



DRAGON MINING LIMITED

ABN 19 009 450 051

**ANNUAL REPORT
2015**

DRAGON MINING ANNUAL REPORT 2015

Contents

CHAIRMAN'S REPORT	3
EXECUTIVE DIRECTOR'S REPORT	4
OPERATIONS REVIEW	6
OCCUPATIONAL HEALTH & SAFETY REVIEW	11
ENVIRONMENT REVIEW	11
EXPLORATION REVIEW	15
RESOURCES AND RESERVES STATEMENT	22
FINANCIAL REPORT	27
LEAD AUDITOR'S INDEPENDENCE DECLARATION	45
FINANCIAL STATEMENTS	46
INDEPENDENT AUDITOR'S REPORT	97
ASX ADDITIONAL INFORMATION	99
TENEMENT REGISTER	101

Chairman's Report

I am pleased to present to shareholders the Company's Annual Report for the year ended 31 December 2015, particularly as we have been able to report a second successive year of profitable results since the new Board and management team took office on 7 February 2014. The Company also recorded a positive cash balance of \$13.9m at year end.

The year end profit of \$2.6m and positive cash balance was achieved notwithstanding a depressed gold price throughout the year, the exhaustion of the Svartliden ore stockpiles, and the acquisition of the Fäboliden Gold Project ("Fäboliden") in Sweden for approximately \$6.0m cash.

The depressed gold price and exhaustion of Svartliden ore created difficult trading conditions for the Company but close attention to cost reductions and operational efficiencies enabled the Company to maintain profit.

A major achievement during the year was the acquisition of Fäboliden, including the mining tenements and surrounding land and timber resource. The exploration of the high grade zone selected for drilling has been very encouraging to date and planning is proceeding for commencement of mining as soon as practicable. Details of the results have been announced. The securing of environmental permits, including stakeholder consultation, is in progress as well as detailed mine planning. The Board hopes that Fäboliden will enable the continuation of the Svartliden operation for a number of years.

A number of other operational improvements were achieved during the year. These included several significant improvements to the processing plant at Vammala. Details of these are set out in this Annual Report and have resulted in both improved recoveries and operational efficiencies.

The Board has previously indicated that it believes that there is a disconnect between a listing on the ASX and the Company's operations being all in the Nordic area. Accordingly, consideration has been given to listing in a jurisdiction where Nordic operations may generate more interest. The Board considers that Hong Kong may be an appropriate jurisdiction and it will continue to explore the prospects of listing in Hong Kong.

We expect 2016 to be similar to 2015 for the Company as we will not have ore to process at Svartliden until Fäboliden can be brought on stream. The Orivesi Gold Mine will have reduced output and costs are increasing because of the depth of the mine. However we expect increased production at the Jokisivu Gold Mine and the Kaapelinkulma Gold Project can be brought on stream at short notice.

We will continue to develop our strategy and are hopeful of maintaining our improved operational position.

I wish to express my sincere thanks to our Directors and loyal staff for their support and efforts during this difficult period. I also thank our shareholders for their support.

In view of our Fäboliden acquisition we believe Dragon has significant opportunity for improvement in the future.



Arthur G. Dew
Chairman

Executive Director's Report

The Company's strategy has remained simple; invest in safety and our people while driving productivity efficiencies and seeking acquisition and development opportunities to complement our existing assets.

2015 represented the second consecutive profitable year for the Company following the inception of the new Board and management team in 2014. Importantly, we have remained cash flow positive and have no debt. Our positive cash position stands even after paying approximately \$6.0m cash for the acquisition of the Fäboliden Gold Project ("Fäboliden"), investing \$3.5m on exploration and making significant capital investment to upgrade the Vammala Plant. Our ability to generate cash reflects the cost cutting and efficiency improvement at all our operations.

With the acquisition of Fäboliden in Sweden and the permitting of the Kaapelinkulma Gold Project ("Kaapelinkulma") in Finland complete, the Company now has the assets in place to sustain the existing operations.

On safety, significant improvements continued to be made with a focus on improving the culture of the organisation. Our commitment to the continuous improvement of safety has included significant ongoing investment in risk based training across our operations, new underground seismic monitoring equipment and the completion of the decline reinforcement program at the Orivesi Gold Mine ("Orivesi").

The Company has invested heavily to ensure the sustainability of its operations and to maintain its positive relationships with the communities in which it operates. For example, the revised tailings deposition combined with our new water treatment plant in Sweden provides leading edge technology combining biological and chemical treatment. In Finland, further investments in water treatment and noise mitigation at our operations have been made. As a response to an NGO's claims, the Company commissioned an independent study of the sediments and the potential sources of uranium in lakes near Orivesi. From the findings of that study, STUK, the Finnish Radiation and Nuclear Safety Authority, confirmed the sediment samples do not cause any risk and importantly the uranium levels in the discharge water from Orivesi are well below the standards for drinking water.

By investing in recovery improvements, despite falling gold prices and reduced throughput and grades in Sweden, the Company successfully reduced the Group C1 cash costs to US\$917 per ounce (2014: US\$951 per ounce).

Our strategy of processing the gold concentrates from the Vammala Production Centre ("Vammala") at the Svartliden Production Centre ("Svartliden") continues to show significant cost saving compared with traditional smelting. Svartliden is now also processing external gold concentrates from 3rd parties in the Nordic Region. By June 2015, Svartliden had fully depleted the low grade ore stockpiles and thanks to the efforts of our staff, by September 2015 the Svartliden Plant had been fully modified and recommissioned to process only gold concentrates.

The completion of the Fäboliden purchase sees a turning point for the future sustainability of the Company's operations in Sweden. With the completion of activities in 2015, we can look forward to the development of two new mines in the near future, both within economic trucking distances of our existing process operations:

- Kaapelinkulma has now received all of its required Environmental Permits. In 2015, the Company completed further drilling and an update of the feasibility study that included a new mine design and schedule. The current schedule indicates that the Company's third gold mine in the southern Finland region can potentially deliver ore to the Vammala Plant by early 2017.
- At Fäboliden, in addition to the mining and exploration tenements, the acquisition also included the ownership of 1,728 hectares of land which retains standing timber of significant value.

On an exploration and evaluation front, the Company completed an extensive drilling campaign at Fäboliden and further progressed the engineering and mine design of open pit operations targeting a higher grade area of gold mineralisation. This work has confirmed an economically viable operation with a Mineral Resource of 6,900,000 tonnes grading 3.3 g/t gold for 743,000 ounces. Bench scale test work and a 1,000 tonne production test have confirmed that material from Fäboliden is suitable for processing at Svartliden.

The Company has also quietly continued work on the Kuusamo Gold Project, re-engineering the project based on an underground mine and a more realistic time frame for its development. In the field, we are continuing base line environmental studies and developing options that incorporate the feedback received from the environmental agencies and the community.

DRAGON MINING ANNUAL REPORT 2015

Looking ahead, 2016 will be an exciting year with the development of Fäboliden as a key priority. In Finland, the focus will be on efficiency improvement and the ramping up of production from the Jokisivu Gold Mine to compensate for lower levels of production from Orivesi. Operationally, our low C1 cash cost and a commitment to improve recovery from mining through to the gold room should ensure the continuation of our profitable operations.

We have also been fortunate in recruiting a number of new senior staff in both Finland and Sweden, adding to the experience of our existing team. With our capable team and the continued support of our Board, the Company is again well positioned for commercially sound, safe and environmentally responsible operations into the future.

A handwritten signature in blue ink, appearing to read 'Brett Smith', with a stylized, flowing script.

Brett Smith
Executive Director

Operations Review

Group Overview

The Company's gold production for the year was 53,805 ounces (2014: 59,654 ounces) at a C1 cash cost of US\$917 per ounce (2014: US\$951 per ounce).

At the Orivesi Gold Mine ("Orivesi"), the cessation of production from Kutema Pipe 2 reduced mining to Kutema Pipe 5 whilst revised mining methods to account for higher rock stresses in the new deeper stopes slowed ore extraction, impacting overall production from the Vammala Production Centre ("Vammala"). To compensate for the reduced production from Orivesi, production from the Jokisivu Gold Mine ("Jokisivu") was ramped up and a new monthly production record of 21,457 ore tons was set in December 2015.

During the year, the Company received approval from the County Administration Board in Sweden to process 20,000 tonnes per annum of gold concentrate ("concentrate") without ore and made a number of modifications to the Svartliden Plant to enable concentrate only processing. Production from the Svartliden Production Centre ("Svartliden") was impacted by the depletion of the low grade ore stockpiles in late June and by September external concentrate processing was ramped up as the Svartliden Plant transitioned to 100% concentrate processing. During the year, Svartliden treated 3,855 tonnes of external concentrate from 3rd party sources at an average grade of 92.5 g/t gold for 10,944 ounces of gold.

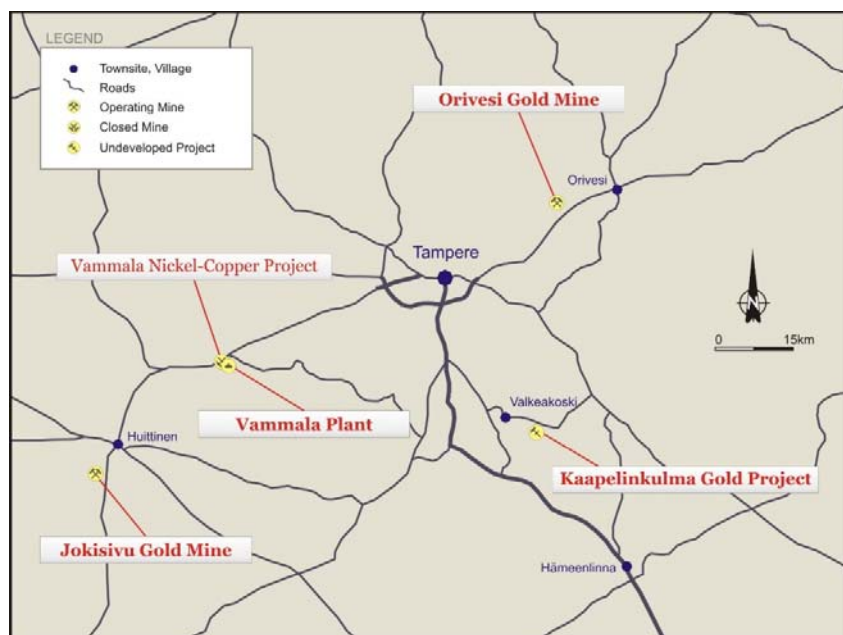
Finland

Vammala Production Centre

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

It comprises the Vammala Plant, which is a conventional 300,000 tonnes per annum flotation plant plus the operating Orivesi and Jokisivu Gold Mines and the advanced Kaapelinkulma Gold Project. The Vammala Plant was successfully recommissioned in June 2007 and has produced 252,656 ounces of gold in concentrate to 31 December 2015.

The Vammala Plant was originally set up to produce a concentrate as suitable feed stock for the nearby Harjavalta smelter ("Harjavalta") and in meeting these requirements the Company sacrificed gold recovery. Following successful test trials the Company commenced the processing of Vammala concentrate, primarily from Jokisivu, at Svartliden. During the year, Vammala sent 4,057 tonnes of concentrate to Harjavalta and 3,252 tonnes of concentrate to Svartliden.



DRAGON MINING ANNUAL REPORT 2015

During 2015, the Vammala Plant treated 285,797 tonnes of ore (2014: 303,219 tonnes of ore) with an average grade of 4.7 g/t gold (2014: 4.6 g/t gold) to produce 38,321 ounces of gold (2014: 38,245 ounces of gold) at an improved recovery of 88.7% (2014: 81.7%) and C1 cash cost of US\$722 per ounce (2014: US\$934 per ounce).

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

- 122,271 tonnes from Orivesi at an average grade of 6.1 g/t gold; and
- 163,526 tonnes from Jokisivu at an average grade of 3.7 g/t gold.

Summary of Vammala Production Centre Operating Performance		
	2015	2014
2015 ore milled (tonnes)	285,797	303,169
Head grade milled (g/t gold)	4.7	4.6
Gold recovery (%)	88.7	81.7
Gold produced (ounces)	38,321	38,246
C1 cash cost (US\$/ounce)	722	934

Processing – Vammala Plant

The Vammala Plant achieved 698 lost time injury (LTI) free shifts by October 2015. Unfortunately two accidents took place in the lead up to the end of the year that resulted in an LTI.

During the year, the Vammala Plant operated consistently with mill feed of 285,797 tonnes with the majority of ore coming from Orivesi and Jokisivu underground production stopes and, to a lesser extent, development mining.

There were a number of improvements initiated at the Vammala Plant which included:

- The installation of the new cyclones resulting in a flotation recovery increase of 1%-3% for Orivesi ore, due to better size classification and less ultra-fines;
- Replacing the conveyor from the cone crusher to the silo;
- Replacing the rotators and stators for the rougher flotations cells;
- Replacement of the transformer for the crusher and repair work for the Larox filter;
- The raising of the Tailings Storage Facility ("TSF") embankment and the undertaking of the statutory TSF safety inspection by the relevant authorities;
- Installation of two sprinkler systems following the receipt of a complaint regarding dust from the TSF; and
- The installation of new compressors.

Going forward, the Company intends to maintain its focus on continued improvements to recovery, operating efficiency and safety.

Mining – Orivesi Gold Mine

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

Despite the occurrence of two rock bursts in the main decline on the 610m level (October 2015) and evidence of seismic activity, Orivesi's year was accident free representing a significant improvement when compared to the five accidents recorded in 2014. The number of LTI free shifts was 392 by the end of 2015, however despite zero accidents, a number of serious incidents highlight the ongoing need for safety vigilance. One such incident included significant damage to a remote controlled loader by falling rocks. The loader was safely recovered without further incident and sent off site for repairs.

DRAGON MINING ANNUAL REPORT 2015

Most of the stoping took place below the 900m level, where mining conditions continued to deteriorate due to higher rock stresses. Two sill pillars were mined out on the 820m and 900m levels, mining recovery of these pillars was less than 33%, a significant cause for Orivesi's gold production being below budget.

Underground safety tours and monthly safety topic discussions were implemented however the installation of the seismic monitoring system was delayed until 2016. Despite the operation of two meshing/bolting rigs, the Company will need to increase its meshing capacity in order to reinforce all the vital areas in the stopes and the decline.

A total of 1,882 lateral development metres were completed in 2015. Development of the Kutema decline continued after receipt of Board approval to extend the decline from the 1,000m to the 1,200m level. The decline advanced 409 metres to the 1135m level by the end of 2015. Production from Kutema Pipe 2 finished on the 980m level. Work on extending the exploration drift on the 710m level to Sarvisuo was completed in early 2015.

Mining – Jokisivu Gold Mine

The excellent safety record of 1,296 LTI free days ended in December 2015 when a truck, emptying marginal ore on the stockpile, rolled on its side. Corrective action involved the levelling of surfaces where trucks are unloading.

An external consultant identified fire as the biggest underground safety risk. In this regard, the Company will focus on implementing fire protection measures.

A major safety improvement was the installation of an improved underground radio communication system.

Jokisivu underground stopes were stable and during the year, ore production from Jokisivu was ramped up from a budgeted 109,550 tonnes to an actual 160,169 tonnes in a bid to compensate for the reduced output from Orivesi. Actual grades from the mine were close to forecast at 3.7 g/t gold.

Underground development for the year was 1,977 metres and the bottom of the decline was located at the 335m level by the end of 2015.

Finland Outlook

Vammala Plant

The Vammala Plant will continue to process material from both Orivesi and Jokisivu during 2016 and efforts to maximise plant utilisation and recovery over the course of the year will be maintained. The target is to send all concentrates to the Svartliden Plant in Sweden for leaching.

Orivesi Gold Mine

The first results of the Kutema Deeps diamond drilling program between the 1,220m and 1,300m levels are expected to be available at the beginning of April 2016. The technical and economic viability of deepening the decline will be determined on the basis of the strength of results from this program. Results from drilling that tested areas away from the two known lode systems will be reviewed to determine if any other target warrants further evaluation.

Jokisivu Gold Mine

At the current production rate, the present Ore Reserves at Jokisivu are expected to last until mid-2017. The underground diamond core drilling programs underway at Arpola and Kujankallio are designed to achieve continuous mining from both deposits. The drilling will allow material currently defined as Inferred Mineral Resources to be upgraded to the Indicated Mineral Resources category and at that time stope designs could be modified and Ore Reserves increased. Depth extensions of the known mineralisation will also be targeted with the objective of defining additional Mineral Resources that can be included in future mine planning studies.

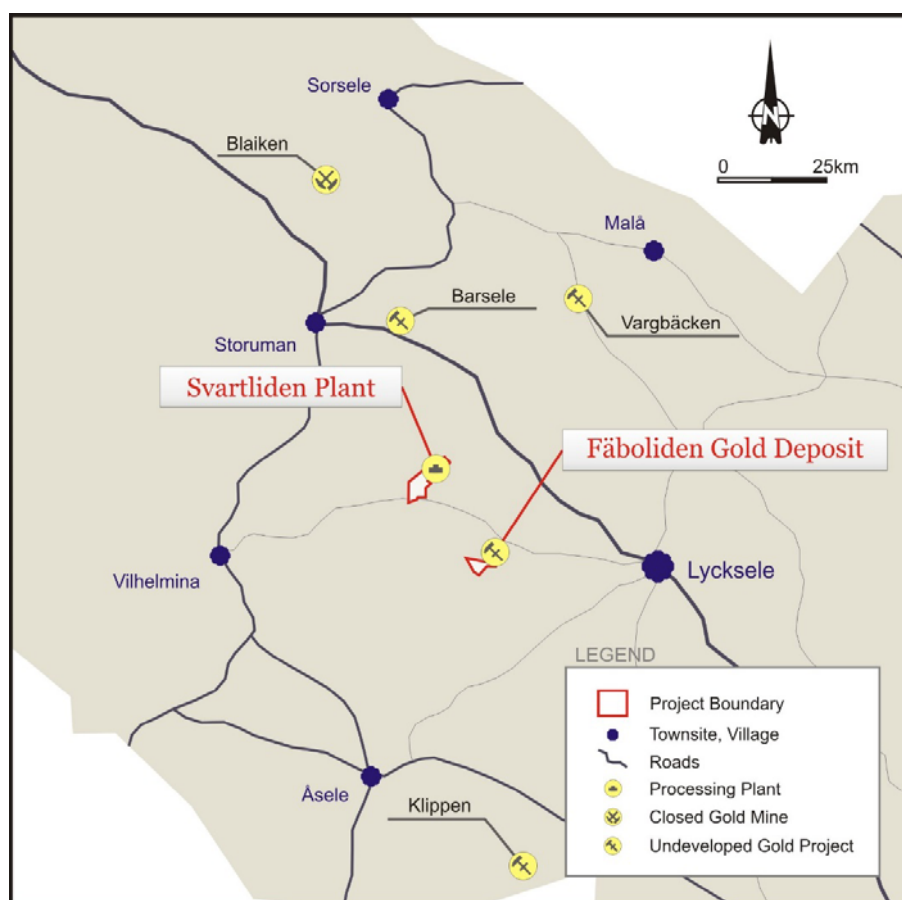
Sweden

Svartliden Production Centre

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

The operation was brought into production in March 2005 and has produced a total of 387,765 ounces of gold as at 31 December 2015. The Svartliden gold deposit was mined by open-cut and underground methods with ore processed through a conventional carbon in leach (CIL) plant that has a design throughput capacity of 300,000 tonnes per annum.

The open-pit and underground mining operations at Svartliden were concluded during 2013 however the Svartliden Plant continued to process low grade stockpiled ore and concentrate concurrently until June 2015. With the depletion of the low grade stockpiled ore in June 2015, the Svartliden Plant transitioned to 100% gold concentrate processing resulting in the ball mill and crushing circuit being placed on care and maintenance.



The Company successfully completed the purchase of the Fäboliden Gold Project ("Fäboliden") following the transfer of the Exploitation Concession to the Company becoming legally binding at the end of 2015. Fäboliden represents a key strategic element for the continued operation of Svartliden, along with processing of concentrates from Dragon Mining's Finnish operation and other external 3rd party sources.

During 2015, Svartliden treated 76,632 tonnes of ore at an average grade of 2.3 g/t gold and 3,855 tonnes of external concentrate from 3rd party sources at an average grade of 92.5 g/t gold to produce a combined total of 15,484 ounces of gold, at a recovery of 89.4% and C1 cash cost of US\$1,184 per ounce.

No lost time injury's (LTI's) occurred and the target of zero LTI's was achieved.

All discharge levels were maintained within permit conditions with all water treatment processes operating efficiently during the year. That said, it has been challenging maintaining the CNWAD of the tailings pumped to

DRAGON MINING ANNUAL REPORT 2015

the open pit below the permit level of 2 mg/l. Svartliden has the most stringent discharge conditions of any mining and processing operation in Sweden. According to the permit, the 14 day average cannot be exceeded more than four times per year. During the year, the permit CNWAD level was exceeded three times and thus complied with the permit conditions.

Summary of Svartliden Production Centre Operating Performance		
	2015	2014
Ore milled (tonnes)	76,632	311,937
Ore head grade milled (g/t gold)	2.3	2.3
External concentrate processed (tonnes)	3,855	-
External concentrate grade (g/t gold)	92.5	-
Gold recovery (total combined) (%)	89.4	91.5
Gold produced (ounces)	15,484	21,410
C1 cash cost (US\$/ounce)	1,184	982

Processing

Gold recovery of 89.4% for the year was slightly lower (2014: 91.5%), with heavily oxidised ore in older parts of the low grade ore stockpile a contributing factor. Gold recovery was higher, close to 95%, during the second half of the year with the transition to concentrate only processing which was assisted by an increase in residence times in the leaching circuit.

The Svartliden Plant was never designed for batch leaching and the change to 100% gold concentrate leaching created a number of process issues that required the assistance of external consultants. Batch leaching results in step changes in cyanide concentration that effect the operation of the detox circuit. Higher copper concentrations impact the effectiveness of the stripping of gold from the carbon and the quality of the doré bars. A number of actions were recommended to resolve the processing issues, which had a positive impact. There remain some outstanding metallurgical challenges to solve before the Svartliden Plant will be able to process 100% of the concentrate from Vammala. Further investigation into maintaining the chemical balances when processing the different concentrates is required. Despite these challenges the processing of concentrates in the second half of 2015 continued to develop in a positive direction.

Sweden Outlook

Gold production from Svartliden will increase during the coming year as a result of the planned increase in processing concentrates and subject to the granting of environmental permits and approvals, the commencement of test mining at Fäboliden that is scheduled to commence early 2017.

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

Occupational Health and Safety

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

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

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

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

- A 47% decrease in LTIFR compared to 2014; and
- 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

Environment - Finland

Environmental Management

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

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

General

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

Vammala Plant

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

The new Environmental Permit for the Vammala Plant was granted in June 2014, this included an increase in capacity and the processing of ore from Kaapelinkulma. The permit was subsequently appealed by the Company and a few other parties based on a technical issue with the water balance. In April 2015, a request to expedite the processing of the appeals was submitted. In September 2015, the Vaasa Administrative Court requested the

DRAGON MINING ANNUAL REPORT 2015

Company's response with regard to statements and opinions it had received concerning the appeal. The Company provided its response in October 2015. The permit is expected to be issued between March and June 2016.

In January 2015, the study for comparing the water discharge amounts with different production rates was completed, as requested by the supervising authority, the Centre for Economic Development, Transport and the Environment ("ELY Centre") in October 2014. The results show that there is no correlation between the amount of water quality discharged and the volume of production. In October 2015, the ELY Centre issued a paper confirming their view that there is no relationship between water emissions and production quantities. As a result, the ELY Centre doesn't consider the effective Environmental Permit grant for 200,000 tonnes per annum as legally problematic, even if 300,000 tonnes per annum were to be processed.

From March to July 2015, strong winds combined with work to raise the Tailings Storage Facility ("TSF") embankments resulted in the Company receiving dust complaints. As a result, a statement outlining any potential health impacts was requested by the ELY Centre and the health inspector for the Sastamala Municipality. The statement was completed by the Finnish Institute of Occupational Health and delivered to the relevant authorities on 31 August 2015.

The Company's preventative actions to reduce dust levels included, spraying water and lime around the TSF, the testing of dust reducing chemicals and trying different methods for applying agents. Preventative actions on dusting were continued throughout the duration of the embankment raising and produced positive results. This was confirmed in October 2015 when the ELY Centre issued its final statement on the dusting, finding the Company's preventative actions to be both adequate and appropriate.

Monitoring results have shown that the discharge levels of nickel and sulphate have decreased by comparison to previous years. This is mainly the result of seepage waters being pumped successfully back to the TSF. At the year-end, surface waters in the area rose due to late autumn rains, and the presence of nickel and sulphate increased.

The inspection of the TSF embankments, carried out every fifth year, was organised in September 2015. The inspection confirmed the TSF embankments are being operated and maintained as intended and can be raised higher post some minor repair work.

In September 2014, the Company had requested clarification from the ELY Centre as to whether an Environmental Impact Assessment (EIA) was required as part of the Vammala Plant's new Environmental Permit to extend the TSF. However in November 2015 and as mentioned above, it was determined possible to raise the existing TSF embankments.

Orivesi Gold Mine

The Orivesi Gold Mine is located in the Finnish countryside with lakes and summer cottages nearby. The area is sensitive to noise caused by mining activities and therefore the Company has put considerable effort into reducing noise levels around the ventilation air fans. During the last few years, Orivesi has succeeded in successfully decreasing its environmental impact on the lower watercourses. In 2015, an automated pH controlling system was acquired in order to stabilise the discharge water quality.

In August 2015, the Western and Inland Finland Regional State Administrative Office ("AVI") requested the Company's opinion on the statements provided by the ELY Centre and Metsähallitus, the state land owner, regarding the Natura assessment that was completed in late 2014. As expected, both questioned the granting of a new Environmental Permit based on the Natura assessment. The Company responded accordingly to both statements on 16 October 2015.

On 8 December, the AVI rejected the Environmental Permit extension application that had been submitted in 2010. Subsequent to the end of the year, the Company submitted an appeal against the decision (7 January 2016) with relevant arguments supported by an updated waste management plan, the latest fish inventory report showing a significant improvement in fish bio diversity since Dragon mining has been operating the mine and a description of water management improvements. In early January 2016, the ELY Centre informed the Company, that it had also appealed against the AVI's decision to reject the Environmental Permit extension application as they also believe that closing the mine is not the best path to environmental management of the area.

On 17 December 2015, as a result of the AVI's Environmental Permit extension rejection, local nature conservation associations demanded the ELY Centre to stop the Company mining at Orivesi immediately. The ELY Centre rejected the organisations demands on 23 December 2015.

DRAGON MINING ANNUAL REPORT 2015

In November 2015, a request to consider whether crushing inert waste rock was able to be carried out under the effective Environmental Permit was submitted to the ELY Centre. On 2 December 2015, the ELY Centre informed the Company that temporary (a total of 48 days in 2016 and 2017) crushing is permitted without requiring a change in the effective Environmental Permit.

Noise measurement readings continued throughout 2015. In June 2015, the Company received a claim alleging the mine was not operating normally during the recording of the noise measurements. The ELY Centre asked the Company to report on the status of operations at the time the measurement was taken for the reading submitted on 24 June 2015. Follow-up noise measurements were carried out again in August 2015 with additional noise mitigation work during the September and December 2015 quarters. Final noise measurements show that the levels comply with the Environmental Permit conditions and therefore the mitigation work is regarded as having been carried out successfully.

In late 2014, signs of water originating from the mine site were observed in the Sarvisuo area on the eastern side of the mine area. Water quantities were very minor but actions for preventing water flows to the east were conducted during summer 2015. The work involved new ditches for collecting the run-off water and returning water into mine's settling ponds.

Orivesi operated generally in accordance with its water discharge permit. In July 2015, water analyses showed an elevated aluminium concentration. A subsequent report concluded the reasons for the elevated aluminium concentration with planned future preventative actions delivered to ELY Centre in August 2015. The actions were approved by the ELY Centre in late September 2015. In December 2015, one settling pond was dredged which caused some disturbance to the normal pond sedimentation which impacted at the time of sampling. In order to better control water quality in the future, the Company has installed equipment to control the pH by adjusting with sodium hydroxide automatically. The system will be in use during the June 2016 quarter.

The Company commissioned a fish survey in the lakes down stream of the mine. This survey has been carried out every third year. This year a significant number of fish species were caught in the lake Ala-Jalkajärvi (within the immediate vicinity of the site). In 2009 and 2012, previous test fishing occasions, no fish were caught in the lake. This result is testament to the continued improvement in water quality at the mine.

Jokisivu Gold Mine

The Jokisivu Gold Mine is located in an agricultural area of Finland. The importance of the area for farming and the existence of the protected flying squirrel have been acknowledged and managed by the Company during the operation of the mine. Encouragingly, Jokisivu is settled into a local community, and inventories of flying squirrels have shown that the number of squirrels in the area has actually increased since mining operations commenced. In 2015, Jokisivu operated in compliance with all Environmental Permit conditions and good practices.

In March 2015, the environmental organization "Friends of the Earth" announced they had measured elevated uranium concentrations in sediments downstream of the mine. While the levels are slightly elevated, compared to background levels, uranium levels in the water discharged from the mine site are below the requirements set for drinking water standards.

Later in May 2015, the ELY Centre took samples from around the mine site, and in June 2015, sediment samples were taken by the Company's consultant. The results show uranium concentration levels in sediments around the mine site to be within the normal range for the region.

The Environmental Permit application for crushing waste rock at Jokisivu was submitted to the AVI in July 2015. The permit applies for the crushing of a maximum 100,000 tonnes per annum. The waste rock is considered inert and therefore is suitable for using as an aggregate.

The public announcement period for the permit application was ongoing from 21 October to 20 November 2015. A few statements and opinions were received and subsequently replied to in early 2016.

Kuusamo Gold Project

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

Baseline environmental studies continued throughout the year as the Company looked to re-engineer the project based on an underground operation and a more realistic timeframe.

Kaapelinkulma Gold Project

An application for a review of the current Environmental Permit was submitted in August 2014. The period for public announcement of the application was set from 20 April to 20 May 2015; as a result the Company received three statements and seven opinions. The Company submitted its responses to the documents in June 2015 and later, on 14 October 2015, received the Environmental Permit with no amendments to the conditions. The Environmental Permit remains effective until further notice.

In April 2015, the Supreme Administrative Court issued its decision to dismiss the appeal of the Nature Conservation Organisation of Pirkanmaa, which was concerned with the possible threat to a local protected butterfly's habitat, by the Company's planned mining activities. The decision by the mining authority, The Finnish Chemicals and Safety Agency ("Tukes"), to issue a Mining Concession for Kaapelinkulma is final and the process for issuing the Mining Concession is missing only the finalisation of the land purchases and ordering the compensation for those land owners who do not wish to sell their land. The process is expected to be finalised during the June 2016 quarter.

Environment - Sweden

Svartliden Production Centre

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

The new Environmental Permit, which was issued in 2012 for the Svartliden operations, has been in effect since March 2013. The Company has met all discharge limits and other permit conditions during 2015.

The Svartliden Water Treatment Plant ("WTP") has not been in operation during 2015 with the Company able to meet all discharge levels without it. As a result, the WTP has been on care and maintenance but can be brought back into operation when the weather gets warmer. The biological nitrogen removal process requires that the water is warm to work efficiently. The WTP represents a substantial and material commitment to the long term rehabilitation of the operation.

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

Fäboliden Gold Project

The Company commenced work on an application for a new Environmental Permit for an operation that has a significantly smaller environmental footprint than the operation previously proposed. In conjunction, the Company will also compile an application for an Environmental Permit to undertake a test mining program at Fäboliden.

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

Sustainability Policy

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

Community Relations

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

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

Exploration Review

During 2015, the Company continued to direct exploration activities at the key projects in Finland and Sweden to support mine planning and mine development, as well as identifying extensions to known mineralised zones and discovering new mineralised zones. Metres drilled during the year were 92% greater than levels achieved in 2014, with results yielding a series of encouraging intercepts that underline the highly prospective nature of the Company's project portfolio.

A significant increase in the Company's Mineral Resources to unprecedented levels was also achieved following the estimation of the maiden Mineral Resource for the Fäboliden Gold Project in northern Sweden. This Mineral Resource base provides Dragon Mining with a solid foundation to grow as the Company enters its second decade of gold production in the Nordic Region.

Advanced Projects - Finland

Orivesi Gold Mine

A total of 72 underground diamond core drill holes were completed during 2015 for an advance of 14,527.45 metres. Holes were directed at both the Kutema and Sarvisuo lode systems and the areas in their near vicinity, as well as targeting rocks associated with the broader hydrothermally altered domain. Results from the completed drilling campaigns were previously released to the ASX on the 2 March 2015 – Robust Drill Intercepts Received from the Orivesi Gold Mine; 24 April 2015 – Southern Finland Drilling Activities Yield Encouraging Results; 29 July 2015 – Drilling Activities Continue to Advance in Southern Finland; 21 October 2015 – Southern Finland returns Further Encouraging Results; and 28 January 2016 – Promising Results Drilling Results from Southern Finland Mines.

At Kutema, drilling targeted the lode system between the 980m and 1220m levels. A number of significant intercepts were obtained from the campaigns completed including the robust 5.00 metres @ 21.68 g/t gold, 10.50 metres @ 4.93 g/t gold, 20.40 metres @ 5.64 g/t gold, 17.30 metres @ 24.18 g/t gold, 14.15 metres @ 14.37 g/t gold and 12.30 metres @ 6.09 g/t gold.

Such results have provided encouragement that the high grade mineralised zone at Kutema extends below the current planned development levels, down to at least the 1220m level with extensions to the mineralised zone below this level largely untested.

Drilling beyond the known lode systems into previously unexplored areas in very close proximity to the Kutema lode system identified a new zone of mineralisation approximately 50 metres northeast of Kutema following the receipt of a highly encouraging intercept of 3.65 metres @ 8.30 g/t gold. Follow-up drilling in this area returned a number of promising intercepts that warrant further investigation.

To the immediate west of the Sarvisuo lode system drill testing of previously untested or poorly tested areas between the 240m and 330m levels yielded a number of intercepts including the encouraging, high grade 3.55 metres @ 59.94 g/t gold from the 330m level.

The underexplored hydrothermally altered domain that hosts and surrounds the known lode systems was subjected to an extensive exploration program with the objective of identifying a new gold bearing pipe or pipe cluster. Undertaken from the 260m, 550m and 710m levels drilling of the altered domain returned a small number of promising intercepts including 4.50 metres @ 8.83 g/t gold, approximately 100 metres north of Kutema Pipe 5 at the 670m level. Drilling examining the vertical extensions of this newly identified gold zone yielded modest results.

Further drilling at Orivesi will target the Kutema Deeps area between the 1220m and 1300m levels as the Company reviews results of drilling completed to date that targeted the surrounding alteration zone. The company is desirous to identify any zones of gold mineralisation within the Orivesi Mining Concession and in close proximity to existing underground infrastructure, which have either not been followed-up or poorly followed-up in the past.

Jokisivu Gold Mine

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

Activities targeting both the Kujankallio and Arpola deposits at Jokisivu progressed throughout 2015, with a total of 93 diamond core drill holes completed for an advance of 15,321.65 metres and the undertaking of a geophysical survey. Results from the completed drilling campaigns were previously released to the ASX on the 24 April 2015 – Southern Finland Drilling Activities Yield Encouraging Results; 11 June 2015 – Gravity

DRAGON MINING ANNUAL REPORT 2015

Survey Highlights Potential at Jokisivu; 29 July 2015 – Drilling Activities Continue to Advance in Southern Finland; 21 October 2015 – Southern Finland Returns Further Encouraging Results; and 28 January 2016 – Promising Results Drilling Results from Southern Finland Mines.

At the Kujankallio deposit underground drilling initially targeted the Main Zone and Hinge Zone over a series of campaigns, the results resolving uncertainties related to geological structure within the existing resource model, whilst highlighting the extensions of both the Main Zone and Hinge Zone below the 280m level and 305m level, respectively. Better intercepts received from drilling completed at Kujankallio include 5.85 metres @ 3.82 g/t gold, 3.90 metres @ 11.40 g/t gold, 4.05 metres @ 12.44 g/t gold, 3.10 metres @ 10.16 g/t gold and 3.45 metres @ 8.27 g/t gold from the Main Zone and 7.75 metres @ 7.25 g/t gold from the extensions of the Hinge Zone.

During the year diamond core drilling of the Arpola deposit was completed from both surface and underground positions. The surface programs were designed to improve the drill density at the eastern end of the deposit in preparation for underground mine planning. Better intercepts received include 4.30 metres @ 27.13 g/t gold, 6.40 metres @ 28.95 g/t gold, 6.25 metres @ 6.62 g/t gold, 3.35 metres @ 27.58 g/t gold, 2.00 metres @ 81.06 g/t gold, 3.10 metres @ 11.22 g/t gold, 10.50 metres @ 4.41 g/t gold and 10.20 metres @ 7.32 g/t gold.

Underground drilling from the 100m and 120m levels that were designed to improve confidence in the Arpola Mineral Resource and provide better information for development planning was completed. The program returned a series of significant intercepts including 2.55 metres @ 16.00 g/t gold, 1.55 metres @ 15.03 g/t gold and the very high grade 0.75 metres @ 134.50 g/t gold, 0.45 metres @ 51.80 g/t gold, 0.30 metres @ 61.50 g/t gold and 0.95 metres @ 38.20 g/t gold.

A ground gravity survey comprising four 2,500 metre profiles was completed at Jokisivu during 2015. Profiles 1 and 2 were located in the middle of the known diorite intrusion, the host rock unit to the gold bearing quartz veins at Jokisivu, Profiles 3 and 4 located at the eastern end covering the area of the possible extensions of the intrusion.

It was concluded from the processing and modelling of the gravity dataset that the diorite intrusion, plunges to the east to depths of at least 800 metres to 1000 metres.

The gold bearing quartz veins at Kujankallio have been shown by drilling to extend down to at least 525 metres, though the current Kujankallio Mineral Resource has only been estimated over a 350 metre vertical extent from surface, yielding an average 340 ounces per vertical metre. The Arpola deposit Mineral Resource has been estimated over a 220 metre vertical extent from surface returning an average ounces per vertical metre of 460. Both deposits remain open at depth.

Drilling programs will continue at Jokisivu from both underground and surface positions in 2016 with the objective of upgrading Inferred Mineral Resource positions to the Indicated category and testing the depth extensions of both the Kujankallio and Arpola deposits, which will allow production from Jokisivu to continue in the years ahead.

Kaapelinkulma Gold Project

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

The Kaapelinkulma Gold Project has received all required Environmental Permits to undertake the mining of 161,000 tonnes of ore and 800,000 tonnes of waste. The validity of the Kaapelinkulma Mining Concession is pending the results of land purchase and compensation agreements with affected landowners.

A mine plan to develop Kaapelinkulma, comprising a selective open-pit mining operation of the near surface material and the trucking of this material 90 kilometres to the Vammala Plant for processing has been formulated. The current schedule indicates that the Company's third gold mine in the southern Finland region could potentially deliver first ore to the Vammala Plant in early 2017.

Two phases of diamond core drilling were completed at Kaapelinkulma during the year, the initial phase designed to improve the density of drilling of the Southern deposit, the second phase to further test the southerly strike extensions of the Southern deposit, south of the conceptual open-pit area. A total of 69 holes for an advance of 5,275.10 metres were drilled at Kaapelinkulma in 2015 in both campaigns.

Results from the initial phase of drilling returned a number of significant intercepts including 3.30 metres @ 13.79 g/t gold, 4.80 metres @ 3.95 g/t gold, 6.35 metres @ 5.08 g/t gold, 2.80 metres @ 32.41 g/t gold, 2.95 metres @ 5.54 g/t gold and 3.60 metres @ 6.44 g/t gold, 1.60 metres @ 11.68 g/t gold and 2.20 metres @ 5.65 g/t gold. Better intercepts from the second phase of drilling included the narrow 1.20 metres

DRAGON MINING ANNUAL REPORT 2015

@ 10.75 g/t gold, 1.20 metres @ 11.05 g/t gold, 1.30 metres @ 13.32 g/t gold, 0.90 metres @ 21.00 g/t gold, 3.45 metres @ 10.71 g/t gold and 2.65 metres @ 6.47 g/t gold.

Results from the completed programs were provided to the ASX on the 24 April 2015 – Southern Finland Drilling Activities Yield Encouraging Results; 29 July 2015 – Drilling Activities Continue to Advance in Southern Finland; and 21 October 2015 – Southern Finland returns Further Encouraging Results.

Kuusamo Gold Project

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

To assist the process going forward, the Company has established a new Finnish subsidiary called Kuusamo Gold Oy and has transferred the Kuusamo assets into this new subsidiary.

During 2015 and in acknowledgement of the complexity of the social and environmental aspects of developing Kuusamo, the Company focused its efforts on environmental and community relations.

Baseline environmental studies continued throughout the year as the Company looked to re-engineer the project based on an underground operation and a more realistic timeframe.

Advanced Projects - Sweden

Fäboliden Gold Project

Dragon Mining announced on 4 February 2015 that it had executed a conditional Sale and Purchase Agreement ("Agreement") with the Bankruptcy Estate of Lappland Goldminers Fäboliden AB ("Bankruptcy Estate") to acquire the Fäboliden Gold Project ("Fäboliden") in northern Sweden.

On 28 July 2015 Dragon Mining announced that the Company and the Bankruptcy Estate agreed to amend the Agreement, whereby the condition in the Agreement relating to the extension of the existing Environmental Permit for a period of at least four years was waived, in consideration for a reduced total purchase price of 38 million SEK (A\$6 million) (previously 40 million SEK). Six million SEK (A\$0.95 million) of this total purchase price had already been paid to the Bankruptcy Estate at that stage in accordance with the Agreement, the remaining 32 million SEK (A\$5.05 million) to be paid on or before 30 July 2015. The Bankruptcy Estate held these funds on trust until the Completion Date, the Completion Date being the seventh day following the fulfilment of the final condition, "a final, legally binding and unappealable approval from the Mining Inspectorate of Sweden or an approval from the Swedish Government of the transfer of the Exploitation Concession to Dragon Mining", which was achieved at the end of December 2015.

Fäboliden is an advanced gold project located 30 kilometres by road, southeast of Dragon Mining's operational Svartliden Plant and 750 kilometres north of the Swedish capital Stockholm. It represents a potential source of gold bearing material that could be trucked to, and processed at the Svartliden carbon in leach (CIL) plant.

The 1,739.57 hectare Fäboliden 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.

The Fäboliden deposit is an orogenic gold deposit, with mineralisation hosted by Paleoproterozoic meta-sediments and meta-volcanic rocks, surrounded by granitoids. The host sequence is cross-cut by a set of northwest-southeast striking, flat lying undeformed and unmineralised dolerites.

The Fäboliden mineralised system is delineated over a strike length of 1,295 metres and includes a 665 metre vertical extent from 485mRL to -180mRL. Gold displays a strong association with sulphides and most abundant gangue minerals. Arsenopyrite, boulangerite and pyrrhotite are commonly associated with gold in variably boudinaged quartz and sulphide veins where the gold is found in fractures and as inclusions. Gold is also seen as free grains in the silicate matrix of the host rock with feldspars, quartz and micas common hosts. The gold is generally fine grained ranging from 2µm to 40 µm.

The drilling of the 34 hole, 2,941.50 metre diamond core infill program was completed in June 2015 and was designed to evaluate the near surface, higher grade zone of gold mineralisation in the southern portion of the Fäboliden deposit. Drill holes improved the density of drilling in this area to a nominal grid base of 25 by 25 metre and 25 by 50 metre basis over a strike length of approximately 400 metres. The program also provided opportunity for stringent QAQC protocols to be established, providing confidence in the new results and improving confidence in the historic datasets.

DRAGON MINING ANNUAL REPORT 2015

The program returned a number of significant intercepts including 14.00 metres @ 11.05 g/t gold, 10.00 metres @ 6.91 g/t gold, 10.00 metres @ 4.82 g/t gold, 16.00 metres @ 3.00 g/t gold, 13.00 metres @ 8.37 g/t gold, 4.00 metres @ 20.70 g/t gold, 5.00 metres @ 5.67 g/t gold, 6.00 metres @ 5.50 g/t gold, 7.00 metres @ 18.24 g/t gold and 16.00 metres @ 2.91 g/t gold. These results were released to the ASX on the 29 July 2015 - High Grade Results Received from the Fäboliden Gold Project and 15 September 2015 – Robust Results Highlight Potential at Fäboliden and confirmed 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 at Fäboliden of 6,900,000 tonnes grading 3.3 g/t gold for 743,000 ounces. The maiden estimate showed the Fäboliden deposit is a medium grade body of gold mineralisation that has good potential for exploitation by open-pit and underground mining methods. A detailed open-pit mining study has now been completed as Dragon Mining continues to evaluate the viability of establishing a new gold mine in close proximity to the Company's existing processing infrastructure at Svartliden.

A second phase of bench scale metallurgical test work is in progress, the results expected to be available during the first half of 2016, whilst preparation of applications for a test mining campaign and a new Environmental Permit are advancing.

Svartliden Gold Mine

The Company did not undertake any exploration activities at the Svartliden Gold Mine or on the surrounding exploration holding during 2015. The overall land position managed by the company in the immediate Svartliden region decreased from 9,443.53 hectares to 2,944.08 hectares by the end of 2015.

Exploration Projects - Finland

Hanhimaa Gold Project (Diluting to 30% Interest)

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

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

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

Agnico Eagle have completed three phases of drilling totaling 41 diamond core drill holes (10,477 metres) since commencing activities targeting the Kiimalaki, Kellolaki, Kiimakuusikko, Väli-kiima, Jaukkara and Rottamalaki areas. In addition Agnico Eagle have also undertaken a Titan 24 geophysical survey. This 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.

Resources and Reserves

Updates of Dragon Mining's Mineral Resources and Ore Reserves were released in December 2015 and, February and March 2016.

- ❖ 31 December 2015 – Maiden Mineral Resource For Fäboliden Gold Deposit
- ❖ 29 February 2016 – Dragon Group Mineral Resources Updated
- ❖ 30 March 2016 – Ore Reserves Updated for Nordic Production Centres

The Company has ensured that the Mineral Resources and Ore Reserves estimated are subject to good governance arrangements and internal controls. The generation of Mineral Resources and Ore Reserves has been undertaken or audited by RungePincockMinarco Limited of Perth, Western Australia, an independent external consulting organisation whose personnel have exposure to best practices in modelling and estimation methods. RungePincockMinarco has also undertaken reviews of the quality and suitability of the underlying information, which included a site visit of the Company's projects in 2015. In addition, the Company's management regularly carries out reviews and audits of internal processes and of external contractors that are utilised by the Company.

DRAGON MINING ANNUAL REPORT 2015

Dragon Mining reports Mineral Resources and Ore Reserves at least annually in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results and Mineral Resources and Ore Reserves. If there are any material changes to its Mineral Resources or Ore Reserves during the course of the year the Company is required to promptly report these changes.

Mineral Resources – Gold

The Mineral Resources - Gold for the Company total 13,085,000 tonnes grading 3.8 g/t gold for 1,608,000 ounces as at 1 September 2015, inclusive of Ore Reserves. This represents an 80.7% increase in ounces in the Nordic Region from the Mineral Resources – Gold as at 31 December 2014. Dragon Mining's Mineral Resources base is now at levels unprecedented in recent Company history, providing a strong foundation as Dragon Mining enters its second decade of gold production in the Nordic Region.

Vammala Production Centre – Southern Finland

The updated Measured, Indicated and Inferred Mineral Resource for the Vammala Production Centre in southern Finland totals 1,913,000 tonnes grading 5.0 g/t gold for 307,000 ounces comprising material from the Orivesi Gold Mine, Jokisivu Gold Mine and the Kaapelinkulma Gold Project.

Orivesi Gold Mine

The updated Mineral Resources for the Orivesi Gold Mine totals 322,000 tonnes grading 6.4 g/t gold for 66,200 ounces at a 3 g/t gold reporting cut-off grade. It represents material from two lode systems, Kutema and Sarvisuo. The combined update of the Kutema and Sarvisuo Mineral Resources resulted in a 24% decrease in tonnes and 28% decrease in ounces when compared to the combined Kutema and Sarvisuo Mineral Resources as at 31 December 2014 of 426,000 tonnes grading 6.7 g/t gold for 92,000 ounces. This decrease in tonnes and ounces is due to mining depletion from ore stopes and development drives.

Jokisivu Gold Mine

The updated Mineral Resources for the Jokisivu Gold Mine totals 1,480,000 tonnes grading 4.7 g/t gold for 222,200 ounces at a 2 g/t gold reporting cut-off grade. It represents material from two deposits, Kujankallio and Arpola. The combined update of the Kujankallio and Arpola Mineral Resource delivered minor increases in tonnes and ounces of 7.2% and 1.8%, respectively when compared to the combined Mineral Resource as at 31 December 2014 of 1,381,000 tonnes grading 4.9 g/t gold for 218,200 ounces.

Kaapelinkulma Gold Project

The updated Mineral Resources for the Kaapelinkulma Gold Project totals 110,000 tonnes grading 5.2 g/t gold for 18,600 ounces at a 2 g/t gold reporting cut-off grade. It represents material from two deposits, North and South.

The combined update of the Mineral Resources for the North and South deposits resulted in decreases in tonnes and ounces of 10.0% and 11.4%, respectively when compared to the combined Mineral Resource as at 31 December 2014 of 122,200 tonnes grading 5.4 g/t gold for 21,000 ounces. The decrease is primarily the result of improved definition of the deposits geology following drilling undertaken during 2015.

Svartliden Production Centre – Northern Sweden

The total Measured, Indicated and Inferred Mineral Resource for the Svartliden Production Centre is 7,323,000 tonnes grading 4.2 g/t gold for 793,900 ounces, comprising material from the Svartliden Gold Mine and the Fäboliden Gold Project.

Svartliden Gold Mine

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

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

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

Fäboliden Gold Project

The maiden Mineral Resource for the Fäboliden Gold Project focused on the higher grade material within the broader lower grade envelope was estimated during 2015. The Indicated and Inferred Mineral Resource totalled 6,900,000 tonnes grading 3.3 g/t gold for 743,000 ounces and is reported at 1.5 g/t gold for all material above the 350 mRL and 2.9 g/t gold for all material below the 350 mRL. The maiden estimate incorporated results from diamond core drilling completed since 1993, including the results from drilling undertaken in 2015 that confirmed and better delineated the extent and geometry of the near surface, higher grade zone of gold mineralisation in the southern portion of the deposit.

Kuusamo Gold Project – Northern Finland

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

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

Mineral Resources – Other Metals

Vammala Nickel-Copper Project – Southern Finland

The Mineral Resources for the Vammala Nickel-Copper Project – Stormi Deposit of 1,600,000 tonnes grading 0.44% nickel and 0.29% copper remains unchanged since 31 December 2013.

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

Kuusamo Gold Project Cobalt Mineralisation – Northern Finland

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

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

Ore Reserves – Gold

The Company's Proved and Probable Ore Reserves as at 1 September 2015 total 1,627,000 tonnes grading 3.5 g/t gold for 183,500 ounces. This represents an increase in tonnes and ounces compared to the Proved and Probable Ore Reserves as at 1 January 2015 of 596,000 tonnes grading 4.2 g/t gold for 80,900 ounces. The reserve increase is largely attributable to the inclusion of Ore Reserves for Fäboliden, which constitutes 60% of the updated Ore Reserve base.

The Ore Reserves are based on the Mineral Resource estimates as at 1 September 2015, and in addition to site specific mining, cost and revenue factors, used a gold price of US\$1,150 per ounce and exchange rates of USD/EUR 1.10, USD/SEK 8.00 and AUD/USD 1.37.

Subsequent to the Ore Reserves reporting date, mining has progressed at both Orivesi and Jokisivu with a total of 53,000 tonnes grading 5.1 g/t gold (8,600 ounces) being mined from Orivesi and 113,000 tonnes grading 3.1 g/t gold (11,300 ounces) being mined from Jokisivu, between 1 September 2015 and 29 February 2016.

Vammala Production Centre – Southern Finland

Orivesi Gold Mine

The updated Proved and Probable Ore Reserves for the Orivesi Gold Mine totals 211,000 tonnes grading 5.1 g/t gold for 34,900 ounces as at 1 September 2015. This represents a 10% decrease in grade and ounces when compared to the Ore Reserves as at 1 January 2015 of 209,000 tonnes grading 5.7 g/t gold for 38,500 ounces.

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

Jokisivu Gold Mine

The updated Proved and Probable Ore Reserves for the Jokisivu Gold Mine totals 261,000 tonnes grading 3.5 g/t gold for 28,900 ounces as at 1 September 2015. This represents a 16% decrease in tonnes and a 24% decrease in ounces when compared to the Ore Reserves as at 1 January 2015 of 310,000 tonnes grading 3.8 g/t gold for 38,000 ounces.

These decreases are attributable to the Company's focus on improving the knowledge of the extent and geometry of known mineralisation rather than targeting Inferred Mineral Resource positions and extensions to known mineralisation during the first eight months of 2015.

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

Kaapelinkulma Gold Project

A positive outcome was achieved from the Pre-Feasibility level study into the development of the Kaapelinkulma Gold Project in southern Finland. The study was compiled by RungePincockMinarco Limited and was based on the establishment of an open pit mining operation and the haulage of ore to Dragon Mining's operational Vammala Plant to produce a high grade gold concentrate and the processing of this concentrate at Dragon Mining's Svartliden Production Centre to produce doré bars.

The Kaapelinkulma Ore Reserves demonstrates a sound base case operation, which the Company expects to be able to further enhance through the refinement of operating cost estimates. The Ore Reserves at a US\$1,150 per ounce gold price total 87,000 tonnes grading 3.4 g/t gold for 9,600 ounces. This represents a mining life of two years at the proposed mining and processing rates.

Svartliden Production Centre – Northern Sweden

Fäboliden Gold Project

A positive outcome was achieved from the Pre-Feasibility level study into the development of the Fäboliden Gold Project in northern Sweden. The study was compiled by RungePincockMinarco Limited and was based on the establishment of a multiple open-pit mining operation and the haulage of ore to Dragon Mining's operational Svartliden CIL Plant to produce doré bars.

The Fäboliden Ore Reserves demonstrate 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. The Ore Reserves at a US\$1,150 per ounce gold price total 1,067,000 tonnes grading 3.2 g/t gold for 110,000 ounces. This represents a mining life of approximately four years at a 300,000 tonnes per annum mining and processing rate.

Resources and Reserves Statement

Mineral Resources – Gold (Inclusive of Ore Reserves) Reported as at 1 September 2015

	Measured			Indicated			Inferred			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Svartliden Production Centre												
Svartliden Gold Mine												
Open Pit	77,000	3.2	8,000	150,000	3.1	15,100	-	-	-	228,000	3.2	23,100
Underground	20,000	5.9	3,700	96,000	5.9	18,200	39,000	4.9	6,200	155,000	5.7	28,200
Svartliden Total	97,000	3.8	11,700	246,000	4.2	33,300	39,000	4.9	6,200	383,000	4.1	51,300
Fäboliden Gold Project												
Above 350 mRL	-	-	-	3,500,000	2.9	325,000	800,000	2.5	67,000	4,300,000	2.8	392,000
Below 350 mRL	-	-	-	400,000	4.1	47,000	2,300,000	4.1	304,000	2,600,000	4.1	351,000
Total - Fäboliden	-	-	-	3,800,000	3.0	372,000	3,100,000	3.7	370,000	6,900,000	3.3	743,000
Svartliden Total	97,000	3.8	11,700	4,064,000	4.2	405,800	3,162,000	4.9	376,600	7,323,000	4.2	793,900
Vammala Production Centre												
Orivesi Gold Mine												
Kutema Deeps	113,000	5.6	20,200	114,000	5.9	21,700	17,000	7.3	4,000	244,000	5.8	45,900
Sarvisuo	2,000	9.0	500	38,000	7.8	9,700	37,000	8.4	10,200	78,000	8.1	20,300
Total	115,000	5.6	20,700	152,000	6.4	31,300	54,000	8.1	14,100	322,000	6.4	66,200
Jokisivu Gold Mine												
Kujankallio	237,000	4.9	37,300	384,000	4.2	51,500	290,000	3.4	31,800	911,000	4.1	120,700
Arpola	117,000	5.5	20,700	297,000	5.0	47,700	155,000	6.6	33,100	569,000	5.5	101,500
Total	354,000	5.1	58,000	681,000	4.5	99,200	445,000	4.5	64,900	1,480,000	4.7	222,200
Kaapelinkulma Gold Project												
South	-	-	-	95,000	5.3	16,200	8,000	6.0	1,500	103,000	5.3	17,700
North	-	-	-	-	-	-	7,000	3.7	900	7,000	3.7	900
Total	-	-	-	95,000	5.3	16,200	15,000	4.9	2,400	110,000	5.2	18,600
Vammala Total	470,000	5.2	78,800	928,000	4.9	146,800	515,000	4.9	81,400	1,913,000	5.0	307,000
Kuusamo Region												
Kuusamo Gold Project												
Juomasuo	160,000	7.4	38,000	1,389,000	4.6	206,100	822,000	3.9	103,000	2,371,000	4.6	347,000
Hangaslampi	-	-	-	341,000	5.3	57,500	62,000	4.3	8,600	403,000	5.1	66,100
Pohjasvaara	-	-	-	82,000	3.2	8,400	51,000	4.7	7,700	133,000	3.8	16,100
Meurastuksenaho	-	-	-	61,000	2.4	4,700	831,000	2.3	61,800	892,000	2.3	66,500
Sivakkaharju	-	-	-	-	-	-	50,000	7.2	11,500	50,000	7.2	11,500
Kuusamo Total	160,000	7.4	38,000	1,873,000	4.6	276,700	1,816,000	3.3	192,600	3,849,000	4.1	507,200
Group Total	727,000	5.5	128,500	6,865,000	3.8	829,100	5,493,000	3.7	650,200	13,085,000	3.8	1,608,000

Note: Resources may not sum to equal totals due to rounding. Mineral Resources reported on a dry in-situ basis.

Reporting Cut-off Grades

Svartliden Gold Mine – Open Pit: 1.3 g/t gold

Fäboliden Gold Project – Above 350 mRL: 1.5 g/t gold

Orivesi Gold Mine – Kutema Deeps: 3 g/t gold

Jokisivu Gold Mine – Kujankallio: 2 g/t gold

Kaapelinkulma Gold Project – North: 2 g/t gold

Kuusamo Gold Project – Juomasuo: 1 g/t gold

Kuusamo Gold Project – Pohjasvaara: 1 g/t gold

Kuusamo Gold Project – Sivakkaharju: 1 g/t gold

Svartliden Gold Mine – Underground: 3 g/t gold

Fäboliden Gold Project – Below 350 mRL: 2.9 g/t gold

Orivesi Gold Mine – Sarvisuo: 3 g/t gold

Jokisivu Gold Mine – Arpola: 2 g/t gold

Kaapelinkulma Gold Project – South: 2 g/t gold

Kuusamo Gold Project – Hangaslampi: 1 g/t gold

Kuusamo Gold Project – Meurastuksenaho: 1 g/t gold

DRAGON MINING ANNUAL REPORT 2015

Ore Reserves – Gold Reported as at 1 September 2015

	Proved			Probable			Total		
	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces	Tonnes	Gold (g/t)	Ounces
Vammala Production Centre									
Orivesi Gold Mine	85,000	5.0	13,900	126,000	5.2	21,100	211,000	5.1	34,900
Jokisivu Gold Mine	140,000	3.4	15,400	121,000	3.5	13,500	261,000	3.5	28,900
Kaapelinkulma Gold Project	-	-	-	87,000	3.4	9,600	87,000	3.4	9,600
Svartliden Production Centre									
Fäboliden Gold Project	-	-	-	1,067,000	3.2	110,000	1,067,000	3.2	110,000
Group Total	225,000	4.0	29,300	1,401,000	3.4	154,200	1,627,000	3.5	183,500

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

Cut-Off Grades

Orivesi Gold Mine: Underground In-situ – Project 5.1 g/t gold; Opex 4.3 g/t gold; Stoping 3.6 g/t gold.

Jokisivu Gold Mine: Underground In-situ – Project 3.7 g/t gold; Opex 3.0 g/t gold; Stoping 2.3 g/t gold.

Kaapelinkulma Gold Project: Open Pit – 1.2 g/t gold.

Fäboliden Gold Project: Open Pit – 1.63 g/t gold.

Mineral Resources – Other Metals Reported as at 1 September 2015

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

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

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

Competent Persons Statements

The information in this report that relates to Ore Reserves were previously released to the ASX on the 30 March 2016 – Ore Reserves Updated for the Nordic Production Centres. This release can be found at www.asx.com.au (Code: DRA). It fairly represents information and supporting documentation compiled or supervised by Mr. Joe McDiarmid, who is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy and is an employee of RungePincockMinarco Limited. Mr. Joe McDiarmid has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was previously provided by Mr. Joe McDiarmid for the 30 March 2016 release.

The Company confirms that it is not aware of any new information or data that materially affects the Ore Reserves as reported on the 30 March 2016, and the assumptions and technical parameters

underpinning the estimates in the 30 March 2016 release continue to apply and have not materially changed.

Mr. Joe McDiarmid, a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy, who is an employee of RungePincokMinarco Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves, confirms that the form and context in which the Ore Reserves are presented in this report have not been materially modified and are consistent with the 30 March 2016 release. Mr. Joe McDiarmid has provided written consent approving the statement of Ore Reserves in this report in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Orivesi Gold Mine, Jokisivu Gold Mine and Kaapelinkulma Gold Project were previously released to the ASX on the 29 February 2016 – Dragon Group Mineral Resources Updated. This release can be found at www.asx.com.au (Code: DRA). It fairly represents information and supporting documentation that was compiled or supervised by Mr. Jeremy Clark who is a full-time employee of RungePincokMinarco Limited and a Registered Member of the Australasian Institute of Mining and Metallurgy. Mr. Jeremy Clark has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activity that being undertaken to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Written consent was previously provided by Mr. Jeremy Clark for the 29 February 2016 release.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Orivesi Gold Mine, Jokisivu Gold Mine and Kaapelinkulma Gold Project as reported on the 29 February 2016, and the assumptions and technical parameters underpinning the estimates in the 29 February 2016 release continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of Dragon Mining and Mr. Jeremy Clark who is a full-time employee of RungePincokMinarco Limited and a Registered Member of the Australasian Institute of Mining and Metallurgy, who have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirm that the form and context in which the Mineral Resources are presented in this report have not been materially modified and are consistent with the 29 February 2016 release. Mr. Neale Edwards and Mr. Jeremy Clark have provided written consent approving the statement of Mineral Resources for the Orivesi Gold Mine, Jokisivu Gold Mine and Kaapelinkulma Gold Project in this report in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Fäboliden Gold Project was previously released to the ASX on the 31 December 2015 – Maiden Mineral Resource for Fäboliden Gold Deposit, which can be found at www.asx.com.au (Code: DRA). It fairly represents information and supporting documentation that was compiled or supervised by Mr. Jeremy Clark, who is a full time employee of RungePincokMinarco Limited and a Registered Member of the Australasian Institute of Mining and Metallurgy. Mr. Clark has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that being undertaken to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Written consent was previously provided by Mr. Jeremy Clark for the 31 December 2015 - Maiden Mineral Resource for Fäboliden Gold Deposit release.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Fäboliden Gold Project as reported on the 31 December 2015, and the assumptions and technical parameters underpinning the estimates in the 31 December 2015 release continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of Dragon Mining and Mr. Jeremy Clark who is a full-time employee of RungePincokMinarco Limited and a Registered Member of the Australasian Institute of Mining and Metallurgy, who have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirm that the form and context in which the Mineral Resources are presented in this report have not been materially modified and are consistent with the 31 December 2015 release. Mr. Neale Edwards and Mr. Jeremy Clark have provided written consent approving the

statement of Mineral Resources for the Fäboliden gold Project in this report in the form and context in which it appears.

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

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Kuusamo Gold Project and the Svartliden Gold Mine as reported on the 18 March 2014, and the assumptions and technical parameters underpinning the estimates in the 18 March 2014 releases continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of Dragon Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirms that the form and context in which the Mineral Resources are presented in this report have not been materially modified and are consistent with the 18 March 2014 releases. Mr. Neale Edwards has provided written consent approving the statement of Mineral Resources for the Kuusamo Gold Project and the Svartliden Gold Mine in this report in the form and context in which it appears.

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

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources for the Kuusamo Gold Project (Cobalt) and the Vammala Nickel-Copper Project as reported on the 18 March 2014, and the assumptions and technical parameters underpinning the estimates in the 18 March 2014 releases continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of Dragon Mining and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves confirms that the form and context in which the Mineral Resources are presented in this report have not been materially modified and are consistent with the 18 March 2014 releases. Mr Neale Edwards has provided written consent approving the statement of Mineral Resources – Other Metals in the report in the form and context in which it appears.

The information in this report that relates to Exploration Results were previously released to the ASX on 2 March 2015 – Robust Drill Intercepts Received from the Orivesi Gold Mine; 24 April 2015 –

Southern Finland Drilling Activities Yield Encouraging Results; 11 June 2015 – Gravity Survey Highlights Potential at Jokisivu; 29 July 2015 – Drilling Activities Continue to Advance in Southern Finland; 29 July 2015 - High Grade Results Received from the Fäboliden Gold Project; 15 September 2015 – Robust Results Highlight Potential at Fäboliden; 21 October 2015 – Southern Finland Returns Further Encouraging Results; and 28 January 2016 – Promising Results Drilling Results from Southern Finland Mines; , which can be found at www.asx.com.au (Code:DRA). It fairly represents information and supporting documentation that was compiled by Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, who is a full time employee of the company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Written consent was previously provided by Mr. Neale Edwards for the releases dated the 2 March 2015, 24 April 2015, 11 June 2015, 29 July 2015, 15 September 2015, 21 October 2015 and 28 January 2016, as listed above.

The Company confirms that it is not aware of any new information or data that materially affects the Exploration Results as released on the 2 March 2015, 24 April 2015, 11 June 2015, 29 July 2015, 15 September 2015, 21 October 2015 and 28 January 2016, and the assumptions and technical parameters underpinning the Exploration Results in the listed releases continue to apply and have not materially changed.

Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists confirms that the form and context in which the Exploration Results are presented in this report have not been materially modified from the releases dated the 2 March 2015, 24 April 2015, 11 June 2015, 29 July 2015, 15 September 2015, 21 October 2015 and 28 January 2016. Mr. Neale Edwards has provided written consent approving the inclusion of the Exploration Results in the report in the form and context in which it appears.

DRAGON MINING FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2015

DIRECTORS' REPORT

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)

DRAGON MINING ANNUAL REPORT 2015

DIRECTORS' REPORT (CONTINUED)

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:

Director	Board Meetings		Audit & Risk Management	
	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	-	-	-	-

¹Mr 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, APRL or Allied Group Limited.

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 300,000 tonnes per annum 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 300,000 tonnes per annum 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.

DIRECTORS' REPORT (CONTINUED)

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 tonnes per annum 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 3,855 tonnes of external concentrate at an average grade of 92.5 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.

DIRECTORS' REPORT (CONTINUED)

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)	3,855	-	-	-
Concentrate grade (g/t)	92.5	-	-	-

¹The 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 20,000 tonnes per annum 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.

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS' REPORT (CONTINUED)

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 200,000 tonnes per annum to be legally problematic, even if 300,000 tonnes per annum is processed, as there appears to be no relationship between water emissions and Vammala production levels.

DIRECTORS' REPORT (CONTINUED)

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:

- An increase in water pollution compared to 2006 when the permit was last considered;
- The weakened state of the lower watercourse which is, and has been, caused by the waste waters; and
- 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:

- An updated waste management plan;
- The latest fish inventory report; and
- 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 pit 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.

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS' REPORT (CONTINUED)

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 41.

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.

DIRECTORS' REPORT (CONTINUED)

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.

DRAGON MINING ANNUAL REPORT 2015

DIRECTORS' REPORT (CONTINUED)

14. Remuneration Report – audited (continued)

14.13 Directors and Executive Officers Remuneration

In dollars										
	Short Term			Other Long Term Benefits		Post Employment	Termination Benefits		Share Based Payments	Value of Options as a Proportion of Total Remuneration
	Salary & Fees	Bonuses	Non Monetary Benefits	Long Service Leave	Super-annuation Benefits					
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.

DRAGON MINING ANNUAL REPORT 2015

DIRECTORS' REPORT (CONTINUED)

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

¹Mr 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, APRL or Allied Group Limited.

²Net change due to resignation on 19 May 2015.

³Net 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

¹Held indirectly in Supergun Pty Ltd as trustee for Bricklaying Super Fund of which Mr Gunzburg is a beneficiary.

²Net change due to resignation on 7 February 2014.

DIRECTORS' REPORT (CONTINUED)

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

DIRECTORS' REPORT (CONTINUED)

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

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



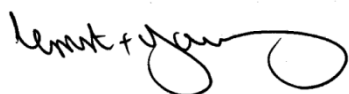
Mr Brett Smith
Executive Director
26 February 2016

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			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
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		<u>30,435</u>	<u>32,041</u>
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		<u>20,857</u>	<u>14,300</u>
TOTAL ASSETS		<u>51,292</u>	<u>46,341</u>
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		<u>9,028</u>	<u>9,095</u>
NON-CURRENT LIABILITIES			
Provisions	13	15,421	13,240
Deferred tax liabilities	3	-	896
TOTAL NON-CURRENT LIABILITIES		<u>15,421</u>	<u>14,136</u>
TOTAL LIABILITIES		<u>24,449</u>	<u>23,231</u>
NET ASSETS		<u>26,843</u>	<u>23,110</u>
EQUITY			
Contributed equity	14	119,992	119,992
Reserves	15	(1,379)	(686)
Accumulated losses		(91,770)	(96,196)
TOTAL EQUITY		<u>26,843</u>	<u>23,110</u>

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

DRAGON MINING ANNUAL REPORT 2015

**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.

DRAGON MINING ANNUAL REPORT 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Dragon Mining Limited ("the Company" or "the Group") is a company domiciled in Australia. The Company'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 loses 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Financial assets</p> <p>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.</p> <p>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.</p> <p>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.</p>	1 Jan 2018	1 Jan 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
		<p>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:</p> <ul style="list-style-type: none"> ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss. <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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]	<p>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.</p> <p>The amendments require:</p> <p>(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.</p> <p>(b) The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 Jan 2016	1 Jan 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>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.</p> <p>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.</p> <p>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.</p>	1 Jan 2016	1 Jan 2016
AASB 1057	Application of Australian Accounting Standards	<p>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.</p>	1 Jan 2016	1 Jan 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	<p>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).</p> <p>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:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014.</p> <p>Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017.</p> <p>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.</p>	1 January 2017	1 July 2017
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</p> <ul style="list-style-type: none"> • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly 	1 Jan 2016	1 Jan 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
		<ul style="list-style-type: none"> 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. <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> 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. <p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> 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. <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> 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 		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
		<ul style="list-style-type: none"> 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	<p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.</p> <p>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.</p> <p>The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	-
	<u>65,617</u>	<u>63,903</u>
b) Other revenue		
Finance revenue	151	459
Rent and service income	552	651
	<u>703</u>	<u>1,110</u>
<i>Breakdown of finance revenue</i>		
Bank and external interest	151	117
Associate	-	342
	<u>151</u>	<u>459</u>
c) Other income		
Gain on sale of plant and equipment	42	28
Other	382	1,092
	<u>424</u>	<u>1,120</u>
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
	<u>2,542</u>	<u>551</u>
<p>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.</p>		
e) Finance costs		
Interest	3	50
Other	25	116
	<u>28</u>	<u>166</u>
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
	<u>13,612</u>	<u>14,747</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. INCOME TAX (continued)	2015 \$'000	2014 \$'000
<i>(d) Recognised deferred tax assets and liabilities</i>		
Consolidated deferred income tax at reporting date relates to the following:		
<i>Deferred tax assets</i>		
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	-	-
<i>Deferred tax liabilities</i>		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CASH AND CASH EQUIVALENTS	2015 \$'000	2014 \$'000
Cash at bank and on hand	13,869	15,023
Short-term deposits	27	28
	<u>13,896</u>	<u>15,051</u>

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	<u>11,818</u>	<u>14,309</u>

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)
	<u>9,312</u>	<u>11,626</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
	<u>7,128</u>	<u>5,222</u>

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%)	<u>213</u>	<u>126</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. MINERAL EXPLORATION AND DEVELOPMENT COSTS

	2015 \$'000	2014 \$'000
Mineral exploration costs		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. PROVISIONS

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

(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	<u>15,395</u>

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

	2015 Number of Shares	2014 Number of Shares	2015 \$'000	2014 \$'000
Share capital				
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			<u>119,992</u>	<u>88,840,613</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
	<u>(1,379)</u>	<u>(686)</u>

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	<u>(4,505)</u>	<u>(5,638)</u>

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	<u>-</u>	<u>1,863</u>

Movements in convertible note premium reserve

Balance at the beginning of period	2,068	2,068
Balance at the end of the period	<u>2,068</u>	<u>2,068</u>

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	<u>(11)</u>	<u>(48)</u>

Movements in equity reserve

Balance at the beginning of period	1,069	1,069
Balance at the end of the period	<u>1,069</u>	<u>1,069</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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).

DRAGON MINING ANNUAL REPORT 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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
	<u>352</u>	<u>436</u>

(b) Capital commitments

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

Within one year	-	90
	<u>-</u>	<u>90</u>

(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
	<u>139</u>	<u>33</u>

(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
	<u>511</u>	<u>472</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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) 3 rd 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: <ul style="list-style-type: none"> • 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 Applications 1-19 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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		
<i>Counterparties with external credit ratings</i>		
AA-	13,827	14,989
A+	-	-
A	69	62
A-	-	-
Total cash and cash equivalents	13,896	15,051
Trade and other receivables		
<i>Counterparties with external credit ratings</i>		
AAA	-	-
AA-	-	-
A+	-	-
A-	-	-
<i>Counterparties without external credit ratings</i>		
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

DRAGON MINING ANNUAL REPORT 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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%	
	Note	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
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%	
	Note	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	-	-
	<u>6,839</u>	<u>5,869</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 ANNUAL REPORT 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

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:

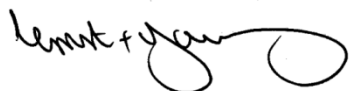
- a. the financial report of Dragon Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date
 - ii complying with Australian 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

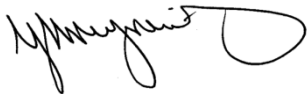
We have audited the remuneration report included in pages 11 to 17 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. 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

ASX additional information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 22 March 2016.

Statement of listed shareholdings

The distribution of fully paid ordinary shares in the Company is as follows:

Spread of holdings	Number of holdings	Number of Units	Total Issued Capital %
1–1,000	586	299,516	0.34
1,001–5,000	626	1,649,709	1.86
5,001–10,000	177	1,381,174	1.55
10,001–100,000	235	7,742,079	8.71
100,001 and over	56	77,768,135	87.054
Total	1,680	88,840,613	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 901 (being 2,174 as at 22 March 2016).

Statement of option holdings

There are no options on issue.

Voting rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options do not carry any voting rights.

Top 20 registered holders of ordinary shares

Rank	Name	Number of shares	% Shares
1	JP Morgan Nominees Australia Limited	24,465,115	27.54
2	Nefco Nominees Pty Ltd	21,039,855	23.68
3	Sun Hung Kai Investment Services Ltd <Client <Client Future Rise Inv A/C>	10,733,560	12.08
4	HSBC Custody Nominees (Australia) Limited	4,874,715	5.49
5	Mr Peter Alfred Ternes	1,750,000	1.97
6	Marford Group Pty Ltd	1,638,227	1.84
7	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	752,104	0.85
8	Ms Yi Min Tang	737,967	0.83
9	Nero Resource Fund Pty Ltd <Nero Resource Fund A/C>	611,403	0.69
10	Mr Robert Byrne & Mrs Michelle Ann Byrne	590,000	0.66
11	BNP Paribas Noms Pty Ltd <UOB KH P/L UOB KH DRP>	506,000	0.57
12	Mr Robert Macfadyen Pty Ltd <Macfadyen S/F A/C>	470,000	0.53
13	Citicorp Nominees Pty Ltd	409,513	0.46
14	Mr Ianaki Semerdziev	409,500	0.46
15	Mrs Betty Calaghan	370,500	0.42
16	Cordin Pty Ltd <The Cordin Super Fund A/C>	354,546	0.40
17	Sun Hung Kai Investment Services Ltd <Clients A/C>	352,250	0.40
18	Technica Pty Ltd	350,000	0.39
19	Mrs Liliana Teofilova	343,000	0.39
20	Mr Wolfgang Feldhus	300,000	0.34
Total		71,058,255	79.98

Substantial shareholders

The substantial shareholders pursuant to the provisions of the Corporations Act are as follows:

Name	Number of Shares	% of Contributing Shares
Nicolas Mathys	15,287,486	17.21
Sun Hung Kai Investment Services Ltd, on behalf of Future Rise Investments Limited ¹	10,733,560	12.08
COL Capital Limited and its subsidiaries (including Future Rise Investments Limited) and Ms Chong ¹	10,733,560	12.08
Allied Properties Resources Limited	21,039,855	23.68

¹Sun Hung Kai Investment Services Ltd is a custodian that holds 10,733,560 Shares (FRIL Shares) on behalf of Future Rise Investments Limited (FRIL). FRIL is an indirect, wholly owned subsidiary of COL Capital Limited and consequently COL Capital Limited and its subsidiaries (including FRIL), and a Ms Chong also hold a relevant interest in the FRIL Shares, as disclosed in substantial shareholder notices previously lodged with ASX.

Changes to Shareholdings of Directors post signing date of Financial Report

The Company wishes to advise the following changes to the direct shareholdings of the Directors post the signing date of the Financial Report being 26 February 2016:

Director	Direct Shareholding
Mr AG Dew ¹	220,000
Mr BR Smith ²	28,571
Mr CC Procter ³	82,602
Total Director Shareholding	331,173

¹From 2 – 21 March 2016, Mr AG Dew directly acquired 220,000 ordinary shares.

²On 3 March 2016, Mr BR Smith directly acquired 28,571 ordinary shares.

³From 22 – 24 March 2016, Mr CC Procter directly acquired 82,602 ordinary shares.

On-Market Buy Back

There is no current on-market buy back.

Tenement Register

Project	Tenements			Held at 31 December 2015	Area
	ID	Name	Type	%	ha
SWEDEN					
Svartliden		Svartlidengruvan K nr 1	EC	100	87.54
	2006: 351	Pauträsk nr 4	EP	100	534.96
	2013: 67	Tallberget nr 4	EP	100	2,321.59
	Total				2,944.08
Fäboliden		Fäboliden K nr 1	EC	100	122.00
	2010: 75	Fäboliden nr 10	EP	100	508.15
	2014: 1	Fäbodliden nr 72	EP	100	83.21
	2014: 2	Fäbodliden nr 82	EP	100	230.55
	2014: 4	Svannäs nr 12	EP	100	795.66
	Total				1,739.57
FINLAND					
Orivesi	2676	Seri	MC	100	39.82
	ML2013:0006	Sarvisuo 1-2	EL	100	41.86
	ML2015:0026	Sarvisuo 3	Claim	0	56.56
	9245/1	Yläinensilmäke	Claim	100	10.26
	Total				148.50
Jokisivu	7244	Jokisivu	MC	100	48.32
	KL2015:0005	Jokisivu 2	MC	0	21.30
	ML2012:0112	Jokisivu 4-5	EL	100	90.82
	8768/1	Jokisivu 6	Claim	100	4.22
	8970/1	Jokisivu 7	Claim	100	6.70
	8970/2	Jokisivu 8	Claim	100	26.40
	Total				197.76
Vammala	1895	Stormi	MC	100	157.53
	ML2014:0049	Kärmeenmaa	EL	100	78.00
	Total				235.53
Kaapelinkulma	K7094	Kaapelinkulma	MC	0	66.54
	7094/2	Perkoonsuo 1	Claim	100	40.19
	7094/1	Kaapelinkulma	Claim	100	32.05
	7942/1	Kairankorpi	Claim	100	99.98
	Total				238.76
Kuusamo	3965	Juomasuo	MC	100	54.96
	KL2015:0003	Juomasuo 2	MC	0	304.44
	4909	Meurastuksenaho	MC	100	13.78
	4013	Sivakkaharju	MC	100	3.62
	ML2015:0010	Petäjävaara	EL	0	937.79

DRAGON MINING ANNUAL REPORT 2015

Project	Tenements		Type	Held at 31 December 2015	Area
	ID	Name		%	ha
	ML2011:0022	Ollinsuo 1-2	EL	0	1436.38
	ML2012:0056	Hangaslampi 14	EL	0	409.36
	ML2014:0115	Hangaslampi	EL	0	581.11
	ML2014:0116	Kontti-mutka 1-6	EL	0	904.84
	Total				4,646.27
	ML2011:0005	Kielisenmaa	EL	100	1497.07
	ML2011:0065	Kello 12	EL	100	2308.13
	ML2012:0173	Kello 47	EL	100	291.24
	ML2014:0010	Kello 51-53	EL	100	168.44
	ML2015:0021	Kello 54-63	EL	0	934.16
	8816/2	Kello 80	Claim	100	99.48
	8816/3	Kello 81	Claim	100	98.94
	9116/1	Kello 82	Claim	100	99.93
	9116/2	Kello 83	Claim	100	99.89
	9116/3	Kello 84	Claim	100	99.94
	9116/4	Kello 85	Claim	100	99.99
	9116/5	Kello 86	Claim	100	99.97
	9116/6	Kello 87	Claim	100	99.89
	9116/7	Kello 88	Claim	100	99.94
	ML2012:0095	Suksee 2-16	EL	100	1418.49
	ML2013:0060	Suksee 1	EL	100	99.05
	Total				7,614.55
Kutuvuoma	4843	Kutuvuoma	MC	100	41.43
(Note 2)	9129/1	Kutuvuoma 4	Claim	100	99.72
	9129/2	Kutuvuoma 5	Claim	100	99.80
	9275/1	Kutuvuoma 6	Claim	100	99.58
	9275/2	Kutuvuoma 7	Claim	100	98.49
	9275/3	Kutuvuoma 8	Claim	100	99.23
	9275/4	Kutuvuoma 9	Claim	100	99.79
	9275/5	Kutuvuoma 10	Claim	100	99.85
	9275/6	Kutuvuoma 11	Claim	100	99.82
	9275/7	Kutuvuoma 12	Claim	100	98.64
	9275/8	Kutuvuoma 13	Claim	100	99.17
	9275/9	Kutuvuoma 14	Claim	100	99.73
	9275/10	Kutuvuoma 15	Claim	100	98.39
	9275/11	Kutuvuoma 16	Claim	100	73.35
	9275/12	Kutuvuoma 17	Claim	100	83.01

DRAGON MINING ANNUAL REPORT 2015

Project	Tenements		Held at 31 December 2015		Area
	ID	Name	Type	%	ha
Silasselkä (Note 2)	VA2014:0009-01	Kutuvuoma-North	Res	100	993.14
	VA2014:0029-01	Kutuvuoma-South	Res	100	3,264.57
	Total				6,033.88
	9202/1	Silasselkä 8	Claim	100	8.18
	9202/2	Silasselkä 9	Claim	100	35.52
	9202/3	Silasselkä 10	Claim	100	35.37
	9202/4	Silasselkä 11	Claim	100	31.64
	9202/5	Silasselkä 12	Claim	100	26.39
	9202/6	Silasselkä 13	Claim	100	18.16
	9202/7	Silasselkä 14	Claim	100	5.51
	VA2014:0007-01	Silasselkä-East	Res	100	10,293.53
	VA2014:0032-01	Silasselkä-North	Res	100	389.59
	Total				10,843.89
	7014	Hietaharju	MC	5	31.08
	K9722	Peura-aho	MC	0	29.77
Kuhmo Joint Venture (Note 3)	ML2012:0047	Vaara	EL	5	58.93
	ML2013:0048	Kauniinlampi	EL	5	74.72
	ML2013:0002	Peura-aho	EL	5	41.67
	ML2015:0007	Hietaharju North	EL	0	27.00
	ML2013:0047	Sika-aho	EL	5	69.39
	ML2013:0003	Arola	EL	5	51.57
	Total				384.13

Notes

- 1** Dragon Mining diluting to 30% interest.
- 2** Dragon Mining selling 100% interest.
- 3** Dragon Mining hold a free carried 5% interest in any deposit of Non-Gold Related Minerals up until a Decision to Mine. Dragon Mining retains 100% interest in any deposit of Gold Related Minerals.

Corporate Directory

Directors

Non-Executive Chairman	Mr Arthur G Dew
Executive Director	Mr Brett R Smith
Non-Executive Director	Mr Carlisle C Procter

Company secretary

Ms Shannon Coates

Registered Office

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

Contact Information

Within Australia: 1300 557 010
From Overseas: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Email: web.queries@computershare.com.au

Website: 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

Bankers

Nordea Bank Finland Plc

Aleksis Kiven katu 3-5
Helsinki, Finland

National Australia Bank

West Perth Business Banking Centre
Level 1, 1238 Hay Street
Perth, Western Australia 6005