



APPENDIX 4D

For the 6 months ended 30 June 2016

1.0 REPORTING PERIOD

The reporting period is for the half year ended 30 June 2016 with the corresponding reporting period being for the half year ended 30 June 2015.

2.0 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	A\$'000			
Revenues from gold sales	down	23.6%	to	30,020
Net profit before tax for the period	up	14.7%	to	5,887
Net profit after tax for the period attributable to members	up	14.7%	to	5,887

Refer to attached media release for further commentary regarding the half year to 30 June 2016 result.

3.0 NET TANGIBLE ASSET BACKING

	30 June 2016	30 June 2015
Net tangible asset backing per ordinary security (dollars)	0.38	0.56

4.0 CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

Not applicable.

5.0 DIVIDENDS

It is not proposed to pay a dividend.

6.0 DIVIDEND REINVESTMENT PLANS

Not applicable.

7.0 ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

8.0 ACCOUNTING STANDARDS USED FOR FOREIGN ENTITIES

The accounts have been prepared in compliance with International Financial Reporting Standards.

9.0 AUDIT DISPUTE OR QUALIFICATION

Not applicable.

This half year report should be read in conjunction with the most recent annual financial report.



DRAGON MINING LIMITED

ABN 19 009 450 051

**CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2016**

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CORPORATE INFORMATION

Directors

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

Company Secretary

Ms Shannon Coates

Registered Office

Unit B1, 431 Roberts Road
Subiaco, Western Australia 6008
Telephone: 61 8 6311 8000
admin@dragon-mining.com.au
www.dragon-mining.com.au

ABN

19 009 450 051

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Within Australia: 1300 557 010
From Overseas: 61 9 9323 2000
Facsimile: 61 8 9323 2033
web.queries@computershare.com.au
www.computershare.com

Stock Exchange

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

Auditors

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

Legal Advisors

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

Bankers

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

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

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

DIRECTOR'S REPORT

Your Directors submit the report of Dragon Mining Limited ("Dragon Mining" or "the Company") for the half year ended 30 June 2016.

1. Directors

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

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

2. Financial Results and Overview

The consolidated net profit after tax for the consolidated entity for the period was \$5.9 million (30 June 2015: Profit of \$5.1 million). Notable items for the half year included:

- Revenue from gold sales of \$30.0 million (HY2015: \$39.3 million);
- Gold production of 18,424 ounces (HY2015: 26,595 ounces);
- Gross profit from gold sales net of mine costs \$1.5 million (HY2015: \$8.6 million);
- Exploration expenditure of \$0.65 million (HY2015: \$2.1 million);
- Net operating cash flow of \$4.8 million (HY2015: \$10.0 million); and
- Cash depletion for the 6 month period of \$0.83 million (HY2015: \$6.8 million).

3. Principal Activities

The principal activities of the Company during the period were:

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

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

4. Corporate Overview

Sale of Aurion Resources Limited Shares

On 8 March 2016, the Company's 4,250,000 Common Shares ("Shares") in Aurion Resources Limited ("Aurion") were released from escrow, being 18 months from the date of issuance of the initial Tranche of Shares in Aurion.

During the half year, Aurion issued the Company 500,000 Shares representing the remaining consideration, above and beyond the purchase price outlined in the 23 May 2014 Definitive Purchase Agreement ("DPA"), owed in return for the Company agreeing to certain amendments to the DPA. In addition, Aurion issued the Company the final Tranche of 2,000,000 Shares in accordance with the terms of the DPA.

In May 2016, the Company sold all 6,750,000 Shares in Aurion receiving A\$644,819. The Company continues to retain:

- A 3% Net Smelter Royalty as per the DPA;
- An entitlement to a bonus payment upon the defining of one million ounces of gold equivalent material categorised as Measured and Indicated; and
- An entitlement to a further bonus payment for every additional one million ounces of gold equivalent material categorised as Measured and Indicated.

Orivesi Permit Extension

On 8 December 2015, the Western and Inland Finland Regional State Administrative Office ("AVI") rejected the Orivesi Environmental Permit application that had been submitted in 2010. On 7 January 2016, the Company commenced proceedings through the Vaasa Administrative Court ("Court") to appeal against the decision. The mine can remain in operation under the terms of the existing permit until the appeal process is completed. The Company has the right to appeal both in the lower and the upper courts. The appeal was 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) A significant improvement in water quality supported by the latest fish inventory report; and
- (iii) A description of the water management improvements.

The AVI's decision to not renew the permit has also been appealed by the Centre for Economic Development, Transport and the Environment ("ELY Centre") whose appeal supports the continued operation of the mine.

During May 2016, the Court asked the Company to provide its responses to one statement and seven opinions received as a result of the appeal. The contents of the statement and opinions vary, however a slight majority consider that the permit should be granted, at least for a fixed period. The Company submitted its responses on 13 May 2016.

Refer to Section 6 Significant Events after Period End for updates to the appeal.

Fäboliden Gold Project Update

On 3 June 2016, the Company submitted its Environmental Permit Application for a test mining operation at its Fäboliden Gold Project ("Fäboliden") to the County Administration Board ("CAB"). Test mining is anticipated to commence in 2017. The CAB plan to commence review of the Environmental Permit Application in mid-August with a referral time set for 30 September 2016.

The Company will continue to progress work on a new Environmental Permit Application for a full scale mining operation at Fäboliden. The mining operation will have a significantly smaller environmental footprint than had been proposed by the previous owners.

Sale of Fäboliden Land and Timber

On 30 June 2016, the Company finalised the tender process to sell what equated to 32% of the land and 41% of the timber at Fäboliden for approximately A\$1.8 million. The Company held no mining or exploration tenure over the areas subject to the sale, the areas located well away from the Fäboliden Gold Deposit and its strike extensions.

Hong Kong listing

As has been previously mentioned, the Company believes there is a disconnect between a listing on the ASX and the Company's operations being all in the Nordic region. The Company considers that Hong Kong may be an appropriate jurisdiction and continues to pursue the prospect of a Hong Kong listing.

Hanhimaa Earn-In Agreement

Agnico Eagle Mines Limited ("Agnico Eagle") has continued to advance the Hanhimaa Gold Project advising the Company that work during the half year consisted of detailed planning for the 2016 field season, the main target being the Titan24 anomalies in the Kiimakuusikko area. 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.

5. Review of Activities

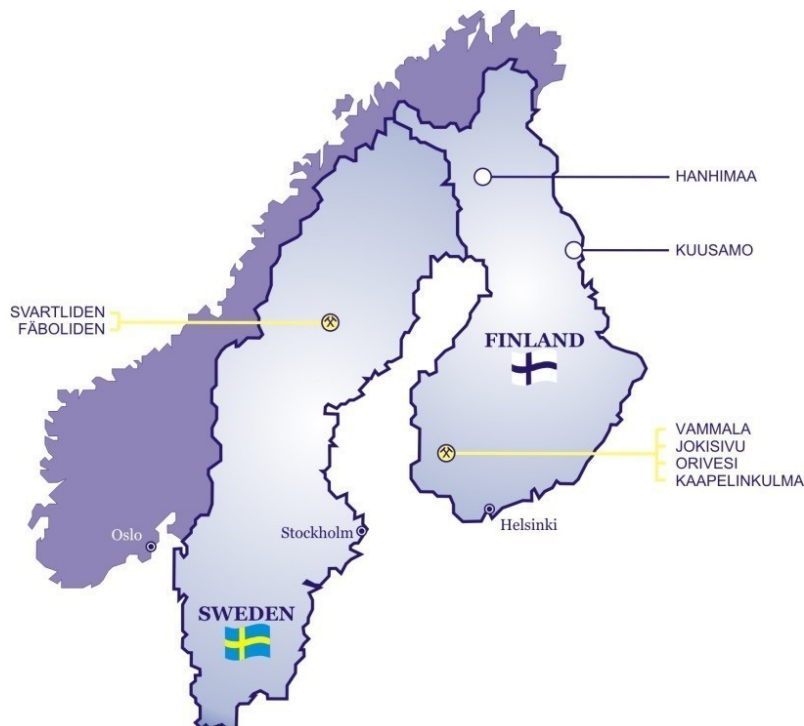
Operations

Overview

Vammala and Svartliden recorded one Lost Time Injury each during the period. Positive safety initiatives introduced at the Company's Finnish operations included an update of the Crisis Management Protocols resulting in the formation of the Crisis Management Team. The Orivesi mine also commenced use of the underground seismic monitoring system which continuously records micro seismic events caused by rock stresses.

Stronger USD gold prices have prevailed during the first half of 2016 where, after opening around US\$1061/oz, prices traded to a half year high of US\$1,310/oz. In spite of lower gold production, the higher gold prices combined with managements continued effort to drive cost efficiencies across its operations have resulted in positive operating cashflows from activities of \$4.8 million during the period (30 June 2015: \$10.0 million) which does not include proceeds from the sale of the land and timber at Fäboliden or the sale of the Aurion shares.

Location of Projects and Production Centres



Gold production for the half year was 18,424 ounces (30 June 2015: 26,595 ounces), comprising 14,485 ounces (30 June 2015: 18,542 ounces) from the Vammala Production Centre ("Vammala") and 3,939 ounces (30 June 2015: 8,053 ounces) from Svartliden. Gold production was lower due to a change in mix of ores being processed in the Vammala production centre. To compensate for the decrease in higher grade ore tonnes from the Orivesi mine while access to new stopes are being developed, production has been increased, but at a lower grade, from the Jokisivu mine.

Total ore mined from Jokisivu was 126,753 tonnes, the highest tonnage mined from Jokisivu in a six month period to date. Mining at Orivesi was hampered by difficult mining conditions restricting total ore mined to 49,964 tonnes. The improvements made to the Vammala plant in 2015 continue to yield recovery improvements and cost savings. Metallurgical test work has also identified a quantity of high grade tailings from historical Orivesi production that can be reprocessed at Vammala. The Company has commenced a study to estimate the Mineral Resource and determine the economics. No additional permitting would be required.

The Svartliden plant successfully processed 100% of the internal concentrate from Jokisivu and an increased amount of concentrate tonnes from Orivesi. Svartliden also processed 1,352 tonnes of external concentrate to produce 3,939 ounces of gold. In late May 2016, Svartliden experienced a sudden increase in copper levels in the Clear Water Pond and had to take measures to avoid breaching the permitted copper level in the effluent water. In June 2016, the Company decided to cease processing external concentrates due to

the high leachable copper content of the concentrate and to ensure environmental compliance. Svartliden will continue to process internal concentrates but the reduced volumes being processed has impacted on the economics of the Svartliden plant.

Nevertheless, a strategic decision has been made to keep the Svartliden plant operating at below breakeven to ensure operational readiness for the development of Fäboliden.

Advanced Projects and Exploration

The Company continued to advance activities at its key projects in Finland and Sweden during the half-year ending 30 June 2016. This work is providing support for project evaluation, mine planning and mine development.

Updates to the Company's Mineral Resources and Ore Reserves were completed and announced to ASX on 29 February 2016 and 30 March 2016 respectively. With Resources and Reserves at all-time highs, the Company is well positioned for further growth as it enters its second decade of gold production in the Nordic Region.

The updates noted above yielded increases to the Group's Measured, Indicated and Inferred Mineral Resources and Proved and Probable Ore Reserves. These increases are largely attributable to the inclusion of the maiden estimates for the Fäboliden Gold Project, which constitutes 46% of the ounces in the total group Mineral Resource base and 60% of the ounces in the total group Ore Reserve base.

Diamond core drilling has continued at both Orivesi and Jokisivu during the half year. The Company drilled 12,486.90 metres (2015 HY: 18,549.95 metres) from both surface and underground positions, yielding a number of significant intercepts that continue to underline the encouraging nature of the Company's projects.

During the half year period, drilling at Orivesi has been directed toward the extensions of Kutema Pipe 5 between the 1200m and 1280m levels, with the objective of further deepening the Orivesi mine. The initial results have been encouraging, see ASX Announcement 22 July 2016. Further drilling to define the extent and geometry of mineralisation between these levels is in progress.

At Jokisivu, results from the drilling of the Arvola deposit continue to support the existence of the depth extensions of this deposit. Drilling of the Kujankallio deposit has provided additional information to improve confidence in the geological model, with drilling now underway to evaluate the extensions of the Kujankallio Hinge Zone.

The Company evaluated the viability of establishing a third gold mine in the southern Finland region. A positive outcome was achieved from the Pre-Feasibility level study into the development of the Kaapelinkulma Gold Project. The study was based on the establishment of an open pit mining operation and the haulage of ore to the operational Vammala Plant to produce a high grade gold concentrate and the processing of this concentrate at the Svartliden Production Centre in Sweden.

The Company also continued to evaluate developing the Fäboliden Gold Project in Northern Sweden. A positive outcome was achieved from the Pre-Feasibility level study into the development of the project, demonstrating a base case operation, which the Company expects to be able to further enhance through the refinement of operating cost estimates and improvement in process recovery.

A second phase of bench scale metallurgical test work on representative material from the Fäboliden deposit, focused on recovery improvements has been completed. The test work returned gold recoveries of 83%, higher than that obtained in earlier test work programs. Gravity regrind tests yielded a further 3% increase in recovery, lifting overall recoveries to 86%.

An application for an Environmental Permit to undertake a test mining campaign at Fäboliden was submitted during the half year, whilst preparation of an application for a new Environmental Permit for full scale mining at Fäboliden progressed.

6. Significant Events after Period End

There have been no significant events reported after balance date.

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

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

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on page 8 and forms part of the Directors' report for the half year ended 30 June 2016.

8. Rounding

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

Signed in accordance with a resolution of the Directors:



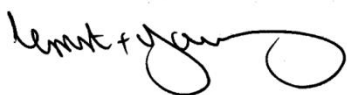
Brett R Smith
Executive Director
31 August 2016

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

As lead auditor for the review of Dragon Mining Limited for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst and Young



G H Meyerowitz
Partner
31 August 2016

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	6 months to 30 June 2016 \$'000	6 months to 30 June 2015 \$'000
Revenue from operating activities		30,020	39,327
Revenue from other activities	3(a)	2,462	623
Mine costs (includes depreciation)	3(b)	(28,518)	(30,708)
Exploration expenditure		(650)	(2,095)
Other expenses/(net of reversal of provision)*	3(c)	2,608	(1,986)
Finance costs	3(d)	(5)	(20)
Foreign exchange loss		(30)	(9)
Profit before tax		5,887	5,132
Income tax benefit		-	-
Profit after income tax		5,887	5,132
Other comprehensive income – <i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation (loss)/gain		(572)	922
Profit on financial assets classified as available-for-sale		-	11
OCI reclassified to the P&L in the current period		11	-
Total comprehensive gain for the period		5,326	6,065
Profit attributable to:			
Members of Dragon Mining Limited		5,887	5,132
		5,887	5,132
Total comprehensive gain attributable to:			
Members of Dragon Mining Limited		5,326	6,065
		5,326	6,065
Gain per share attributable to ordinary equity holders of the parent (cents per share)			
Basic gain per share		0.07	0.06
Diluted gain per share		0.07	0.06

*Other expenses include a \$4.5million positive adjustment to the Provision for Rehabilitation at Svartliden.

The above Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2016 \$'000	31 Dec 2015 \$'000
Current Assets			
Cash and cash equivalents		13,013	13,896
Trade and other receivables	4	5,929	9,312
Inventories	5	7,886	7,128
Other assets		80	99
Total Current Assets		26,908	30,435
Non-Current Assets			
Property, plant and equipment	7	7,831	7,173
Mineral exploration and evaluation costs	8	10,374	7,685
Development costs	8	1,288	-
Available for sale investments	6	-	213
Other assets		5,548	5,786
Total Non-Current Assets		25,041	20,857
Total Assets		51,949	51,292
Current Liabilities			
Trade and other payables		6,370	6,766
Provisions	9	2,629	2,189
Other liabilities		88	73
Total Current Liabilities		9,087	9,028
Non-Current Liabilities			
Provisions	9	10,693	15,421
Total Non-Current Liabilities		10,693	15,421
Total Liabilities		19,780	24,449
Net Assets		32,169	26,843
Equity			
Contributed equity	12	119,992	119,992
Reserves		(1,940)	(1,379)
Accumulated losses		(85,883)	(91,770)
Total Equity		32,169	26,843

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$'000	Accumulated Losses \$'000	Foreign Currency Translation \$'000	Option Reserve \$'000	Convertible Note Premium Reserve \$'000	Available for sale Reserve \$'000	Equity Reserve – Purchase of Non- controlling interests \$'000	Total \$'000
At 31 December 2015	119,992	(91,770)	(4,505)	-	2,068	(11)	1,069	26,843
Gain for the period	-	5,887	-	-	-	-	-	5,887
Other comprehensive loss	-	-	(572)	-	-	11	-	(561)
Total comprehensive income for the period	-	5,887	(572)	-	-	11	-	5,326
At 30 June 2016	119,992	(85,883)	(5,077)	-	2,068	-	1,069	32,169
At 31 December 2014	119,992	(96,196)	(5,638)	1,863	2,068	(48)	1,069	23,110
Gain for the period	-	5,132	-	-	-	-	-	5,132
Other comprehensive income	-	-	922	-	-	11	-	933
Total comprehensive income for the period	-	5,132	922	-	-	11	-	6,065
Share based payment transaction	-	1,863	-	(1,863)	-	-	-	-
At 30 June 2015	119,992	(89,201)	(4,716)	-	2,068	(37)	1,069	29,175

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	6 months to 30 June 2016 \$'000	6 months to 30 June 2015 \$'000
Cash flows from operating activities		
Receipts from customers	35,392	39,416
Payments to suppliers and employees	(29,800)	(26,435)
Payments for mineral exploration	(882)	(2,062)
Interest received	60	46
Interest paid	-	(1)
Income taxes paid	-	(896)
Payment of environmental bonds	-	(52)
Net cash received from operating activities	4,770	10,016
Cash flows from investing activities		
Payments for property, plant and equipment	(3,872)	(2,132)
Proceeds from sale of property, plant and equipment	-	37
Proceeds from non-refundable deposit in relation to Weld Range Minerals Limited	-	250
Payment for bond held on deposit	72	(27)
Sale of investments	645	-
Payments for development	(2,443)	(1,359)
Net cash used by investing activities	(5,598)	(3,231)
Cash flows from financing activities		
Repayment of short-term factoring facility	-	(8)
Net cash used by financing activities	-	(8)
Net increase in cash and cash equivalents	(828)	6,777
Cash and cash equivalents at the beginning of the period	13,896	15,051
Effects of exchange rate changes on cash and cash equivalents	(55)	(23)
Cash and cash equivalents at the end of the period	13,013	21,805

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The interim financial report of Dragon Mining Limited and its controlled entities ("consolidated entity" or the "Group") for the half year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 31 August 2016.

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

2. Basis of Preparation and Accounting Policies

(a) Basis of Preparation

These general purpose condensed interim financial statements for the half year ended 30 June 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

The half year financial report should be read in conjunction with the annual report for the year ended 31 December 2015 and considered together with any public announcements made by Dragon Mining Limited during the half year ended 30 June 2016 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

(b) Changes in Accounting Policy

Except as disclosed below, the accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2015.

All relevant new and amended Accounting Standards and Interpretations which became applicable on 1 January 2016 have been adopted by the Group. These included:

- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-1 Amendments to Australian Accounting Standards-Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards-Disclosure Initiative: Amendments to AASB 101
- AASB 2015-9 Amendments to Accounting Standards-Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]

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

3. Revenue and Expenses

	6 months to 30 June 2016 \$'000	6 months to 30 June 2015 \$'000
(a) Revenue from other activities		
Finance revenue (i)	68	243
Rent and service income	141	250
Gain on sale of plant and equipment	1,815	40
Other	438	90
Total revenue from other activities	2,462	623
(i) Breakdown of Finance Revenue		
Bank and external interest	68	68
Interest from associate	-	175
	68	243
(b) Mine costs		
Cost of production	26,726	29,316
Depreciation of mine properties, plant and equipment	1,792	1,392
Total mine costs	28,518	30,708
(c) Other expenses		
Management and administration expenses	1,853	2,000
Depreciation of non-mine site assets	39	61
Reversal of provision for non-recoverability of loan from associate	-	(75)
Reversal of rehabilitation provision ¹	(4,500)	-
	(2,608)	1,986
¹ Refer to note 9.		
(d) Finance costs		
Interest	-	2
Other	5	18
	5	20

4. Trade and Other Receivables

	30 June 2016 \$'000	31 Dec 2015 \$'000
Current		
- Trade receivables	1,026	8,590
- Other receivables ¹	4,903	722
	5,928	9,312

¹Other receivables includes an amount of approximately A\$1.8 million relating to the sale of the land and timber at Fäboliden. On 30 June 2016, the Company finalised the tender process to sell what equated to 32% of the land and 41% of the timber at Fäboliden. The Company held no mining or exploration tenure over the areas subject to the sale, the areas located well away from the Fäboliden Gold Deposit and its strike extensions.

5. Inventories

	30 June 2016 \$'000	31 Dec 2015 \$'000
Work in progress		
- Ore and concentrate stockpiles - at cost	3,929	3,046
- Gold in circuit - at cost	3,069	3,183
- Raw materials and stores – at cost	888	899
	7,886	7,128

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

6. Available for Sale Investments

	30 June 2016 \$'000	31 Dec 2015 \$'000
Non-Current		
Available for sale financial assets – Aurion plc	-	213
	-	213

During March 2016, the Company sold 6.75 million Common Shares ("Shares") in Aurion Resources Limited ("Aurion") at a price of approximately 9.5 cents per share receiving \$644,819.

At the date of this report the Company does not hold any further Share interest in Aurion.

7. Property, Plant and Equipment

	30 June 2016 \$'000	31 Dec 2015 \$'000
(a) Land		
At cost	1,540	1,815
(b) Buildings		
At cost	2,222	1,879
Less accumulated depreciation	(1,678)	(1,690)
	544	189
(c) Property, Plant and Equipment		
At cost	30,134	29,684
Less accumulated depreciation	(27,381)	(27,327)
	2,752	2,357
(d) Mine properties		
At cost	84,194	83,953
Less accumulated depreciation and impairment	(81,200)	(81,141)
	2,994	2,812
Total Property, Plant and Equipment	7,831	7,173

Management of the Group recognise two cash-generating Units, the Vammala Production Centre and the Svartliden Processing Plant. The impact of impairment was disclosed fully at December 2015, there have been no changes to the information that would result in additional impairment.

8. Mineral Exploration and Development Costs

	30 June 2016 \$'000	31 Dec 2015 \$'000
Exploration and evaluation		
At cost	10,374	7,685
	10,374	7,685
Development		
At cost	1,288	-
	1,288	-

9. Provisions

	30 June 2016 \$'000	31 Dec 2015 \$'000
Current		
Employee entitlements	2,629	2,189
Rehabilitation	-	-
	2,629	2,189
Non-current		
Employee entitlements	28	26
Rehabilitation ¹	10,665	15,395
	10,693	15,421

¹The Company has identified the following events which have had a significant impact on the present obligation and the timing of the associated economic outflows:

- In March 2016, the Company released the maiden Ore Reserve estimate for Fäboliden representing an initial mining life of approximately four years. The mining operations at Fäboliden will extend the operating life of Svartliden and enable ongoing rehabilitation to coincide with operating activities; and
- In June 2016, the County Administration Board granted the Company a permit to fill the open pit with tailings up to the +415 metre level. This provides ample capacity for the development of the Fäboliden project.

Based on the probable outflow of economic resources required to settle the obligation, the Company has reversed its rehabilitation provision for Svartliden by A\$4.5 million (net of NPV adjustments).

10. Dividends Paid or Provided For

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

11. Segment Reporting

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

The accounting policies used by the Group in reporting segments are the same as in the prior reporting period ending 31 December 2015.

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

¹This amount constitutes the reversal of the Rehabilitation Provision. Refer to note 9.

11. Segment Reporting (continued)

	Sweden 30 June 2015 \$'000	Finland 30 June 2015 \$'000	Unallocated 30 June 2015 \$'000	Total 30 June 2015 \$'000
Segment revenue				
Gold sales to external customers	23,294	16,033	-	39,327
Inter-segment	-	10,393	-	10,393
Interest revenue	11	-	232	243
Other revenue	19	337	24	380
Elimination of inter-segment	(10,393)	-	-	(10,393)
Total revenue	12,931	26,763	256	39,950
Segment result				
Pre-tax segment result	1,103	3,876	-	4,979
Income tax benefit	-	-	-	-
Post tax segment result	1,103	3,876	-	4,979
Unallocated items:				
Corporate interest revenue				232
Other corporate income				24
Corporate costs				(1,194)
Unallocated foreign exchange losses relating to intercompany loans advanced by parent				-
Finance costs				(4)
Elimination of inter-company interest expense and management fees in segment results				1,095
Loss after tax as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income				5,132

The following table presents segment assets of the Group's operating segments as at 30 June 2016 and 31 December 2015:

	Sweden \$'000	Finland \$'000	Australia \$'000	Total \$'000
Segment Non-Current assets				
At 30 June 2016	12,697	12,291	53	25,041
At 31 December 2015	12,562	8,241	54	20,857

12. Contributed Equity

	30 June 2016 Number of Shares	31 Dec 2015 Number of Shares	30 June 2016 \$'000	31 Dec 2015 \$'000
Share Capital				
Ordinary shares, fully paid	88,840,613	88,840,613	119,992	119,992

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

13. Expenditure Commitments

An update to the commitments disclosed in the financial report for the year ended 31 December 2015 is detailed below.

Exploration commitments

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

	30 June 2016 \$'000	31 Dec 2015 \$'000
Within one year	53	63
One year or later and no later than five years	262	289
	315	352

Operating Lease Expense Commitments

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

	30 June 2016 \$'000	31 Dec 2015 \$'000
Within one year	43	38
One year or later and no later than five years	144	101
	187	139

Remuneration Commitments

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

	30 June 2016 \$'000	31 Dec 2015 \$'000
Within one year	558	511
	558	511

14. Significant Events After Balance Date

There have been no significant events reported after balance date.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of financial position of the consolidated entity as at 30 June 2016 and the performance for the half year ended on that date; and
 - complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Brett R Smith
Executive Director

31 August 2016

Independent review report to the members of Dragon Mining Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Dragon Mining Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dragon Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



G H Meyerowitz
Partner
Perth
31 August 2016