26 FEBRUARY 2016

DRAGON MINING ANNOUNCES 2015 RESULTS

Dragon Mining Limited ("the Company") (ASX:DRA) announces its audited financial results for the full year ending 31 December 2015.

The Company has reported a net profit after tax of $2.6 million which includes a $3.6 million impairment charge at its Finnish and Swedish operations (FY14: $7.8 million profit).

Notable features of the results for the financial year include:

- Sales revenue for the year was $76.8 million (FY14: $78.8 million) which was impacted by the reduced production from Orivesi, the exhaustion of the Svartliden ore stockpiles and the declining US$ gold price.

- Total gold production was 53,805 ounces (FY14: 59,655 ounces) and included 10,579 ounces produced from external concentrate processed at the Company's Svartliden Production Centre.

- The Company achieved an average C1 cash cost of US$ 917 per ounce (2014: US$ 951 per ounce).

- In spite of the above impacts on production and a reduced US$ gold price, gross profit from operations was $11.2 million (FY14: $14.8 million).

- Total exploration expenditure was $3.5 million (FY14: $3.4 million) and reflected the Company's focus on its key projects with the objective of identifying extensions to known mineralised zones and discovering new mineralised zones, in addition to providing information to support mine planning and mine development.

- Cash and cash equivalents at year end is $13.9 million (FY14: $15.1 million) and significantly reflected the Company's ability to fund its activities, including the purchase of the Faboliden Gold Project, out of positive cash flows from operating activities and existing cash reserves.

- Trade and other receivables is $9.3 million (FY14: $11.6 million) and trade and other payables $6.8 million (FY14: $3.9 million). The Company's net current surplus over net current liabilities is $21.4 million (FY14: $23.0 million).

With the Company's present opportunities we look forward to the future development of the Company for the benefit of all shareholders.

Arthur Dew
Chairman

1 - The Company has adopted the C1 cash cost definitions as set out by MackenzieWood (formerly Brook Hunt).

Results for announcement to the market
for the year ended 31 December 2015

Revenues from ordinary activities (2015: $76.8 million, 2014: $78.8 million)	
Decrease in revenue from previous corresponding period	(2.5%)
Profit from ordinary activities after tax 2015: $2.6 million	
Restated loss from ordinary activities after tax 2014: $7.8 million	
Decrease in profit from previous corresponding period	(66.7%)
Profit from ordinary activities after tax attributable to members	
(2015: $2.6 million, 2014: $7.8 million)	
Decrease in profit from previous corresponding period	(66.7%)

	Amount per Security	Franked Amount per Security
Current Period:		
Interim distribution	Nil	N/A
Final Distribution	Nil	N/A
Previous Corresponding Period:		
Interim distribution	Nil	N/A
Final distribution	Nil	N/A
Record date for determining entitlements to the interim distribution		N/A

DRAGON MINING LIMITED

ABN 19 009 450 051

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2015

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The Directors submit their report together with the consolidated financial report of the Company and its subsidiaries ("Consolidated Entity") for the year ended 31 December 2015 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 Non-Executive Director of ASX listed company Tanami Gold NL and Non-Executive Chairman of ASX listed company PBD Developments Limited (appointed 3 December 2015).

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 - Mr Carlisle C Procter, B.Ec, M.Ec, FFin, (appointed 19 May 2015)

Mr Carlisle Procter graduated from the University of Sydney with a Bachelor's Degree and a Master's Degree in Economics. He is a fellow of the Financial Services Institute of Australasia (FFin.). Based in Australia, Mr Procter worked in the Reserve Bank of Australia for over 30 years, holding various senior management positions. Since leaving the Reserve Bank, he has worked as a consultant to the International Monetary Fund and the Asian Development Bank and has also undertaken private consulting work in the Philippines, Indonesia and Papua New Guinea in the areas of bank supervision, anti-money laundering and corporate governance respectively. Mr Procter has been a Non-Executive Director of a number of public companies. He is also a Non-Executive Director of ASX listed company Tanami Gold NL.

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

Alternate Director to Mr Arthur G Dew - Mr Mark Wong Tai Chun (appointed 19 May 2015)

Mr Wong Tai Chun has a Master's Degree in Business Administration and is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr Wong was the Financial Controller of other listed companies in Hong Kong. He is an Executive Director of Hong Kong listed companies Allied Properties (H.K.) Limited and SHK Hong Kong Industries Limited, the Director of investment of Allied Group Limited and an alternate Director to Mr Arthur G Dew in ASX listed companies, Tanami Gold NL and PBD Developments Limited.

Non-Executive Director - Mr Peter L Gunzburg, B.Com (appointed 8 February 2010, resigned 19 May 2015)

2. Company Secretary

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

Ms Coates has over 20 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.

3. 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 2015 was:

	Board Meetings		Audit & Risk Management	
Director	**Eligible to Attend**	**Attend**	**Eligible to Attend**	**Attend**
Mr AG Dew	5	5	2	2
Mr BR Smith	5	5	-	2[1]
Mr CC Procter[2]	3	4[3]	1	1
Mr PL Gunzburg[4]	2	2	1	1
Mr M Wong[5]	3	-	1	-

1. Attended by invitation
2. Appointed 19 May 2015
3. Attended one meeting by invitation prior to appointment on 19 May 2015
4. Resigned 19 May 2015
5. Appointed Alternate Director to Mr AG Dew on 19 May 2015

4. 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 CC Procter	-	-	-	-
Mr M Wong	-	-	-	-

[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.

5. Nature of Operations and Principal Activities

The Company comprises Dragon Mining Limited, the parent entity, and its subsidiaries as set out in note 20. 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 Finland and Sweden. 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"). 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). 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 and gold concentrate feed.

The principal activities of the Company during the period were:

- Gold mining and refining in Finland and Sweden; 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.

6. Financial and Operating Review

Consolidated Financial Review

The Consolidated Entity generated a net profit after tax for the year ended 31 December 2015 of $2.6 million and includes impairment charges of $3.6 million (2014: Profit $7.8 million).

Revenue from operations amounted to $76.8 million (2014: $78.8 million) with the decrease in revenue attributable to reduced production from Orivesi, the exhaustion of the Svartliden ore stockpiles and the declining US$ gold price.

Production costs increased to $65.6 million (2014: $63.9 million) but this was due to a reclassification of costs previously captured under Management and Administration in 2014.

At 31 December 2015, the Company had net assets of $26.8 million (2014: $23.1 million), a working capital surplus of $21.4 million (2014: Surplus $23.0 million) and a market capitalisation of $15.6 million (2014: $8.1 million).

Key movements on the Consolidated Statement of Financial Position include:

- Total non-current assets increased to $20.9 million (2014: $14.3 million), PPE and mineral exploration assets increased by $6.8m (net of $3.6m impairment) as a result of:
  - Significant process and investment upgrades to the Vammala plant and conversion work to process 100% concentrate at Svartliden;
  - Extensive safety improvements across the Group, particularly at Orivesi, which included the purchase of seismic monitoring equipment;
  - Capital development works to advance the Kutema decline at Orivesi, including the decline reinforcement program; and
  - The acquisition of Fäboliden (refer to Corporate below).

  Significantly, the Company was able to fund these activities out of positive cash flows from operating activities and existing cash reserves;

- Available for Sale Investments increased by an additional 1,250,000 Common Shares over the course of the year and represents the Company's 9.67% holding in Aurion Resources Limited as part of the Definitive Purchase Agreement (refer to Corporate below). The Company's holding of 4,250,000 Common Shares have a market value of approximately $213,137 (refer to note 8 of the Financial Statements); and

- Other material movements are disclosed in the notes to the Financial Statements.

Operating Overview

In 2015, the Company produced 53,805 ounces of gold (2014: 59,655 ounces), comprising 15,484 ounces from Svartliden and 38,321 ounces from Vammala. Svartliden production was impacted by the depletion of the low grade ore stockpiles in late June, 2015. At Orivesi, the cessation of production from Pipe 2 reduced mining to Pipe 5 whilst revised mining methods to account for higher rock stresses in the new deeper stopes slowed ore extraction, impacting production at Vammala.

During the year, the Company received approval from the County Administration Board in Sweden to process 20,000 tpa of concentrate without the need to blend with ore and a number of modifications to the Svartliden plant were made to enable concentrate only processing. In July 2015, external concentrate processing was ramped up as Svartliden transitioned to 100% concentrate processing and treated 2,459 tonnes of external concentrate at an average grade of 100.5 g/t gold.

To compensate for the reduced production from Orivesi, production from Jokisivu was ramped up and a new production record of 21,457 ore tons was set in December, 2015. In addition, the Company invested in a number of process improvements in the Vammala plant that included the installation of float cell upgrades which have shown measured improvements in the recovery of Jokisivu ore.

6. Financial and Operating Review (continued)

Operating Overview (continued)

The table below details the production and C1 cash costs for each of the Production Centres:

Description	Svartliden, Sweden		Vammala, Finland	
	2015	2014	2015	2014
Gold production (oz)	15,484	21,410	38,321	38,245
[1]C1 cash cost (USD/oz)	1,184	982	722	934
Ore Tonnes milled (t)	76,632	311,937	282,301	303,219
Ore Gold grade (g/t)	2.30	2.30	4.74	4.64
Concentrate milled (t)	2,459	-	-	-
Concentrate grade (g/t)	100.5	-	-	-

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

Throughout the year, the Company:

- Significantly reduced the Group's 12 month rolling LTI frequency rate per million work hours to 9.34, representing a 47% decrease compared to 2014;
- Completed the acquisition of the Fäboliden Gold Project ("Fäboliden") in Northern Sweden for 38.0 million SEK and completed the Fäboliden maiden Mineral Resource estimate;
- Completed a Share Sale Agreement with Ausinox plc to sell the Company's 39.95% interest in Weld Range Minerals Limited;
- Received approval from the County Administration Board in Sweden, to process 20,000tpa of concentrate without the need to blend with ore and transitioned the Svartliden plant to 100% concentrate processing;
- Made a number of safety improvements that included, commencing the installation of the seismic monitoring system at Orivesi, the completion of the Orivesi decline reinforcement project and the ordering of two emergency evacuation cages for Orivesi and Jokisivu;
- Invested in a number of capital and process improvements at Vammala, including the installation of float cell upgrades, which continue to show measured improvements in the recovery from Jokisivu ore; and
- Commenced the deepening of the Kutema decline at Orivesi from the 1,000m level toward the 1,200m level, with development having advanced to the 1,140m level.

Advanced Projects and Exploration

During 2015, the Company continued to focus its activities on its key projects with the objective of identifying extensions to known mineralised zones and discovering new mineralised zones, as well as providing information to support mine planning and mine development. In Finland, diamond core drilling was completed from underground positions at both Orivesi and Jokisivu, whilst surface diamond core drilling was also completed at the Jokisivu, the Kaapelinkulma Gold Project ("Kaapelinkulma") and, in northern Sweden, the newly acquired Fäboliden.

Total metres drilled throughout the year increased by 92% from 2014, with the completion of 38,066 metres from 268 holes. These holes yielded a series of encouraging gold intercepts that continued to underline the prospective nature of the Company's project portfolio in the Nordic Region.

Finland

Drilling at Orivesi has shown that mineralisation associated with the Kutema lode system extends below the current development level, continuing down to at least the 1,175m level, extensions below this level not yet fully tested. Small new zones of gold mineralisation were also identified north and northeast of Kutema with the return of a series of promising intercepts, whilst encouragement was also received from the area west of the Sarvisuo lode systems.

Results from Jokisivu drilling at the Arpola deposit have supported the existence of depth extensions. Drilling from the 100m and 120m levels has improved confidence in the Arpola resource model, as well as providing additional information for footwall stoping and development planning. Drilling of the Kujankallio deposit has provided additional information to improve confidence in the geological model, whilst drilling is now underway to provide additional information for both the Kujankallio Main Zone and Hinge Zone below current development levels.

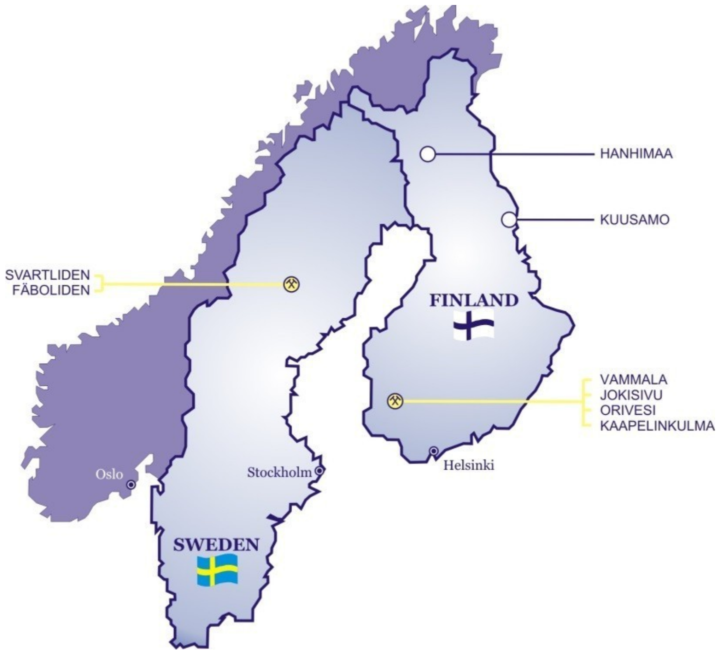
6. Financial and Operating Review (continued)

Advanced Projects and Exploration (continued)

A geophysical gravity survey was completed at Jokisivu during the year providing further encouragement by indicating that the dioritic intrusion, the host rock to the gold bearing quartz veins, potentially extends below current known depths, plunging to the east to at least 800 metres to 1,000 metres. This bodes well for future years as the Company looks to continue to improve the Resource-Reserve position at Jokisivu.

At Kaapelinkulma, two phases of drilling were completed, improving the density of drilling over the southern of the two known deposits. All results have been included in an update of the Mineral Resource in readiness for a detailed study into the viability of establishing the Company's third gold mine in the southern Finland region.

Location of Projects and Production Centres



Sweden

In Sweden, the Company successfully completed the acquisition of the Fäboliden Gold Project, an advanced gold project located 30 kilometres by road, southeast of Svartliden. The Fäboliden Gold Project represents a potential source of gold bearing material that could be trucked to, and processed at Svartliden, an operating 300,000 tonne per annum conventional comminution and carbon in leach (CIL) plant.

The 1,740 hectare Fäboliden Gold Project 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.

A program of in-fill drilling was completed during the year over the near surface, higher grade zone of gold mineralisation in the southern portion of the Fäboliden gold deposit. The results have shown that the high grade zone displays good continuity both down dip and along strike, the grades received from drilling commensurate with the results from historic drilling. All results were incorporated into the maiden Mineral Resource estimate for the higher grade zone, returning a total of 6,900,000 tonnes grading 3.3 g/t gold for 743,000 ounces.

This maiden estimate is now subject to a detailed open-pit mining study as the Company continues to evaluate the viability of establishing a new gold mine in close proximity to the Company's existing process infrastructure at Svartliden. A second phase of bench scale metallurgical test work focussed on recovery improvements is also in progress, whilst preparation of applications for a test mining campaign and a new Environmental Permit are advancing.

6. Financial and Operating Review (continued)

Corporate

Board Restructure and Management Changes

On 23 February 2015, the Company's Chief Operating Officer and Swedish country manager, Mr Josh Stewart resigned for family reasons.

On 19 May 2015, the Company's Non-Executive Director Mr Peter Gunzburg resigned. On that date, Mr Carlisle Procter was appointed Non-Executive Director and Mr Mark Wong was appointed Alternate Director to Mr Arthur Dew.

On 10 November 2015, Mr Tom Söderman commenced as Swedish Country Manager.

Completion of sale of interest in Weld Range Metals Limited

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 superseded the Share Buy Back Agreement previously executed with Weld Range.

Pursuant to the Agreement:

- Ausinox agreed to buy 10,311,834 Weld Range shares from the Company;
- The debt Weld Range currently owed to the Company of $3.8 million, comprising principal and accrued interest to 30 June 2015, would be assigned to Ausinox; and
- Consideration payable to the Company by Ausinox was $1.0 million (plus penalty interest).

On 11 September 2015, the Company announced the Agreement with Ausinox had completed. In addition to the $1.0 million purchase price, the Company received penalty interest of $132,216 and an additional $33,742 representing the costs incurred, over and above the purchase price, as a result of delays in completion.

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 23 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 5 January 2015, the Company received the third tranche of (1,000,000) Common Shares, on successfully attaining the required Conditions Precedent as defined in the Agreement following the eighteen Claims that comprise the Kutuvuoma project (Kutuvuoma 4-21) becoming valid. These shares are escrowed for 18 months from the date of issuance of the initial tranche of Common Shares in Aurion, being 8 September 2014.

The Company also received 250,000 Common Shares as part of an additional allotment of 750,000 Common Shares as consideration for agreeing to a number of amendments to the Agreement. These shares are also escrowed for 18 months from the date of issuance of the initial tranche of Common Shares in Aurion, being 8 September 2014.

At 31 December 2015, the Company has a total holding of 4,250,000 Common Shares representing a 9.67% holding in Aurion.

6. Financial and Operating Review (continued)

Completion of the Fäboliden Gold Project acquisition

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 located in northern Sweden, 25 kilometres southeast of Svartliden, on the basis that the acquisition would provide a potential source of open pittable material to be processed at Svartliden.

On 28 July 2015 (after reviewing various options), the Company and the Bankruptcy Estate agreed to amend the Agreement, whereby the condition relating to the extension of the existing Environmental Permit for a period of at least four years was waived, in consideration for a lower total purchase price of 38 million SEK (approximately A$6 million), being a discount to the original purchase price of 2 million SEK.

On 30 December 2015, the Company announced that the final condition of the Agreement for Fäboliden had been met, with a final, legally binding and unappealable transfer of the Fäboliden K nr 1 Exploitation Concession to the Company by the Mining Inspectorate of Sweden.

Hanhimaa Earn-In Agreement

On 4 February 2015, the Company announced that it had reached agreement with Agnico Eagle Mines Limited ("Agnico Eagle") to further amend the Hanhimaa Earn-In Agreement ("Earn-In Agreement"), whereby the Stage 1 Earn-In Agreement Period was extended by a period of 2 years.

Agnico Eagle has continued to advance the Earn-In Agreement and advised the Company that the final report for the Titan 24 geophysical survey had been received. The survey, which comprised three profiles that were planned to intersect the Hanhimaa Shear Zone, has identified several targets. Agnico Eagle reported that these targets are scheduled to be drill tested during 2016. Agnico Eagle is earning up to a 70% interest in the Hanhimaa Gold Project in northern Finland with staged expenditure of €9.0 million over 9 years. Agnico Eagle is the manager during the earn-in period and can now withdraw at any time, having achieved the minimum expenditure level of €1.5 million.

7. Environmental Regulation

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

Vammala Production Centre, Finland

A new permit allowing for the processing of ore from the Kaapelinkulma Gold Project ("Kaapelinkulma") and allowing for an increase in production was issued in 2014. The new permit contained inconsistencies associated with water management and has been appealed by the Company.

The present permit remains in place during this appeal. While technically exceeding the production volumes of the present permit, no parties have appealed the processing of the Kaapelinkulma ore or the increase in production volumes. To support the updated production volumes, the Company submitted a comparative study to the Centre for Economic Development, Transport and the Environment ("the ELY Centre"), the government agency responsible for administering environmental permits, of environmental impacts, in relation to increased production levels. In October 2015, the ELY Centre agreed that it doesn't consider the present environmental permit restriction of 200,000tpa to be legally problematic, even if 300,000tpa is processed, as there appears to be no relationship between water emissions and Vammala production levels.

7. Environmental Regulation (continued)

Orivesi Mine, Finland

On 14 December 2015, the Company announced that the Western and Inland Finland Regional State Administrative Office ("AVI") had rejected the Company's application for an extension of the environmental permit for Orivesi ("Permit Extension"). The Company submitted the application to the AVI in 2010, with the extension related to the 2006 environmental permit. According to the AVI, the conditions for granting the Permit Extension were not met in the Company's application. The AVI cited the following reasons for its rejection decision:

(i) An increase in water pollution compared to 2006 when the permit was last considered;
(ii) The weakened state of the lower watercourse which is, and has been, caused by the waste waters; and
(iii) The mines' impact on the preservation of the lower Natura area.

The rejection by the AVI is not binding until the appeals process has been exhausted, until then Orivesi can continue to operate under its current 2006 environmental permit. The Company intends to appeal the AVI Permit Extension rejection through the Vaasa Administrative Court and, if required, the Finnish Supreme Court. The Company is also aware the ELY Centre, has also appealed the AVI's decision to reject the granting of a new permit. Refer to section 8 Significant Events after Balance Date for an update on the appeals process.

8. Significant Events after Balance Date

On 7 January 2015, the Company commenced proceedings through the Vaasa Administrative Court, as mentioned above in section 7, to appeal against the AVI's decision to reject the Company's Permit Extension. The appeal has been made on the basis that the Company has made significant improvements to the mine environment at Orivesi. The Company's appeal is supported by:

(i) An updated waste management plan;
(ii) The latest fish inventory report; and
(iii) A description of the water management improvements.

9. 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.

10. Dividends

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

11. Business Strategies and Prospects

Fäboliden, Sweden

During the year, the Board and its management team successfully completed the Fäboliden Gold Project ("Fäboliden") acquisition from the Bankruptcy Estate of Lappland Goldminers Fäboliden AB. December 2015, saw the Company announce a maiden Mineral Resource estimate for Fäboliden of 6.9 million tonnes @ 3.3 g/t gold for 743,000 ounces. The Company can now focus its attention on the commencement of test mining during the December 2016 quarter. Fäboliden will provide a source of open pittable material that can be processed at the Svartliden Plant which, in addition to extending the Company's agreements to process external concentrate, is expected to extend the operating life of Svartliden.

Kaapelinkulma, Finland

The Board will continue to work towards establishing the viability of its third operating gold mine, the Kaapelinkulma Gold Project ("Kaapelinkulma"), in the southern Finland region with work to update the Mineral Resource set to continue.

12. Risks

Orivesi environmental permit

The Company has commenced proceedings through the appropriate channels, to appeal the AVI's rejection of the Orivesi Permit Extension (mentioned in section 7 and 8 above). The timeframe for the appeals process is not known however, the Company expects it to take between 1 to 2 years. In the meantime, the Company can continue to operate under its existing 2006 environmental permit until the final decision is received.

Production from Orivesi

Production conditions at Orivesi will continue be a challenge, with mining limited to the remaining sill pillars and the new stopes in the Kutema Deeps area. The Company is evaluating extending the Kutema decline below the 1,200m level. In response to the increased safety risk of mining at this depth, the Company has implemented a 2 stage mining process to reduce the risk of stope cave-ins. As a result ore production extraction rates are lower as backfilling the 1st part of the stope, with a rock and cement mix, occurs prior to mining the 2nd part of the stope.

13. Share Options

No options were granted during the year.

Unissued shares under option

At the date of this report there are no unissued ordinary shares in the Company under option.

During the year 120,000 vested options held by former and current employees of the Company expired or lapsed unexercised due to resignation for nil consideration.

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

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

14. Remuneration Report - audited

This remuneration report for the year ended 31 December 2015 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.

14.1 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.

14. Remuneration Report – audited (continued)

14.2 Company Performance

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

	2015	2014	2013	2012	2011
Net profit/(loss) after tax	$2.56m	$7.76m	($22.17m)	($4.26m)	($6.20m)
Basic earnings per share	$0.03	$0.09	($0.25)	($0.05)	($0.08)
Diluted earnings per share	$0.03	$0.09	($0.25)	($0.05)	($0.08)
Market capitalisation	$15.55m	$8.09m	$11.55m	$56.86m	$91.71m
Closing share price	$0.18	$0.09	$0.13	$0.64	$1.22

14.3 Remuneration Arrangements

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

The Board sets remuneration policies, strategies and practices for the Board, its Committees, and the Executive Director, any direct reports to the Executive 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.

14.4 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.

14. Remuneration Report – audited (continued)

14.5 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 Neale Edwards – Chief Geologist
Mr Edwards commenced employment on 19 August 1996 and does not have an employment contract.

Mr Daniel Broughton – Chief Financial Officer
Mr Broughton has a contract of employment with the Company dated 8 September 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 $52,500.

Mr Josh Stewart – Chief Operating Officer
Mr Stewart had a contract of employment with the Company dated 3 April 2014. The contract specified the duties and obligations to be fulfilled by the Chief Operating Officer. The arrangement could be terminated by either party by providing 6 months written notice. Mr Stewart resigned on 23 February 2015.

14.6 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.

14. Remuneration Report – audited (continued)

14.7 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 pre-approved a KPI linked cash bonus for the Executive Director relating to 2015 performance to be paid in 2016. The pre-approved bonus is equivalent to the maximum available under the terms of the Executive Directors contract and has been disclosed in the Directors and Executive Officers Remuneration table on page 16.

14.8 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.

14.9 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.

14. Remuneration Report – audited (continued)

14.10 Analysis of Movements in Options and Rights

All options previously granted as compensation to Directors or KMPs expired or lapsed during the year ended 31 December 2014. There were no new options granted or shares issued during the year ended 31 December 2015.

14.11 Shares Issued on Exercise of Remuneration Options

No Director or KMP exercised remuneration options in the year ended 31 December 2015.

14.12 Transactions with KMP

In addition to his role as the Company's Chief Financial Officer, Mr Broughton provides Chief Financial Officer Service's ("Services") to ASX listed gold explorer, Tanami Gold NL ("Tanami"). Tanami is a Company of which Messer's Dew and Procter, the Company's Non-Executive Chairman and Non-Executive Director are also Non-Executive Directors.

The provision of Services commenced from 8 September 2014 whereby the Company will charge Tanami for 48% of Mr D Broughton's salary cost. During the year, the Company charged Tanami $100,000 of which $24,750 was outstanding at 31 December 2015.

14. Remuneration Report – audited (continued)

14.13 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	2015	77,500	-	-	-	7,363	-	-	84,863	-	-
(Non-Executive Chairman)	2014	53,692	-	-	-	5,029	-	-	58,721	-	-
Mr BR Smith	2015	410,000	200,000	-	-	57,950	-	-	667,950	30%	-
(Executive Director)	2014	356,250	200,000	-	-	33,370	-	-	589,620	34%	-
Mr CC Procter[1]	2015	18,548	-	-	-	1,762	-	-	20,310	-	-
(Non-Executive Director)	2014	-	-	-	-	-	-	-	-	-	-
Former Directors											
Mr PL Gunzburg[2]	2015	12,500	-	-	-	1,188	-	-	13,688	-	-
(Non-Executive Director)	2014	34,067	-	-	-	3,182	-	-	37,249	-	-
Total all specified Directors	**2015**	**518,548**	**200,000**	**-**	**-**	**68,263**	**-**	**-**	**786,811**	**-**	**-**
	2014	**444,009**	**200,000**	**-**	**-**	**41,581**	**-**	**-**	**685,590**	**-**	**-**
Specified Executives											
Mr NM Edwards	2015	208,000	-	-	-	19,760	-	-	227,760	-	-
(Chief Geologist)	2014	200,000	-	-	3,823	18,708	-	-	222,531	-	-
Mr DK Broughton	2015	205,000	-	-	-	19,475	-	-	224,475	-	-
(Chief Financial Officer)	2014	57,556	-	-	-	5,468	-	-	63,024	-	-
Former Specified Executives											
Mr JD Stewart[3]	2015	191,004	-	-	-	53,099	-	-	244,103	-	-
(Chief Operating Officer)	2014	350,740	-	-	-	87,612	-	-	438,352	-	-
Total all named Executives	**2015**	**604,004**	**-**	**-**	**-**	**92,334**	**-**	**-**	**696,338**	**-**	**-**
	2014	**608,296**	**-**	**-**	**3,823**	**111,787**	**-**	**-**	**723,907**	**-**	**-**
Total all specified Directors and Executives	**2015**	**1,122,552**	**200,000**	**-**	**-**	**160,598**	**-**	**-**	**1,483,149**	**-**	**-**
	2014	**1,052,305**	**200,000**	**-**	**3,823**	**153,369**	**-**	**-**	**1,409,497**	**-**	**-**

[1]Appointed 19 May 2015.
[2]Appointed 8 February 2010, resigned 19 May 2015.
[3]Appointed 5 May 2014, resigned 23 February 2015.

14. Remuneration Report – audited (continued)

14.14 Options of Directors and Key Management Personnel

During the year ended 31 December 2015, there were no options over ordinary shares in the Company that were granted as compensation to Key Management Personnel.

During the year ended 31 December 2014, all options over ordinary shares in the Company belonging to Key Management Personnel had expired or lapsed unexercised.

14.15 Shareholdings of Directors and Key Management Personnel

2015	**Balance at 1 January 2015**	**Granted as Remuneration**	**Net Change Other**	**Balance at 31 December 2015**
Directors				
Mr AG Dew[1]	21,039,855	-	-	21,039,855
Mr BR Smith	-	-	-	-
Mr CC Procter	-	-	-	-
Mr M Wong	-	-	-	-
Mr PL Gunzburg[2]	100,000	-	(100,000)	-
Executives				
Mr JD Stewart[3]	1,600	-	(1,600)	-
Mr NM Edwards	-	-	-	-
Mr DK Broughton	-	-	-	-
Total	**21,141,455**	**-**	**(101,600)**	**21,039,855**

[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]Net change due to resignation on 19 May 2015.
[3]Net change due to resignation on 23 February 2015.

2014	**Balance at 1 January 2014**	**Granted as Remuneration**	**Net Change Other**	**Balance at 31 December 2014**
Directors				
Mr AG Dew	-	-	21,039,855	21,039,855
Mr BR Smith	-	-	-	-
Mr PL Gunzburg[1]	76,440	-	23,560	100,000
Former Directors				
Mr PG Cordin[2]	472,728	-	(472,728)	-
Mr C Russenberger[2]	55,454	-	(55,454)	-
Mr KE Larsson[2]	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]Held indirectly in Supergun Pty Ltd as trustee for Bricklaying Super Fund of which Mr Gunzburg is a beneficiary.
[2]Net change due to resignation on 7 February 2014.

15. Indemnification and Insurance of Directors, Officers and Auditors

The Company provides Directors' and Officers' liability insurance covering Directors and Officers of the Company against liability in their role with 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.

16. 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.

17. 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 2015 **$**
Tax and Compliance services	129,136
	129,136

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

The lead auditor's independence declaration is set out on page 20 and forms part of the Directors' Report for the year ended 31 December 2015.

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 2015 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of its financial position as at 31 December 2015 and performance;

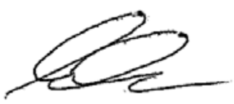
   (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(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 2015.

On behalf of the Board



Mr Brett Smith
Executive Director
26 February 2016

Ernst & Young
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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Dragon Mining Limited

As lead auditor for the audit of Dragon Mining Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Ernst & Young

G H Meyerowitz
Partner
26 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Revenue from gold sales		76,836	78,751
Cost of sales	2(a)	(65,617)	(63,903)
Gross profit		11,219	14,848
Other revenue	2(b)	703	1,110
Other income	2(c)	424	1,120
Exploration expenditure		(3,514)	(3,400)
Management and administration expenses		(4,388)	(5,914)
Other expenses	2(d)	(2,542)	(551)
Finance costs	2(e)	(28)	(166)
Foreign exchange gains		689	873
Profit before tax		2,563	7,920
Income tax expense	3	-	(164)
Profit after income tax		2,563	7,756
Earnings per share attributable to ordinary equity holders of the parent (cents per share)			
Basic earnings per share	18	2.89	8.73
Diluted earnings per share	18	2.89	8.73

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 2015

	Note	2015 $'000	2014 $'000
Profit after income tax (brought forward)		2,563	7,756
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain/(loss) foreign currency translation		1,133	(1,243)
Gain/(loss) on financial assets classified as available-for-sale		37	(48)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		1,170	(1,291)
Total comprehensive income for the period		3,733	6,465
Profit attributable to:			
Members of Dragon Mining Limited		2,563	7,756
		2,563	7,756
Total comprehensive income attributable to:			
Members of Dragon Mining Limited		3,733	6,465
		3,733	6,465

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 2015

	Note	2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	13,896	15,051
Trade and other receivables	5	9,312	11,626
Inventories	6	7,128	5,222
Other assets	11	99	142
TOTAL CURRENT ASSETS		30,435	32,041
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,173	6,059
Mineral exploration costs	10	7,685	1,958
Investment in associate	7	-	-
Development costs	10	-	697
Available for sale investments	8	213	126
Other assets	11	5,786	5,460
TOTAL NON-CURRENT ASSETS		20,857	14,300
TOTAL ASSETS		51,292	46,341
CURRENT LIABILITIES			
Trade and other payables	12	6,766	3,865
Provisions	13	2,189	3,347
Other liabilities		73	1,883
TOTAL CURRENT LIABILITIES		9,028	9,095
NON-CURRENT LIABILITIES			
Provisions	13	15,421	13,240
Deferred tax liabilities	3	-	896
TOTAL NON-CURRENT LIABILITIES		15,421	14,136
TOTAL LIABILITIES		24,449	23,231
NET ASSETS		26,843	23,110
EQUITY			
Contributed equity	14	119,992	119,992
Reserves	15	(1,379)	(686)
Accumulated losses		(91,770)	(96,196)
TOTAL EQUITY		26,843	23,110

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 2015

	Contributed Equity	Accumulated Losses	Foreign Currency Translation	Option Reserve	Convertible Note Premium Reserve	Available for Sale Reserve	Equity Reserve Purchase of Non-controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2014	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
At 1 January 2015	119,992	(96,196)	(5,638)	1,863	2,068	(48)	1,069	23,110
Profit for the period	-	2,563	-	-	-	-	-	2,563
Other comprehensive income	-	-	1,133	-	-	37	-	1,170
Total comprehensive income for the period	-	2,563	1,133	-	-	37	-	3,733
Transactions with owners in their capacity as owners:								
Transfer reserves to retained earnings	-	1863	-	(1,863)	-	-	-	-
At 31 December 2015	119,992	(91,770)	(4,505)	-	2,068	(11)	1,069	26,843

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 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		79,235	78,438
Payments to suppliers and employees		(63,989)	(59,627)
Payments for mineral exploration		(3,437)	(3,616)
Interest received		129	145
Interest expenses		(1)	(16)
Payments for rehabilitation		(61)	(212)
Income taxes paid		-	(559)
Payment of environmental bonds		(58)	(244)
Net cash from operating activities	4	11,818	14,309
Cash flows from investing activities			
Payments for property, plant and equipment		(4,567)	(447)
Proceeds from sale of property, plant and equipment		43	52
Payments for exploration		(5,200)	
Payments for development		(3,378)	(2,707)
Net cash used in investing activities		(13,102)	(3,102)
Cash flows from financing activities			
Repayment of short-term factoring facility		-	(2,064)
Net cash used in financing activities		-	(2,064)
Net increase in cash and cash equivalents		(1,284)	9,143
Cash and cash equivalents at the beginning of the period		15,051	5,895
Effects of exchange rate changes on cash and cash equivalents		129	13
Cash and cash equivalents at the end of the period	4	13,896	15,051

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

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's 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 2015 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity"). The Consolidated Entity is a for profit entity and is primarily involved in gold mining operations and gold 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 (aa).

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 26 February 2016.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for 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 or the Consolidated Statement of Financial Position from the date the Company gains control until the date the Company ceases to have control.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of Consolidation (continued)

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
- 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes (continued)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign Currency Transactions and Balances (continued)

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 open pit 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. When further development expenditure, including waste development, is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward to the extent that a future economic benefit is established, otherwise such expenditure is classified as part of the cost of production. 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

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.

Plant and Equipment

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, Plant and Equipment (continued)

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 (refer to note (q) below).

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 Consolidated Statement of Profit or Loss in the year the asset is derecognised.

(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 Profit or Loss as and when it is incurred and included as part of cash flows from operating activities in the Consolidated Statement of Cash Flows. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Mineral Exploration Costs (continued)

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).

(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, and bank overdrafts excluding 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) Impairment

The carrying amounts of the Consolidated Entity's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(r) 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.

(s) 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employment Benefits (continued)

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 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 in the period employees' services are provided.

(u) 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. The carrying amount capitalised is depreciated over the life of the related asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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".

(x) 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.

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 25.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Contributed Equity (continued)

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:

(y) 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.

(z) 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

In accordance with accounting policy note 1(q) the Consolidated Entity, in determining whether the recoverable amount of its cash-generating unit is the higher of fair value less costs to sell or value-in-use against which asset impairment is to be considered, undertakes future cash flow calculations which are based on a number of critical estimates and assumptions including, for its mine properties, forward estimates of:

- mine life, including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction with given technology;
- production levels and demand;
- metal price;
- inflation;
- cash costs of production;
- discount rates applicable to the cash generating unit; and
- future legal changes and or environmental permits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Significant Accounting Estimates and Assumptions (continued)

Impairment of non-financial assets (continued)

Impairment is recognised when the carrying amount of the cash-generating unit exceeds its recoverable amount. The recoverable amount for each cash-generating unit has been determined using the value-in-use model.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) 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 2015 and the Group has not yet determined the impact on the financial statements:

Reference	Title	Summary	Application date of Standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new 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 adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. Financial assets 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.	1 Jan 2018	1 Jan 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reference	Title	Summary	Application date of Standard	Application date for Group
		Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. 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 or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. Impairment 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 timelier basis. Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and 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. 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)

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

Reference	Title	Summary	Application date of Standard	Application date for Group
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 Joint Arrangements 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. (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.	1 Jan 2016	1 Jan 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets 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 Jan 2016	1 Jan 2016
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 Jan 2016	1 Jan 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reference	Title	Summary	Application date of Standard	Application date for Group
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services). The core principle of IFRS 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) (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014. Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. (Note A) 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 July 2017
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly	1 Jan 2016	1 Jan 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reference	Title	Summary	Application date of Standard	Application date for Group
		• from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: • Disclosure of information ‘elsewhere in the interim financial report’ - amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to		

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reference	Title	Summary	Application date of Standard	Application date for Group
		• require the inclusion of a cross-reference from the interim financial statements to the location of this information.		
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. 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 Jan 2016	1 Jan 2016

(ab) New Accounting Standards and Interpretations

In the year ended 31 December 2015, 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

	2015 $'000	2014 $'000
a) Cost of sales		
Cost of production net of inventory movements	60,923	58,661
Depreciation of mine properties, plant and equipment	4,664	5,242
Rehabilitation costs	30	-
	65,617	63,903
b) Other revenue		
Finance revenue	151	459
Rent and service income	552	651
	703	1,110
Breakdown of finance revenue		
Bank and external interest	151	117
Associate	-	342
	151	459
c) Other income		
Gain on sale of plant and equipment	42	28
Other	382	1,092
	424	1,120
d) Other expenses		
Depreciation of non-mine site assets	122	98
Impairment of property, plant and equipment	1,622	-
Impairment of mine properties	1,381	-
Impairment of buildings	549	-
Project generation expenses	-	111
Reversal of impairment allowance for non-recovery of investment in associate	(1,132)	342
	2,542	551

Management of the Group recognise two cash-generating Units ("CGU"), the Vammala Production Centre ("Vammala") and the Svartliden Processing Plant ("Svartliden"). Having considered the impact of the rejected Orivesi environmental permit extension and pending appeals process, the Company determined both Vammala and Svartliden to be impaired. The Company carried out impairment testing for each CGU by comparing their recoverable amounts (value in use), represented by each CGU's estimated future cash flows discounted to their present value using a pre-tax discount rate of 10%. As a result, the Company quantified an impairment losses of $3.6m (Vammala: $2.5m and Svartliden: $1.1m) which has been reflected in the Consolidated Statement Profit or Loss. Following the impairment recognised, the carrying value of Svartliden is nil (2014: 6.8m) and the carrying value of Vammala is $4.1m (2014: 2.9m). Sensitivity analysis performed implies a decrease in the gold price of 10% is likely to result in additional impairment in Vammala of $3.4 million. A change in the discount rate by +/- 10% did not change the impairment outcome for either CGU.

	2015 $'000	2014 $'000
e) Finance costs		
Interest	3	50
Other	25	116
	28	166
f) Employee benefits		
Wages and salaries	10,703	11,398
Defined contribution superannuation expense	1,785	1,714
Other employee benefits	1,124	1,635
	13,612	14,747

2. REVENUE AND EXPENSES (continued)

	2015 $'000	2014 $'000
g) Lease payments		
Minimum lease payments – operating leases	-	23

3. INCOME TAX

(a) Income Tax Expense

The major components of income tax expense are:

	2015 $'000	2014 $'000
Current income tax		
Current income tax (benefit)/charge	2,534	3,669
Adjustments in respect of current income tax of previous year	-	(1,390)
Deferred income tax		
Income tax benefit arising from previously unrecognised tax loss	(6,142)	(3,676)
Relating to origination and reversal of temporary differences	3,608	1,561
Income tax expense reported in the statement of comprehensive income	-	164

(b) Amounts charged or credited directly to equity

	2015 $'000	2014 $'000
Deferred income tax related to items charged/(credited) directly to equity	-	-
Unrealised (loss)/gain on available-for-sale investments	-	-

(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 profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2015 $'000	2014 $'000
Accounting profit before income tax	2,563	7,920
At the Group's statutory income tax rate of 30% in Australia (2014: 30%)	769	2,376
Adjustments in respect of current income tax of previous year	-	(1,390)
Effect of different rates of tax on overseas income	(369)	(2,913)
Other	44	475
Previously unrecognised tax losses utilised/recognised	(6,142)	(3,676)
Tax losses and other temporary differences not recognised as benefit not probable	5,698	5,292
Aggregate income tax expense	-	164

3. INCOME TAX (continued)

(d) Recognised deferred tax assets and liabilities

	2015 $'000	2014 $'000
Consolidated deferred income tax at reporting date relates to the following:		
Deferred tax assets		
Leave entitlements	57	40
Rehabilitation provision	1,070	914
Mine Properties, Property, plant and equipment	1,338	1,042
Exploration costs	4,232	3,120
Accruals	91	61
Other	2,369	119
Temporary differences not recognised	(9,152)	(5,292)
Set off of deferred tax liabilities pursuant to set off provisions	(5)	(5)
Gross deferred income tax assets	-	-
Deferred tax liabilities		
Accelerated deduction	-	(896)
Mine Properties, Property, plant and equipment	(5)	(5)
Set off of deferred tax liabilities pursuant to set off provisions	5	5
Gross deferred income tax liabilities	-	(896)

(e) Tax Losses

Future benefits of tax losses total approximately $7.0 million (2014: $8.4 million). The Consolidated Entity has available capital losses at a tax rate of 30% amounting to $2.6 million (2014: nil)

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) 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 2015, there are no tax consolidation adjustments (2014: 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

	2015 $'000	2014 $'000
Cash at bank and on hand	13,869	15,023
Short-term deposits	27	28
	13,896	15,051

The Consolidated Entity's exposure to interest rate risk is disclosed in note 25.

Short-term deposits represent the bank guarantee held on deposit with National Australia Bank for the lease of the corporate premises.

Reconciliation of net profit after tax to net cash flows from operations	2015 $'000	2014 $'000
Net profit after tax	2,563	7,756
Adjustments for:		
Depreciation and amortisation	4,785	5,340
PP&E impairment charge	1,622	-
Mine properties impairment charge	1,381	-
Buildings impairment charge	549	-
Net foreign exchange gains	581	(2,311)
Provision for non-recovery of loan from associate	(1,132)	342
Gain on disposal of property, plant and equipment	(42)	(28)
Tax benefit	-	(395)
Gain on farm out of exploration asset	-	(173)
Non-cash rehabilitation costs	(30)	(212)
Changes in operating assets and liabilities		
- Decrease/(increase) in receivables	3,447	(2,190)
- Decrease in other assets	50	95
- (Increase)/decrease in inventories	(1,905)	5,294
- (Decrease)/increase in trade creditors and accruals	(478)	335
- Increase in provisions	427	456
Net operating cash flows	11,818	14,309

5. TRADE AND OTHER RECEIVABLES

Current		
Trade debtors	8,590	9,358
Other debtors	722	2,268
Receivables from associate	-	3,968
Allowance for impairment	-	(3,968)
	9,312	11,626

The Consolidated Entity's exposure to credit risk is disclosed in note 25.

6. INVENTORIES	**2015 $'000**	**2014 $'000**
Work in progress – at cost	-	-
Ore and concentrate stockpiles - at cost	3,046	2,562
Gold in circuit valued - at NRV	3,183	1,751
Raw materials and stores – at cost	899	909
	7,128	5,222

7. INVESTMENT IN ASSOCIATE

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

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 superseded the Share Buy Back Agreement previously executed with Weld Range.

Pursuant to the Agreement:

- Ausinox agreed to buy 10,311,834 Weld Range shares from the Company;
- The debt Weld Range owed to the Company of $3.8 million, comprising principal and accrued interest to 30 June 2015, would be assigned to Ausinox; and
- Consideration payable to the Company by Ausinox was $1.0 million (plus penalty interest).

On 11 September 2015, the Company announced the Agreement with Ausinox had completed. In addition to the $1.0 million purchase price, the Company received penalty interest of $132,216 and an additional $33,742 representing the costs incurred, over and above the purchase price, as a result of delays in completion. The sum of the $1.0m purchase price and $132,216 penalty interest was recognised as a $1,132,216 reversal of the previous impairment for non-recovery of investment in associate (refer to note 2d)

8. AVAILABLE FOR SALE FINANCIAL ASSETS	**2015 $'000**	**2014 $'000**
Quoted equity shares	213	126
Aurion plc 9.67% (2014: 7.22%)	213	126

The Company has 4.25 million Common Shares representing a 9.67% 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 gain of $37,216 (2014: Loss $47,911) which has been recognised in the Consolidated Statement of Other Comprehensive Income.

9. PROPERTY PLANT AND EQUIPMENT

	2015 $'000	2014 $'000
Land		
At cost	1,815	1,391
Buildings		
At cost	1,879	1,788
Less accumulated depreciation and impairment	(1,690)	(1,377)
	189	411
Property, plant and equipment		
At cost	29,684	26,992
Less accumulated depreciation and impairment	(27,327)	(24,213)
	2,357	2,779
Mine Properties		
At cost	83,953	77,930
Less accumulated amortisation and impairment	(81,141)	(76,452)
	2,812	1,478
Total property, plant and equipment		
At cost	117,331	108,100
Less accumulated amortisation and impairment	(110,158)	(102,041)
	7,173	6,059
Impairment losses summary		
Property, plant and equipment	1,622	-
Mine properties	1,381	-
Buildings	138	-
Land	411	-
	3,552	-

Management of the Group recognise two cash-generating Units ("CGU"), the Vammala Production Centre ("Vammala") and the Svartliden Processing Plant ("Svartliden"). Having considered the impact of the rejected Orivesi environmental permit extension and pending appeals process, the Company determined both Vammala and Svartliden to be impaired. The Company carried out impairment testing for each CGU by comparing their recoverable amounts (value in use), represented by each CGU's estimated future cash flows discounted to their present value using a pre-tax discount rate of 10%. As a result, the Company quantified an impairment losses of $3.6m (Vammala: $2.5m and Svartliden: $1.1m) which has been reflected in the Consolidated Statement Profit or Loss. Following the impairment recognised, the carrying value of Svartliden is nil (2014: 6.8m) and the carrying value of Vammala is $4.1m (2014: 2.9m). Sensitivity analysis performed implies a decrease in the gold price of 10% is likely to result in additional impairment in Vammala of $3.4 million. A change in the discount rate by +/- 10% did not change the impairment outcome for either CGU.

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:

	2015 $'000	2014 $'000
Land		
Carrying amount at beginning of period	1,391	1,488
Additions	796	9
Disposals	-	(22)
Impairment charge	(411)	
Net foreign exchange movement	39	(84)
Carrying amount at end of period	1,815	1,391
Buildings		
Carrying amount at beginning of period	411	282
Additions	45	-
Disposals	(3)	(4)
Impairment charge	(138)	
Reclassification from development costs	-	263
Depreciation	(128)	(111)
Net foreign exchange movement	2	(19)
Carrying amount at end of period	189	411
Property, plant and equipment		
Carrying amount at beginning of period	2,779	4,732
Additions	2,948	371
Disposals	-	(19)
Impairment charge	(1,622)	-
Reclassification from development costs	66	139
Depreciation	(1,841)	(2,211)
Net foreign exchange movement	27	(233)
Carrying amount at end of period	2,357	2,779
Mine properties		
Carrying amount at beginning of period	1,478	2,371
Additions	1,244	27
Impairment charge	(1,381)	-
Reclassification from development costs	4,236	2,252
Depreciation	(2,817)	(3,018)
Net foreign exchange movement	52	(154)
Carrying amount at end of period	2,812	1,478

10. MINERAL EXPLORATION AND DEVELOPMENT COSTS

Mineral exploration costs	2015 $'000	2014 $'000
Balance at beginning of financial period	1,958	2,037
Additions	5,487	-
Net foreign exchange movement	240	(79)
Total exploration expenditure	7,685	1,958
Development		
Balance at beginning of financial period	697	701
Current period expenditure	3,608	2,803
Transfers from exploration	-	-
Reclassification (to)/from property, plant & equipment	(4,302)	(2,391)
Expenditure written off	-	(107)
Impairment charge	-	-
Net foreign exchange movement	(3)	(309)
Total development expenditure	-	697
Total mineral exploration and development expenditure	7,685	2,655

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

	2015 $'000	2014 $'000
Current		
Prepayments	99	142
Non-current		
Environmental and other bonds	5,786	5,460

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

	2015 $'000	2014 $'000
Current		
Trade payables and accruals	6,766	3,865

The Consolidated Entity's exposure to credit risk is disclosed in note 25.

13. PROVISIONS

	2015 $'000	2014 $'000
Current		
Employee entitlements	2,189	2,138
Rehabilitation	-	1,209
	2,189	3,347
Non-current		
Employee entitlements	26	31
Rehabilitation (i)	15,395	13,209
	15,421	13,240

(i) Rehabilitation movement

Balance at 1 January 2015	14,418
Additions	683
Rehabilitation borrowing cost unwound	2
Utilised	(7)
Net foreign exchange movement	299
Balance at 31 December 2015	15,395

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.

14. CONTRIBUTED EQUITY

Share capital	2015 Number of Shares	2014 Number of Shares	2015 $'000	2014 $'000
Ordinary shares, fully paid	88,840,613	88,840,613	119,992	119,992

Movements in issued capital

	$'000	No. Shares
At 1 January 2015	119,992	88,840,613
Balance at 31 December 2015	119,992	88,840,613

15. RESERVES

	2015 $'000	2014 $'000
Foreign currency translation reserve	(4,505)	(5,638)
Option reserve	-	1,863
Convertible note premium reserve	2,068	2,068
Available-for-sale asset reserve	(11)	(48)
Equity reserve purchase of non-controlling interest	1,069	1,069
	(1,379)	(686)

Movements in foreign currency translation reserve		
Balance at the beginning of period	(5,638)	(4,395)
Translation of foreign entities' statement of financial positions	1,133	(1,243)
Balance at the end of period	(4,505)	(5,638)
Movements in option reserve		
Balance at the beginning of period	1,863	1,857
Employee share option expense	-	6
Transfer reserve to retained earnings	(1,863)	-
Balance at the end of the period	-	1,863
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
Movements in available-for-sale reserve		
Balance at the beginning of period	(48)	-
Net losses on available-for-sale investments	37	(48)
Balance at the end of the period	(11)	(48)
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

Foreign currency translation reserve summary
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Convertible note premium reserve summary
This reserve is used to record the equity component of any convertible notes on issue.

Available-for-sale reserve summary
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.

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.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Specified Directors

Mr AG Dew	Non-Executive Chairman (appointed 7 February 2014)
Mr BR Smith	Executive Director (appointed 7 February 2014)
Mr CC Procter	Non-Executive Director (appointed 19 May 2015)
Mr M Wong	Alternate Director to Mr AG Dew (appointed 19 May 2015)
Mr PL Gunzburg	Non-Executive Director (appointed 8 February 2010, resigned 19 May 2015)

Specified Executives

Mr NM Edwards	Chief Geologist (appointed 19 August 1996)
Mr DK Broughton	Chief Financial Officer (appointed 8 September 2014)
Mr JD Stewart	Chief Operating Officer (appointed 5 May 2014, resigned 23 February 2015)

(b) Compensation of Key Management Personnel

Key Management Personnel

	2015	2014
Short-term	1,322,552	1,832,282
Long-term	-	3,823
Post-employment	160,597	234,092
Termination benefits	-	21,022
Share based payments	-	5,437
Total	**1,483,149**	**2,096,656**

The 2014 comparatives includes $687,159 of compensation relating to Key Management Personnel are no longer current executives of the Company.

17. REMUNERATION OF AUDITORS

The auditor of Dragon Mining Limited is Ernst & Young.

	2015 $	2014 $
Remuneration of Ernst & Young (Australia) for:		
- auditing or reviewing accounts	113,477	144,118
- tax consulting	74,197	108,680
- compliance services	-	-
	187,674	252,798
Remuneration of Ernst & Young (other than Australia) for:		
- auditing or reviewing accounts	85,714	85,083
- tax consulting	14,114	20,241
- compliance services	40,825	37,703
	140,653	143,027

18. 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:

	2015	2014
Basic earnings per share		
Gain used in calculation of basic earnings per share ($'000)	2,563	7,756
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	88,840,613	88,840,613
Basic gain per share (cents)	**2.89**	**8.73**
Diluted earnings per share		
Gain used in calculation of basic earnings per share ($'000)	2,563	7,756
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
Diluted gain per share (cents)	**2.89**	**8.73**

19. 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	
			2015 %	2014 %
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
Kuusamo Gold Oy	Finland	Ordinary	100	100

19. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

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

(ii) In addition to his role as the Company's Chief Financial Officer, Mr D Broughton provides Chief Financial Officer Service's ("services") to ASX listed gold explorer, Tanami Gold NL ("Tanami"). Tanami is a Company of which Messer's Dew and Procter, the Company's Non-Executive Chairman and Non-Executive Director are also Non-Executive Director's. The provision of services commenced from 8 September 2014 whereby the Company will charge Tanami for 48% of Mr D Broughton's salary cost. During the year, the Company charged Tanami $100,000 of which $24,750 was outstanding at 31 December 2015.

Entity with significant influence over the Group

As at 31 December 2015, 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(f).

20. 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 National Australia Bank).

20. SEGMENT INFORMATION (continued)

	Sweden 2015 $'000	Finland 2015 $'000	Total 2015 $'000
Segment revenue			
Gold sales to external customers	44,281	32,555	76,836
Inter-segment	-	21,154	21,154
Elimination of inter-segment revenue	-	-	(21,154)
Total revenue	**44,281**	**53,709**	**76,836**
Other revenue			
Interest revenue	31	-	31
Other revenue	-	552	552
Unallocated interest revenue	-	-	120
Total other revenue	**31**	**552**	**703**
Segment interest expense	2	-	2
Depreciation and amortisation	509	4,265	4,774
Impairment of property, plant and equipment	479	1,143	1,622
Impairment of mine properties		1,381	1,381
Impairment of buildings	138		138
Impairment of land	411		411
	1,537	**6,789**	**8,326**
Segment result			
Pre-tax segment result	(4,642)	5,763	1,121
Income tax expense	-	-	-
Post tax segment result	**(4,642)**	**5,763**	**1,121**
Unallocated items:			
Corporate interest revenue			120
Elimination of inter-company debt forgiveness in segment results			-
Other corporate income			58
Corporate costs			(880)
Finance costs			(6)
Elimination of inter-company interest expense and management fees in segment results			2,150
Profit after tax as per the Consolidated Statement of Profit or Loss			**2,563**
Segment assets	**20,793**	**24,573**	**45,366**
Unallocated items:			
Available-for-sale investments			-
Other corporate assets			5,902
Total assets			**51,268**
Segment acquisitions of non-current assets	1,231	6,164	7,395
Unallocated items:			
Corporate and other acquisitions	-	-	2
	1,231	**6,164**	**7,397**

	Australia 2015 $'000	Sweden 2015 $'000	Finland 2015 $'000	Total 2015 $'000
Non-current assets by geographic location	54	12,562	8,241	20,857

20. 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

21. FARM IN AND FARM OUT ARRANGEMENTS

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 a 70% interest in the Hanhimaa Gold Project in Northern Finland with the staged expenditure of €9.0 million.

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 a 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.

22. 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.

	2015 $'000	2014 $'000
Within one year	63	46
One year or later and no later than five years	289	390
	352	436

(b) Capital commitments

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

Within one year	-	90
	-	90

(c) Operating lease expense commitments

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

Within one year	38	17
One year or later and no later than five years	101	16
	139	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:

Within one year	511	472
	511	472

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.

23. 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 below.

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 on 8 September 2014, in accordance with the terms of the DPA, 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. The second tranche of 1 million Common Shares are escrowed for 18 months, from the date of issuance of the initial tranche of Common Shares on 8 September 2014.

On 13 January 2015, the Company announced to the ASX, "Third Tranche of Shares in Aurion Issued", that the third tranche of 1 million Common Shares in Aurion had been issued in accordance with the terms of the DPA, following the eighteen Claims that comprise the Kutuvuoma project became valid. The third tranche of 1 million Common Shares are escrowed for 18 months, from the date of issuance of the initial tranche of Common Shares on 8 September 2014.

23. CONTINGENT ASSETS AND LIABILITIES (continued)

As defined in the original DPA a further 2 million Common Shares may be issued by Aurion if they complete the transaction.

On 6 March 2015, the Company agreed to amend the DPA which included the removal of the Right of First Refusal clause, the inclusion of an additional clause in relation to Confidential Information and the relaxing of the time period before Aurion can seek a Third Party Partner. In consideration for these amendments Aurion will issue the Company with an additional 750,000 Common Shares, in addition to the purchase price as outlined in the DPA.

The additional Common Shares will be issued as follows:

- 250,000 Common Shares issued to the Company as soon as possible after the execution of the amendments (received 31 March 2015 and subject to the same escrow conditions); and
- 500,000 Common Shares will be issued at either the same time as the final instalment of 2 million Common Shares that are due to be issued to the Company on the third anniversary of the Kutuvuoma and Silasselkä Claims becoming valid, or earlier at Aurion's discretion, or if the DPA is terminated.

At 31 December 2015, the Company has a total holding of 4,250,000 Common Shares in Aurion or 9.67%, on an undiluted basis.

24. SHARE-BASED PAYMENT PLANS

Director and executive share options

An employee option plan ("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 Limited. Options previously issued under this Plan were issued for nil consideration and in accordance with the terms and conditions of the shareholder approved Dragon Mining Group Incentive Option Plan. Options do not provide any dividend or voting rights and are not quoted on ASX.

At 31 December 2015, there were no share options on issue and no options were exercised during the year.

On 13 March 2015, the Company announced that 120,000 unlisted options held by former employees of the Company lapsed unexercised due to the retirement and resignation of the applicable employees. At 31 December 2015, the Company has no options on issue.

(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

	2015		2014	
	Number	**WAEP**	**Number**	**WAEP**
Balance at beginning of year	120,000	$1.45	2,854,000	$1.42
Granted	-	-	-	-
Forfeited	-	-	(840,000)	$1.63
Lapsed	(120,000)	$1.45	(1,894,000)	$1.35
Balance at end of year	-	-	120,000	$1.45
Exercisable at the end of year	-	-	120,000	$1.45

	2015 $'000	2014 $'000
Expense for employee options which vested during the year	-	6

25. 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.

25. FINANCIAL INSTRUMENTS (continued)

	As at December 2015				As at December 2014			
	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)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Available-for sale-assets	213	-	-	213	126	-	-	126

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.

25. 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.

In relation to managing other potential credit risk exposures, the Group has in place policies 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:

	2015 $'000	2014 $'000
Cash and cash equivalents		
Counterparties with external credit ratings		
AA-	13,827	14,989
A+	-	-
A	69	62
A-	-	-
Total cash and cash equivalents	13,896	15,051
Trade and other receivables		
Counterparties with external credit ratings		
AAA	-	-
AA-	-	-
A+	-	-
A-	-	-
Counterparties without external credit ratings		
Counterparties with no defaults in the past	9,312	11,626
Total trade and other receivables	9,312	11,626

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	5,786	5,460
A+	-	-
A-	-	-
Counterparties without external credit ratings		
Counterparties with no defaults in the past	-	-
Total trade and other receivables	5,786	5,460

25. FINANCIAL INSTRUMENTS (continued)

(e) Interest Rate Risk

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:

	2015				2014			
	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	13,896	-	13,896	1.31	15,051	-	15,051	2.04
Asset held for sale	-	-	-	-	-	-	-	-
Environmental bonds	5,786	-	5,786	-	5,460	-	5,460	-
	19,682	**-**	**19,682**		**20,511**	**-**	**20,511**	
Financial liabilities								
Bank loans	-	-	-	-	-	-	-	-
Factoring facility	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 Group constantly analyses its interest rate exposure. Consideration is given to potential renewals of existing positions, alternative financing and or the mix of fixed and variable interest rates.

25. 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) may be 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 any 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. Historically, the Group has not hedge accounted 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 2015, the Company did not enter into or hold any foreign exchange derivatives.

At balance date, the Group had the following exposure to foreign currencies:

(i) USD

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	1,551	2,760
Trade receivables	9,246	7,304
	10,797	**10,064**
Financial liabilities		
Trade and other payables	24	15
	24	**15**
Net exposure	**10,773**	**10,049**

(ii) EUR

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	27	4
	27	**4**
Financial liabilities		
Trade and other payables	67	103
Net exposure	**(40)**	**(99)**

25. FINANCIAL INSTRUMENTS (continued)

(iii) AUD

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	4,611	4
	4,611	**4**
Financial liabilities		
Trade and other payables	14	103
Net exposure	**(4,597)**	**(99)**

At the date of this report the Company did not hold enter into or hold any currency derivatives.

(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 2015 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 2015 and 2014.

31 December 2015		Interest rate risk -1%		Interest rate risk +1%	
		Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets	Note				
Cash and cash equivalents	i	(139)	(139)	139	139
Receivables from associates	iii	-	-	-	-
Government bonds	iv	(58)	(58)	58	58
Financial liabilities					
Interest-bearing loans and borrowings		-	-	-	-
Total (decrease) / increase		(197)	(197)	197	197

31 December 2014		Interest rate risk -1%		Interest rate risk +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	iv	(55)	(55)	55	55
Financial liabilities					
Interest-bearing loans and borrowings		-	-	-	-
Total (decrease) / increase		(233)	(233)	233	233

25. FINANCIAL INSTRUMENTS (continued)

(h) Sensitivity Analysis (continued)

31 December 2015		**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	158	158	(158)	(158)	-	-	-	-
Trade and other receivables	ii	925	925	(925)	(925)	-	-	-	-
Asset held for sale		-	-	-	-	-	-	-	-
Intercompany loans	iii	3,854	3,854	(3,854)	(3,854)	-	-	-	-
Government bonds	iv	-	-	-	-	-	-	-	-
Financial liabilities									
Gold forward contracts		-	-	-	-	-	-	-	-
Currency forward contracts		-	-	-	-	-	-	-	-
Interest-bearing loans and borrowings		-	-	-	-	-	-	-	-
Total increase / (decrease)		4,937	4,937	(4,937)	(4,937)	-	-	-	-

i. Cash and cash equivalents include deposits at call at floating and short-term fixed interest rates.
ii. Trade receivables include AUD 8.9 million of gold concentrate receivables denominated in USD.
iii. 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.
iv. Interest bearing environmental cash bonds that have historically been deposited with Swedish and Finnish government authorities.

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.

25. 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:

	2015 $'000	2014 $'000
Within one year	6,839	5,869
Due between one and five years	-	-
	6,839	5,869

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.

26. SIGNIFICANT EVENTS AFTER PERIOD END

On 7 January 2015, the Company commenced proceedings through the Vaasa Administrative Court, to appeal against the Western and Inland Finland Regional State Administrative Office decision to reject the Company's Orivesi environmental permit extension. The appeal has been made on the basis that the Company has made significant improvements to the mine environment at Orivesi. The Company's appeal is supported by:

- An updated waste management plan;
- The latest fish inventory report; and
- A description of the water management improvements.

27. PARENT ENTITY DISCLOSURE

Financial position of the parent entity at year end	**2015 $'000**	**2014 $'000**
Current assets	5,848	4,357
Total assets	14,336	8,807
Current liabilities	766	411
Total liabilities	792	442
Issued capital	119,992	119,992
Retained earnings	(113,371)	(115,252)
Option reserve	-	1,863
Convertible note premium reserve	2,068-	2,068
Total shareholder's equity	**8,689**	**8,671**

Loss after tax of the Parent entity	**(4,854)**	**(4,270)**
Total comprehensive loss of the parent entity	**(906)**	**(4,270)**

DRAGON MINING LIMITED ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
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 2015 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;

b) The Consolidated 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; and

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 2015.

On behalf of the Board

Mr Brett Smith
Executive Director
26 February 2016

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 2015, 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(b), 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 2015 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 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
26 February 2016