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ASX RELEASE

Dragon Mountain Gold Limited,
ACN: 111 005 282
182 Claisebrook Road, Perth WA 6000



28 April 2017

Mining Exploration Entity **QUARTERLY REPORT 31 MARCH 2017**

Dragon Mountain Gold Limited ("DMG" or "the Company") is pleased to provide this Quarterly Activity Report for the quarter ending 31 March 2017.

On 11 July 2016, the Company announced that it had signed a Heads of Agreement for the gold and other mineral rights, excluding nickel and cobalt, with Wingstar Investments Pty Ltd, a Company associated with Company chairman, Robert Gardner.

Further details about the project and the HOA are detailed in the announcement of 11 July 2016.

During the previous quarters, the Board continued its due diligence on the gold rights for the Cawse and Avalon project in Western Australia. Specific work completed on each of the projects include the following activities:

Cawse Project

- Database unification and verification has been completed. The data is currently stored in a dedicated database software package and also as excel spreadsheets and text files. This data can then be accessed from mining software packages such as Mapinfo, Micromine, Surpac and Vulcan.
- A number of drill holes were identified from this work that are required to be checked for additional gold assays and also collar dip and azimuth. Checking will be of historical paper copies of drill logs and assays sheets as data is not available in digital records. The paper copies are in storage on site at Cawse.
- Historical drill holes that are not of the Cawse Nickel Project origin have been captured digitally and converted from local grids to Cawse mine grid and also MGA94-51. A total of 227 drill holes have been data entered and verified.
- The hole location conversion was undertaken by field surveying of a number of historic drill collars and calculating a conversion parameter. This work was completed by Lone Star Surveys whose principal was the Chief surveyor at the Cawse Nickel Project.
- The data review indicated possible shortcomings of the dataset is mostly related to the age of the drilling, meaning a lack of suitable requirements for the current day JORC, such as standards, duplicates blanks etc, lack of laboratory controls etc.
- The most significant identified data issue was with hole collars for the historical Cawse Find drilling, and also data entry for assays and lithology of these holes. This has been resolved with data entry completed for this data and conversion of collars from local grid to MGA94-51.

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- The relationship of gold and other pathfinder elements has been reviewed from both petrological and geochemical studies of the ore system at Cawse Find and also within the broader Ora Banda- Grants Patch-Siberia regional area. Results indicate that gold remains the best pathfinder for gold. There is no clear pathfinder element that may enable the use of an XRF gun to reduce assay costs.
- A list of priority holes to be re-assayed (if the pulps still exist) has been completed. A list of the retained pulps in the Cawse sample shed is yet to be found, and it may require a new catalogue of the available pulps to be undertaken.
- A table ranking the exploration targets outside of the principal Cawse Find deposit has been completed.
- A table ranking the prospectivity of each tenement has been completed.
- A significant amount of third party data has been collated for use in the recommendation of the leases to be retained for the ongoing gold exploration. This data includes geochemical soil sampling and historic drill holes. Geophysical data sets, principally aeromagnetic and airborne EM data have also been reviewed.
- A drill program has been proposed for drilling at Cawse Find following the completion of the survey pickup of collars at Cawse Find in late November of 2016.
- The drill program is designed to test the relationship between the historic Cawse Find mineralisation and the northern extension mineralisation drilled by Centaur mining in 1996.
- The POW for this drilling will be submitted to the Mines Department in early March and tenders for drilling contractors will also be sent at this time.
- Drilling is expected to occur in April following the approval process of the Mines department.

Avalon Project

- Database unification is also essentially complete as for the Cawse data. Again there is a significant number of historical third party holes that require data entry or to be sourced from Wamex data. At this stage historical data has been sourced but the data entry task is not complete. This is in part due to all data being in historical local grids that are difficult to locate for transformation. Once this issue is resolved data entry will commence.
- The data at Avalon that is presently available does not provide significant insight into ongoing gold exploration. The lack of any known gold resource or anomalies from this data means that costs can be saved as there is no requirement to bring the data into any JORC standards.
- The known relationship of gold and other pathfinder elements at Avalon is unclear at this time, however there has been petrological and geochemical studies of the ore system in the broader Bulong area. Further work is required to determine the most cost effective assay suite and if the use of XRF guns may be of use. It is also unclear if there are any pulps available at Avalon.
- A table ranking the exploration targets at Avalon has been completed.
- A list and map showing the core exploration leases to be retained has been completed. A table ranking the prospectivity of each tenement has been completed.
- A modest drill program or soil sampling program is still to be proposed and requires completion of the compilation of historical data first.

**Stock
Exchange
Codes**

ASX: DMG

The Company originally had until the 9th of April to complete its due diligence and make a decision on whether to move to the next stage, however, due to wet weather due diligence is continuing until its drill program at Cawse is complete.

The Company had \$3.155 million in cash reserves at the end of the quarter.

Robert Gardner
CHAIRMAN

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

DRAGON MOUNTAIN GOLD LIMITED (DMG)

ABN

82 111 005 282

Quarter ended (Current quarter)

31 March 2017

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:	-	-
(a) exploration and evaluation	(128)	(310)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(30)	(167)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	105
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(137)	(372)
2. Cash flows from investing activities		
2.1 Payments to acquire:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 Months) \$A'000
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,292	3,527
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(137)	(372)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,155	3,155
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	62	20
5.2	Call deposits	3,093	3,272
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,155	3,292
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1	Aggregate amount of payments to these parties included in item 1.2	109	
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2			
Directors salary, fees, superannuation, and exploration consultancy			
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1	Aggregate amount of payments to these parties included in item 1.2	-	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2			

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter

\$A'000

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 **Total estimated cash outflows**

141

10. Changes in tenements
(items 2.1(b) and 2.2(b) above)

Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced			
10.2 Interests in mining tenements and petroleum tenements acquired or increased			

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



Signed:

Dated: Friday, 28 April 2017

Company Secretary

Print name: Jay Stephenson

Notes

Mining exploration entity and oil and gas exploration entity quarterly report

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.