated to better reflect the status of the tenements that comprise the Projects. The updated Payment Schedule in the DPA and as announced to the ASX on the 26 May 2014, "Purchase Agreement Executed for Sale of Northern Finland Projects", is provided in Table 1.

Table 1 – Payment Schedule

	(1)*Conditions Precedent fulfilled*	**(2)*Kutuvuoma Claim Applications***	**(3)*Silasselkä Claim Applications***	**(4)*3rd anniversary of 2 and 3***
Common Shares	2,000,000	1,000,000	1,000,000	2,000,000

(1) Signing, subject to fulfilment of the conditions precedent of:

- Aurion receiving all approvals required by the TSX Venture Exchange; and
- Turvallisuus ja kemikaalivirasto ("Tukes") accepting the bond proposal of Dragon Mining for the Kutuvuoma Mining Licence without material change.

(2) Upon the Kutuvuoma Claim Applications 4-21 becoming valid;

(3) Upon the Silasselkä Claim Applications1-19 becoming valid; and

(4) The third anniversary of the Kutuvuoma Claims 4-21 and the Silasselkä Claims 1-19 becoming valid, and subject to Aurion expending EUR 1.0 million on the projects over 3 years in accordance with the payment schedule or sooner at Aurion's discretion.

The initial tranche of 2 million Consideration Shares to be received by the Company will be escrowed for 18 months, from the date of issuance of the shares. Any other Consideration Shares received by the Company within 18 months of the date of issuance of the initial tranche of shares shall also be escrowed for the remaining portion of the 18 month period.

In addition, the Company will retain a 3% Net Smelter Royalty ("NSR") on any deposit mined which can be purchased at any time on or before the sixth anniversary with a one off payment of €4.0 million or 1% of the NSR any time after the tenth anniversary with a one off payment of €4.0 million on the basis that the Company has not sold the NSR to a third party at any time after the sixth anniversary of the signing of the Agreement.

Aurion will also make bonus payments to Dragon Mining of €2.0 million in cash or equivalent in Aurion Common Shares for the defining of one million ounces of gold equivalent material that is categorised as Measured and Indicated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") or National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI43-101"). Further bonus payments of €1.0 million in cash or equivalent in Aurion Common Shares will be made to Dragon Mining for the defining of every additional one million ounces of gold equivalent material that is categorised as Measured and Indicated in accordance with the JORC Code or NI43-101.

On 15 September 2014, the Company announced to the ASX, "Initial Tranche of Shares in Aurion Issued", that the initial tranche of 2 million Common Shares in Aurion had been issued in accordance with the terms of the DOA, following the successful attainment of the required Conditions Precedent.

On the 26 November 2014, the Company announced to the ASX, "Second Tranche of Shares in Aurion Issued", that the second tranche of 1 million Common Shares in Aurion had been issued in accordance with the terms of the DPA, following the seventeen Claims that comprise the Silasselkä project becoming valid.

25 CONTINGENT ASSETS AND LIABILITIES (continued)

In December 2014, the Company were advised that the eighteen Claims that comprise the Kutuvuoma project became valid. The Company advised Aurion of this outcome and in accordance with the DPA the third tranche of 1 million Common Shares are due to be issued to the Company.

26 SHARE-BASED PAYMENT PLANS

Director and executive share options

An employee option plan has been established where executives and members of staff of the consolidated entity are issued with options over the ordinary shares of Dragon Mining. The options, issued for nil consideration, are issued in accordance with the terms and conditions of the shareholder approved Dragon Mining Group Incentive Option Plan. The options do not provide any dividend or voting rights. The options are not quoted on ASX.

The following share options were on issue as at 31 December 2014:

Option series	Number	Grant Date	Vesting date	Expiry date	Exercise Price	Fair value at grant date
7 June 2012 (i)	120,000	7 June 2012	(i)	7 June 2015	$1.45	$0.23
Options balance at end of year	120,000					

(i) These options were issued to key employees in accordance with the Dragon Mining Group Employee Incentive Option Plan. 45,000 options vested on 7 June 12, 45,000 options vested on 7 June 13 and 30,000 options vest on 7 June 14.

During the year, no options were exercised.

During the year, 2,054,000 options held by former and current employees of the Company expired or lapsed unexercised due to resignation or have been cancelled by agreement for nil consideration.

(i) Balance at end of period

The following table reconciles the outstanding share options granted at the beginning and the end of the period:

WAEP = weighted average exercise price

	2014		2013	
	Number	WAEP	Number	WAEP
Balance at beginning of year	2,854,000	$1.42	2,754,000	$1.51
Granted	-	-	400,000	$1.00
Forfeited	(840,000)	$1.63	(300,000)	$1.67
Lapsed	(1,894,000)	$1.35	0	$0.00
Balance at end of year(ii)	120,000	$1.45	2,854,000	$1.42
Exercisable at the end of year	120,000	$1.45	2,564,000	$1.45

(ii) Option valuation

The 120,000 options on issue at the end of the period were granted 7 June 2012 and were valued using Black Scholes option valuation methodology. The significant assumptions used in the valuations at that time were:

- Expected life of option: 3 years;
- Dividend yield: 0%;
- Volatility: 71%;
- Risk free rate: 2.4% per annum;
- Underlying security spot price: $0.75;
- Exercise price: $1.45; and
- Valuation per option: $0.23.

	2014 $'000	2013 $'000
Expense for employee options which vested during the year	6	212

27 FINANCIAL INSTRUMENTS

(a) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and commodity price risk), credit risk, liquidity risk, and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks, where considered appropriate, to minimise potential adverse effects on financial performance without limiting the Group's potential upside.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign currency and gold price risk and assessments of market forecasts for foreign exchange and gold prices. Liquidity risk is measured through the development of rolling future cash flow forecasts at various gold prices and foreign exchange rates.

Risk management is carried out by executive management with guidance from the Audit and Risk Management Committee under policies approved by the Board. The Board also provides regular guidance for overall risk management, including guidance on specific areas, such as mitigating commodity price, foreign exchange, interest rate and credit risks, by using derivative financial instruments.

The consolidated entity also has a risk management programme to manage its financial exposures that includes, but is not limited to, the use of derivative products, principally forward gold sales and foreign currency contracts. The Company does not enter into financial instruments, including derivative financial instruments, for trade or speculative purposes.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in economic derivatives, hedging coverage of foreign currency and gold, credit allowances, and future cash flow forecast projections.

(b) Instruments recognised at amounts other than fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements at amortised cost represents their respective net fair values.

(c) Fair values for instruments recognised at fair value

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset and liability, whether directly (as prices) or indirectly (derived from prices); and
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as methods used to estimate the fair market value are summarised in the table below.

27 FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2014				As at 31 December 2013			
	Quoted market price (level 1)	Valuation technique – market observable inputs (level 2)	Valuation technique – non market observable inputs (Level 3)	Total	Quoted market price (level1)	Valuation technique – market observable inputs (level 2)	Valuation technique – non market observable inputs (Level 3)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale assets	126	-	-	126	-	-	-	-
Financial liabilities								
Financial derivative liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices (level 1).

For financial instruments not quoted in active markets, the Company uses a valuation technique such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs (level 2).

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk are not observable, the derivative would be classified as based on non-observable market inputs (Level 3).

There were no transfers between Level 1 and Level 2 during the year.

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposures to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Credit risk is managed on a Group basis. Credit risk predominately arises from cash, cash equivalents, derivative financial instruments, deposits with banks and financial institutions and gold concentrate receivables.

While the Group has policies in place to ensure that sales of its products are made to customers with an appropriate credit history, it does have a concentration of credit risk in relation to its gold concentrate sales in Finland due to dependence for a significant volume of its sales revenues on a few principal buyers. There is generally a six week delay between shipment of gold concentrate and payment from a gold concentrate customer. The Company reduces its credit risk in relation to gold concentrate receivables in Finland by insuring 90% of the nominal value of an assigned or internal invoice with a reputable high credit quality Nordic financial institution.

However, as invoices are raised at the end of each month and shipments occur frequently throughout the month, there is credit exposure to the smelting company for the value of one month of shipments as insurance coverage commences when an invoice is raised.

27 FINANCIAL INSTRUMENTS (continued)

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to Board approval. Refer to note 13 for information on guarantees provided.

In relation to managing other potential credit risk exposures, the Group has in place polices that aim to ensure that derivative counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to any one financial institution is limited as far as is considered commercially appropriate.

The credit quality of financial assets that are neither past due or not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014 $'000	2013 $'000
Cash and cash equivalents		
Counterparties with external credit ratings		
AA-	14,989	5,841
A+	-	-
A	62	54
A-	-	-
Total cash and cash equivalents	15,051	5,895
Trade and other receivables		
Counterparties with external credit ratings		
AAA	-	-
AA-		6,532
A+	-	-
A-	-	-
Counterparties without external credit ratings		
Counterparties with no defaults in the past	11,626	3,245
Total trade and other receivables	11,626	9,777

For the purposes of determining credit exposures on receivables, receivable amounts that have been factored are evaluated against the credit rating of the factoring bank, where the factored amount is insured.

Environmental and other bonds		
Counterparties with external credit ratings		
AAA	5,460	5,789
A+	-	-
A-	-	-
Counterparties without external credit ratings		
Counterparties with no defaults in the past	-	-
Total trade and other receivables	5,460	5,789

27 FINANCIAL INSTRUMENTS (continued)

(e) Interest Rate Risk

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the year ended 31 December 2014, the majority of the Group's borrowings have been denominated in Euro (EUR).

At balance date, the Group had the following financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

	2014				**2013**			
	Floating interest rate	**Non-interest bearing**	**Total**	**Average int. rate**	**Floating interest rate**	**Non-interest bearing**	**Total**	**Average int. rate %**
Financial assets								
Cash and cash equivalents	15,051	-	15,051	2.04	5,895	-	5,895	2.04
Asset held for sale	-	-	-	-	-	-	-	-
Environmental bonds	5,460	-	5,460	-	5,789	-	5,789	0.7
	20,511	**-**	**20,511**		**11,684**	**-**	**11,684**	
Financial liabilities								
Bank loans	-	-	-	-	-	-	-	-
Factoring facility drawn down (i)	-	-	-	-	2,131	-	2,131	1.51
	-	**-**	**-**	**-**	**2,131**	**-**	**2,131**	

(i) The factoring facility is denominated in USD with the benchmark interest rate at one week Libor plus 1.35%.

The Group's policy is to manage its exposure to interest rate risk by holding cash in short term, fixed and variable rate deposits with reputable high credit quality financial institutions.

The liability associated with the factoring facility are short term, the Company has no short-term intentions to enter into interest rate swaps.

The Group constantly analyses its interest rate exposure. Consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27 FINANCIAL INSTRUMENTS (CONTINUED)

(f) Foreign exchange risk

As the Group sells its bullion and gold concentrate in USD and the majority of costs are denominated in Swedish Krona (SEK) and Euro (EUR), an appreciating EUR and SEK, or a weakening USD dollar exposes the Group to risks related to movements in the USD:SEK and USD:EUR exchange rates.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

As part of the risk management policy of the Group, financial instruments (foreign exchange forwards) are used from time to time to reduce exposure to unpredictable fluctuations in the USD:SEK and USD:EUR exchange rates. Within this context programs undertaken are structured with the objective of minimising the Groups exposure to these fluctuations.

The value of these financial instruments at any point in time will, in times of volatile market conditions, show substantial variation over the short-term. The facilities provided by the Group's various counterparties do not contain margin calls. The Group does not hedge account for these instruments as at balance date.

The Company and Group's financial performance is also affected by movements in AUD:SEK and AUD:EUR. In accordance with the requirements of the Australian Accounting Standards, exchange gains and losses on intercompany loans that do not form part of the Company's net investment in foreign operations are recognised in the Consolidated Statement of Profit or Loss.

For the year ended 31 December 2014 the Company did not enter into or hold any foreign exchange derivatives.

At balance date, the Group had the following exposure to foreign currencies on financial instruments that are not designated as cash flow hedges:

(i) USD

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	2,760	3,493
Trade receivables	7,304	7,235
	10,064	**10,728**
Financial liabilities		
Factoring facility drawn down		2,148
Trade and other payables	15	-
	15	2,148
Net exposure	**10,049**	**8,580**

(ii) EUR

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	4	565
	4	**565**
Financial liabilities		
Trade and other payables	103	79
Net exposure	**(99)**	**79**

At the date of this report the Company did not hold enter into or hold any currency derivatives.

27 FINANCIAL INSTRUMENTS (continued)

(g) Commodity price risk

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group, a variety of financial instruments (such as gold forwards and gold call options) are used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. Within this context the programs undertaken are structured with the objective of maximising the Groups' revenue from gold sales, but in any event, limiting derivative commitments to no more than 50% of the Groups' gold Reserves. The value of these financial instruments at any point in time will, in times of volatile market conditions, show substantial variation over the short-term.

For the year ended 31 December 2014 the Company did not enter into or hold any commodity derivatives.

(h) Sensitivity analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk, foreign exchange risk and gold price risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax profit and equity would have been affected as shown. The analysis has been performed on the same basis for 2014 and 2013.

31 December 2014		**Interest rate risk**		**Interest rate risk**	
		-1%		**+1%**	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets	Note				
Cash and cash equivalents	i	(151)	(151)	151	151
Receivables from associates	iii	(27)	(27)	27	27
Government bonds	v	(55)	(55)	55	55
Financial liabilities					
Interest-bearing loans and borrowings	viii	-	-	-	-
Total (decrease) / increase		(233)	(233)	233	233

31 December 2013		**Interest rate risk**		**Interest rate risk**	
		-1%		**+1%**	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets	Note				
Cash and cash equivalents	i	(59)	(59)	59	59
Receivables from associates	iii	-	-	-	-
Government bonds	v	(27)	(27)	27	27
Financial liabilities					
Interest-bearing loans and borrowings	viii	21	21	(21)	(21)
Total (decrease) / increase		(65)	(65)	65	65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27 FINANCIAL INSTRUMENTS (continued)

(h) Sensitivity Analysis (continued)

31 December 2014

		Foreign exchange		Foreign exchange		Gold price		Gold price	
		-10%		+10%		-10%		+10%	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets	Note								
Cash and cash equivalents	i	276	276	(276)	(276)	-	-	-	-
Trade and other receivables	ii	730	730	(730)	(730)	-	-	-	-
Asset held for sale	iii	-	-	-	-	-	-	-	-
Intercompany loans	iv	3,377	3,377	(3,377)	(3,377)	-	-	-	-
Government bonds	v	-	-	-	-	-	-	-	-
Financial liabilities									
Gold forward contracts	vi	-	-	-	-	-	-	-	-
Currency forward contracts	vii	-	-	-	-	-	-	-	-
Interest-bearing loans and borrowings	viii	-	-	-	-	-	-	-	-
Total increase / (decrease)		4,383	4,383	(4,383)	(4,383)	-	-	-	-

i. Cash and cash equivalents include deposits at call at floating and short-term fixed interest rates.
ii. Trade receivables include AUD 7.3 million of gold concentrate receivables denominated in USD.
iii. Assets held for sale are denominated in AUD and are at floating interest rates. The receivable has been fully impaired.
iv. Intercompany loans are denominated in AUD, SEK and EUR. Though these loans are eliminated upon consolidation, changes in the value of the loans due to movements in exchange rates will have an effect on the consolidated result, since in accordance with Australian Accounting Standards, exchange gains or losses on intercompany loans that do not form part of a reporting entity's net investment in a foreign operation are recognised in the Consolidated Profit or Loss and Other Comprehensive Income.
v. Interest bearing environmental cash bonds that have been deposited with Swedish and Finnish government authorities.
vi. Gold forward contracts are denominated in USD.
vii. Currency forward contracts are denominated in USD: EUR.
viii. Interest bearing loans and borrowings are denominated in EUR.

31 December 2013

		Foreign exchange		Foreign exchange		Gold price		Gold price	
		-10%		+10%		-10%		+10%	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets	Note								
Cash and cash equivalents	i	526	526	(526)	(526)	-	-	-	-
Trade and other receivables	ii	723	723	(723)	(723)	-	-	-	-
Asset held for sale	iii	-	-	-	-	-	-	-	-
Intercompany loans	iv	13,339	13,339	(13,339)	(13,339)	-	-	-	-
Government bonds	v	-	-	-	-	-	-	-	-
Financial liabilities									
Gold forward contracts	vi	-	-	-	-	-	-	-	-
Currency forward contracts	vii	-	-	-	-	-	-	-	-
Interest-bearing loans and borrowings	viii	(215)	(215)	215	215	-	-	-	-
Total increase / (decrease)		14,373	14,373	(14,373)	(14,373)	-	-	-	-

i. Cash and cash equivalents include deposits at call at floating and short-term fixed interest rates.
ii. Trade receivables include AUD7.2 million of gold concentrate receivables denominated in USD.
iii. Asset held for sale are denominated in AUD and are at floating interest rates.
iv. Intercompany loans are denominated in AUD, SEK and EUR. Though these loans are eliminated upon consolidation, changes in the value of the loans due to movements in exchange rates will have an effect on the consolidated result, since in accordance with Australian Accounting Standards, exchange gains or losses on intercompany loans that do not form part of a reporting entity's net investment in a foreign operation are recognised in profit or loss.
v. Interest-bearing environmental cash bonds that have been deposited with Swedish and Finnish government authorities.
vi. Gold forward contracts are denominated in USD.
vii. Currency forward contracts are denominated in USD: SEK and USD: EUR.
viii. Interest bearing loans and borrowings are denominated in EUR and USD

27 FINANCIAL INSTRUMENTS (continued)

(i) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and equity raisings.

The contractual maturities of the Group's financial liabilities are as follows:

	2014 $'000	2013 $'000
Within one year	5,869	9,155
Due between one and five years	-	-
	5,869	9,155

For derivative financial instruments the market value is presented, while for all other obligations undiscounted cash flows for the respective years are presented.

Management and the Board monitor the Group's liquidity reserve on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the Board includes:

- Annual cash flow budgets;
- Five year cash flow forecasts; and
- Monthly rolling cash flow forecasts.

28 SIGNIFICANT EVENTS AFTER PERIOD END

On 2 January 2015, the Company announced it had executed a Share Sale Agreement ("Agreement") with Ausinox plc ("Ausinox") to sell the Company's 39.95% interest in Weld Range Minerals Limited ("Weld Range"). The Agreement supersedes the Share Buy Back Agreement executed with Weld Range and pursuant to the Agreement:

- Ausinox will buy 10,311,834 Weld Range shares from the Company;
- In addition, the debt Weld Range currently owes the Company of $3.79 million comprising principal and accrued interest to 30 June 2014 will be assigned to Ausinox; and
- Consideration payable to the Company by Ausinox will be A$1 million.

On 6 February 2015, the Company announced it had extended the completion date of the Agreement from 31 January 2015 to 28 February 2015. In light of this announcement, the Company further expects to extend the completion date of the Agreement from 28 February 2015 to 31 March 2015.

On 13 January 2015, the Company announced that the third tranche of Common Shares in Canadian explorer, Aurion Resources Limited ("Aurion") were issued following the eighteen Claims that comprise portion of the Kutuvuoma project becoming valid. The third tranche of 1,000,000 Common Shares increased the Company's holding to 4,000,000 shares, which represents a 9.40% holding in Aurion. The shares are escrowed for 18 months from the date of issuance of the initial tranche of Common Shares in Aurion on 8 September 2014.

On 4 February 2015, the Company announced that it had executed a conditional Sale and Purchase Agreement ("Agreement") with the Bankruptcy Estate of Lappland Goldminers Fäboliden AB ("Bankruptcy Estate") to acquire the Fäboliden Gold Prospect in Northern Sweden. The acquisition will deliver ownership of the Fäboliden Gold Deposit to the Company which will provide a potential source of open pittable material that would be processed at the Svartliden Production Centre. In consideration for the acquisition the Company will make staged payments totalling 40 million SEK (approximately A$6.32 million) to the Bankruptcy Estate subject to certain conditions precedent being met. If the conditions precedent are not met within 2 years of execution of the Agreement, the Agreement shall be considered void and the payments reversed less 0.25 million SEK (approximately A$0.04 million) which will be retained by the Bankruptcy Estate.

On 4 February 2015, the Company announced that it had reached agreement with Agnico Eagle to further amend the Hanhimaa Earn-In Agreement, whereby the Stage 1 Earn-In Period has been extended by a period of 2 years. Under the amended terms Agnico Eagle can earn up to 70% interest in the Hanhimaa Gold Project in northern Finland with staged expenditure over 9 years. Agnico Eagle are the managers during the earn-in and can now withdraw at any time, having achieved the minimum expenditure level of €1.5 million.

29 PARENT ENTITY DISCLOSURE

Financial position of the parent entity at year end	2014 $'000	2013 $'000
Current assets	4,357	2,863
Total assets	8,807	13,185
Current liabilities	411	167
Total liabilities	442	246
Issued capital	119,992	119,992
Retained earnings	(115,252)	(110,982)
Option reserve	1,863	1,858
Convertible note premium reserve	2,068	2,068
Total shareholder's equity	**8,671**	**12,939**

Loss after tax of the Parent entity	**(4,270)**	**(40,337)**
Total comprehensive loss of the parent entity	**(4,270)**	**(40,337)**

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Dragon Mining Limited (the Company), I state that:

1. In the opinion of the Directors:

a) The Consolidated Financial Statements and notes and the Remuneration Report set out in note 14 in the Directors' report are 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 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b)

c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 31 December 2014.

On behalf of the Board

Mr PL Gunzburg
Non-Executive Director
27 February 2015

Building a better
working world

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Independent auditor's report to the members of Dragon Mining Limited

Report on the financial report

We have audited the accompanying financial report of Dragon Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of 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 directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

a. the financial report of Dragon Mining Limited is 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 2014 and of its performance for the year ended on that date

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(c).

Report on the remuneration report

We have audited the remuneration report included in pages 11 to 17 of the directors' report for the year ended 31 December 2014. 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.

Opinion

In our opinion, the Remuneration Report of Dragon Mining Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
27 February 2015

ASX additional information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 9 March 2015.

Statement of listed shareholdings

The distribution of fully paid ordinary shares in the Company is as follows:

Spread of holdings	Number of holdings	Number of Units	Total Issued Capital %
1–1,000	601	311,126	0.35
1,001–5,000	622	1,603,196	1.80
5,001–10,000	180	1,406,376	1.58
10,001–100,000	213	7,044,220	7.93
100,001 and over	49	78,475,695	88.33
Total	**1,665**	**88,840,613**	**100.00**

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,044 (being 3,125 as at 9 March 2015).

Statement of option holdings

There are no options on issue.

Voting rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options do not carry any voting rights.

Top 20 registered holders of ordinary shares

Rank	Name	Number of shares	% Shares
1	JP Morgan Nominees Australia Limited	24,196,322	27.24
2	Nefco Nominees Pty Ltd	21,039,855	23.68
3	Sun Hung Kai Investment Services Ltd <Client <Client Future Rise Inv A/C>	10,733,560	12.08
4	HSBC Custody Nominees (Australia) Limited	8,557,361	9.63
5	Marford Group Pty Ltd	1,638,227	1.84
6	Mr Peter Alfred Ternes	1,250,000	1.41
7	Citicorp Nominees Pty Limited	711,302	0.80
8	Mr Robert Byrne & Mrs Michelle Ann Byrne	540,000	0.61
9	Mr Steven Samuel Zoellner	532,185	0.60
10	UOB Kay Hian (Hong Kong) Limited <Clients A/C>	506,000	0.57
11	Mr Ryan Macfadyen Pty Ltd <Macfadyen S/F A/C>	500,000	0.56
12	Ms Yi Min Tang	429,064	0.48
13	Mr Ianaki Semerdziev	409,500	0.46
14	Mrs Betty Calaghan	370,500	0.42
15	Cordin Pty Ltd <The Cordin Super Fund>	354,546	0.40
16	Mrs Liliana Teofilova	343,000	0.39
17	Mr Wolfgang Feldhus AM Oberen Muhlbach 10	300,000	0.34
18	Gold Elegant (HK) Investment Limited	300,000	0.34
19	Running Water Limited	300,000	0.34
20	National Nominees Limited <DB A/C>	294,141	0.33
	Total	**73,305,563**	**82.51**

Substantial shareholders

The substantial shareholders pursuant to the provisions of the Corporations Act are as follows:

Name	Effective Date of last Substantial Shareholder Notice	Number of Shares	% of Contributing Shares
Nicolas Mathys	15 March 2012	15,287,486	17.21
Sun Hung Kai Investment Services Ltd Account of Future Rise Investment Limited	20 May 2013	10,666,760	12.00
COL Capital Limited Account of Future Rise Investment Limited	23 December 2013	10,733,560	12.08
Allied Properties Resources Limited	3 October 2014	21,039,855	23.68

On-Market Buy Back

There is no current on-market buy

TENEMENT REGISTER

Project		Tenements		Held at 31 March 2015	Area
	ID	Name	Type	%	ha
SWEDEN					
Svartliden		Svartlidengruvan K nr 1	EC	100	87.54
	2006:351	Pauträsk nr 4	EP	100	534.96
	2012:45	Alsträsket nr 2	EP	100	2,604.11
	2013:67	Tallberget nr 4	EP	100	2,321.59
	Total				**5,548.20**
Fäboliden (Note 1)		Fäboliden K nr 1	EC	0	122.00
	2010:75	Fäboliden nr 10	EP	0	508.15
	2014:1	Fäbodliden nr 72	EP	0	83.21
	2014:2	Fäbodliden nr 82	EP	0	230.55
	2014:4	Svannäs nr 12	EP	0	795.66
	2012:144	Råberget	EP	100	3,895.34
	Total				**5,634.91**
FINLAND					
Orivesi	2676	Seri	MC	100	39.82
	ML2013:0006-01H	Sarvisuo 1-2	EL	0	43.80
	8352/1	Sarvisuo 3	Claim	100	93.70
	9245/1	Yläinensilmäke	Claim	100	10.26
	Total				**187.58**
Jokisivu	7244	Jokisivu	MC	100	48.32
	ML2012:0112-01H	Jokisivu 4-5	EL	100	90.82
	8768/1	Jokisivu 6	Claim	100	4.22
	8970/1	Jokisivu 7	Claim	100	6.70
	8970/2	Jokisivu 8	Claim	100	26.40
	Total				**176.46**
Vammala	1895	Stormi	MC	100	157.53
	ML2014:0049-01H	Kärmeenmaa	EL	0	78.00
	Total				**235.53**
Kaapelinkulma	K7094	Kaapelinkulma	MC	0	66.54
	Total				**66.54**
Kuusamo	3965	Juomasuo	MC	100	54.96
	4909	Meurastuksenaho	MC	100	13.78
	4013	Sivakkaharju	MC	100	3.62
		Petäjävaara	EL	0	937.79

	ML2011:0021-01H	Hangaslampi 13	EL	0	409.36
	ML2011:0022-01H	Ollinsuo 1-2	EL	0	1436.38
	ML2012:0056-01H	Hangaslampi 14	EL	0	36.46
	ML2014:0115-01H	Hangaslampi	EL	0	581.11
	ML2014:0116-01H	Kontti-mutka 1-6	EL	0	904.84
	VA2013:0031-01	Salmijärvi	Res	100	3,735.69
	VA2014:0044-01H	Hangaslehto	Res	100	6,753.10
	VA2013:0061-01	Korkeaharjunsuo	Res	100	715.88
	Total				**15,582.97**
Hanhimaa Joint Venture (Note 2)	8536/1	Kello 54	Claim	100	99.91
	8536/10	Kello 63	Claim	100	99.79
	8536/11	Kello 64	Claim	100	93.71
	8536/12	Kello 65	Claim	100	97.48
	8536/13	Kello 66	Claim	100	99.42
	8536/14	Kello 67	Claim	100	99.44
	8536/15	Kello 68	Claim	100	99.02
	8536/16	Kello 69	Claim	100	99.23
	8536/17	Kello 70	Claim	100	98.52
	8536/18	Kello 71	Claim	100	68.00
	8536/19	Kello 72	Claim	100	86.25
	8536/2	Kello 55	Claim	100	99.90
	8536/20	Kello 73	Claim	100	98.04
	8536/21	Kello 74	Claim	100	92.81
	8536/22	Kello 75	Claim	100	83.02
	8536/3	Kello 56	Claim	100	99.90
	8536/4	Kello 57	Claim	100	99.90
	8536/5	Kello 58	Claim	100	99.94
	8536/6	Kello 59	Claim	100	98.77
	8536/7	Kello 60	Claim	100	99.92
	8536/8	Kello 61	Claim	100	98.84
	8536/9	Kello 62	Claim	100	99.93
	ML2011:0005-01	Kielisenmaa	EL	100	1497.07
	ML2011:0065-01	Kello 12	EL	100	2308.13
	8816/2	Kello 80	Claim	100	99.48
	8816/3	Kello 81	Claim	100	99.94
	9116/1	Kello 82	Claim	100	99.93
	9116/2	Kello 83	Claim	100	99.89
	9116/3	Kello 84	Claim	100	99.94
	9116/4	Kello 85	Claim	100	99.99
	9116/5	Kello 86	Claim	100	99.97
	9116/6	Kello 87	Claim	100	99.89
	9116/7	Kello 88	Claim	100	99.94
	ML2012:0173-01H	Kello 47	EL	100	291.24

	ML2014:0010-01H	Kello 51-53	EL	0	168.44
	ML2012:0095-01	Suksee 2-16	EL	100	1,418.49
	ML2013:0060-01H	Suksee 1	EL	100	99.05
	Total				**8,793.13**
Kutuvuoma (Note 3)	4843	Kutuvuoma	MC	100	41.43
	9129/1	Kutuvuoma 4	Claim	100	99.72
	9129/2	Kutuvuoma 5	Claim	100	99.80
	9275/1	Kutuvuoma 6	Claim	100	99.58
	9275/10	Kutuvuoma 15	Claim	100	98.39
	9275/11	Kutuvuoma 16	Claim	100	73.35
	9275/12	Kutuvuoma 17	Claim	100	83.01
	9275/13	Kutuvuoma 18	Claim	100	98.87
	9275/14	Kutuvuoma 19	Claim	100	99.26
	9275/15	Kutuvuoma 20	Claim	100	97.12
	9275/16	Kutuvuoma 21	Claim	100	90.93
	9275/2	Kutuvuoma 7	Claim	100	98.49
	9275/3	Kutuvuoma 8	Claim	100	99.23
	9275/4	Kutuvuoma 9	Claim	100	99.79
	9275/5	Kutuvuoma 10	Claim	100	99.85
	9275/6	Kutuvuoma 11	Claim	100	99.82
	9275/7	Kutuvuoma 12	Claim	100	98.64
	9275/8	Kutuvuoma 13	Claim	100	99.17
	9275/9	Kutuvuoma 14	Claim	100	99.73
	VA2014:0009-01	Kutuvuoma-North	Res	100	993.14
	VA2014:0029-01	Kutuvuoma-South	Res	100	3,264.57
	Total				**6,033.89**
Silasselkä (Note 3)	9202/1	Silasselkä 8	Claim	100	49.26
	9202/10	Silasselkä 17	Claim	100	99.52
	9202/11	Silasselkä 18	Claim	100	99.85
	9202/12	Silasselkä 19	Claim	100	96.60
	9202/2	Silasselkä 9	Claim	100	99.62
	9202/3	Silasselkä 10	Claim	100	99.88
	9202/4	Silasselkä 11	Claim	100	99.86
	9202/5	Silasselkä 12	Claim	100	90.59
	9202/6	Silasselkä 13	Claim	100	64.45
	9202/7	Silasselkä 14	Claim	100	61.68
	9202/8	Silasselkä 15	Claim	100	99.62
	9202/9	Silasselkä 16	Claim	100	99.71
	9446/1	Silasselkä 1	Claim	100	99.91
	9446/2	Silasselkä 2	Claim	100	99.85
	9446/3	Silasselkä 3	Claim	100	99.85
	9446/4	Silasselkä 4	Claim	100	75.02
	9446/5	Silasselkä 5	Claim	100	66.85
	VA2014:0007-01	Silasselkä-East	Res	100	10,293.53
	VA2014:0032-01	Silasselkä-North	Res	100	389.59

	Total				**12,185.24**
Aakenusvaara	ML2014:0059-01H	Aakenusvaara Saattopora	EL	0	382.25
	Total				**382.45**
Kuhmo Joint Venture (Note 4)	7014	Hietaharju	MC	5	31.08
	7922	Peura-aho	MC	5	29.77
	ML2012:0047	Vaara	EL	5	58.93
	ML2013:0048	Kauniinlampi	EL	5	74.26
	ML2013:0002	Peura-aho	EL	5	41.41
	8745/1	Hietaharju North	Claim	5	30.10
	ML2013:0047	Sika-aho	EL	5	69.39
	ML2013:0003	Arola	EL	5	51.26
	Total				**386.20**

Notes

1	Dragon Mining acquiring 100% interest in the tenements Fäboliden K nr 1, Fäboliden nr 10, Fäbodliden nr 72, Fäbodliden nr 82 and Svannäs nr 12.
2	Dragon Mining diluting to 30% interest.
3	Dragon Mining selling 100% interest.
4	Dragon Mining hold a free carried 5% interest in any deposit of Non-gold Related Minerals up until a Decision to Mine. Dragon Mining retain 100% interest in any deposit of Gold Related Minerals

Corporate Directory

Directors

Non-Executive Chairman	Mr Arthur G Dew
Executive Director	Mr Brett R Smith
Non-Executive Director	Mr Peter L Gunzburg

Company secretary
Ms Shannon Coates

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19 009 450 051

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ASX Ordinary Share Code: DRA

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