



ABN 82 111 005 282

INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2015

The information contained in this condensed report is to be read in conjunction with Dragon Mountain Gold Limited's 2015 annual report and announcements to the market by Dragon Mountain Gold Limited during the half-year period ending 31 December 2015

DRAGON MOUNTAIN GOLD LIMITED

AND CONTROLLED ENTITIES

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CORPORATE DIRECTORY

Current Directors

| | |
|----------------|-------------------------------|
| Robert Gardner | <i>Executive Chairman</i> |
| Paul Piercy | <i>Non-executive Director</i> |
| Duncan McBain | <i>Non-executive Director</i> |

Company Secretary

Jay Stephenson

Registered Office

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Perth WA 6000

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Email: info@dragonmountain.com.au

Website: www.dragonmountain.com.au

Securities Exchange

Australian Securities Exchange

Street: Level 40, Central Park
152 – 158 St Georges Terrace
Perth WA 6000

ASX Code: [DMG](#)

Solicitors to the Company

Hotchkin Hanly Lawyers

Postal: PO Box Z5004 St Georges Terrace
Perth WA 6831

Telephone: +61 0(8) 9218 7700

Share Registry

Computershare Registry Services

Street: Level 11, 172 St Georges Terrace
Perth WA 6000

Postal: GPO Box D182
Perth WA 6840

Telephone: 1300 850 505 (investors within
Australia)

+61 (0)8 9323 2000

Auditor

Crowe Horwarth Perth










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Perth WA 6000

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Perth WA 6844

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**INTERIM FINANCIAL REPORT
31 DECEMBER 2015**

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DIRECTORS' REPORT

Your Directors present their report together with the condensed consolidated financial statements of Dragon Mountain Gold Limited (**the Company**) and its controlled entities (**the Group**) for the half-year ended 31 December 2015.

1. DIRECTORS

The names of Directors in office at any time during or since the end of the half-year are:

| | | |
|---|--------------------------------------|-------------------------------|
|  | Mr Robert Gardner | <i>Executive Chairman</i> |
|  | Mr Paul Piercy | <i>Non-executive Director</i> |
|  | Mr Duncan Robert M ^c Bain | <i>Non-executive Director</i> |

(**the Board**)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. REVIEW OF OPERATIONS

During the financial year the Board continued to evaluate major projects in Australia and overseas with a view to securing a new project for the Group.

The Group had \$3,799,607 in cash reserves at the end of the half-year. Directors are continuing to manage the Group's cash flow in this difficult capital raising environment for junior exploration companies.

The Board are in the process of reviewing its strategy in order to find the right project that will benefit the Group going forward. The assessment and due diligence of projects needs to be done with these factors taken into consideration. The Board feels that it may be possible to take advantage of the current cash position to obtain a financially economic project.

2.1. Operating results

The consolidated loss of the Group for the half-year excluding minority equity interests amounted to \$274,291 (December 2014: \$298,656). The increase is wholly attributable to the reduction in interest received during the current financial year.

2.2. Financial position

The net assets of the Group have decreased by \$268,368 from \$4,298,662 at 30 June 2015 to \$4,030,294 at 31 December 2015.

As at 31 December 2014, the Group's cash and cash equivalents decreased from \$3,999,187 at 30 June 2015 by \$199,580 to \$3,799,607 and had working capital of \$3,844,145 (June 2015: \$4,103,231 working capital).

3. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2015 has been received and can be found on page 2 of the half year report.



ROBERT GARDNER

Chairman

Dated this Friday, 11 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Dragon Mountain Gold Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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



CROWE HORWATH PERTH



SEAN MCGURK
Partner

Signed at Perth, 11th March 2016

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

| Note | 31 December 2015 \$ | 31 December 2014 \$ |
|--|---------------------------|---------------------------|
| Continuing operations | | |
| Revenue | 56,937 | 80,081 |
| | 56,937 | 80,081 |
| Accounting and secretarial fees | (66,295) | (84,948) |
| Computers and communications | (10,438) | (11,114) |
| Depreciation expenses | (9,282) | (8,587) |
| Employee benefits expenses | (211,639) | (220,391) |
| Impairment | - | (5,352) |
| Insurance fees | (7,913) | (10,557) |
| Legal and consultancy fees | (11,286) | (18,111) |
| Occupancy expenses | (1,708) | (3,074) |
| Regulatory expenses | (12,030) | (13,563) |
| Travel and accommodation expenses | - | (5,876) |
| Other expenses | (637) | (564) |
| Loss before tax | (274,291) | (302,056) |
| Income tax benefit /(expenses) | - | 3,400 |
| Loss from continuing operations | (274,291) | (298,656) |
| Other comprehensive income, net of income tax | | |
| Foreign currency movement | 5,923 | - |
| Total comprehensive income attributable to members of the parent entity | (268,368) | (298,656) |
| Loss per share: | | |
| | ¢ | ¢ |
| Basic loss per share (cents per share) | (0.10) | (0.11) |

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

| | Note | 31 December 2015 \$ | 30 June 2015 \$ |
|----------------------------------|------|---------------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 2 | 3,799,607 | 3,999,187 |
| Trade and other receivables | 3 | 61,553 | 126,931 |
| Other current assets | | 14,113 | 9,068 |
| Total current assets | | 3,875,273 | 4,135,186 |
| Non-current assets | | | |
| Plant and equipment | 4 | 186,149 | 195,431 |
| Total non-current assets | | 186,149 | 195,431 |
| Total assets | | 4,061,422 | 4,330,617 |
| Current liabilities | | | |
| Trade and other payables | 5 | 31,128 | 31,955 |
| Total current liabilities | | 31,128 | 31,955 |
| Total liabilities | | 31,128 | 31,955 |
| Net assets | | 4,030,294 | 4,298,662 |
| Equity | | | |
| Issued capital | 6 | 33,081,803 | 33,081,803 |
| Reserves | | 5,923 | 1,040 |
| Accumulated losses | | (29,057,432) | (28,784,181) |
| Total equity | | 4,030,294 | 4,298,662 |

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

| Note | Issued Capital \$ | Accumulated Losses \$ | Foreign Exchange Translation Reserve \$ | Total \$ |
|--|-------------------------|-----------------------------|---|------------------|
| Balance at 1 July 2014 | 33,081,803 | (28,190,576) | - | 4,891,227 |
| Loss for the half-year attributable to the owners of the parent | - | (298,656) | 1,439 | (297,217) |
| Other comprehensive income for the half-year attributable to the owners of the parent | - | - | (5,420) | (5,420) |
| Total comprehensive income for the half-year attributable to the owners of the parent | - | (298,656) | (3,981) | (302,637) |
| Transactions with owners, directly in equity | | | | |
| Shares issued during the half-year | - | - | - | - |
| Transaction costs | - | - | - | - |
| Options issued during the half-year | - | - | - | - |
| Balance at 31 December 2014 | 33,081,803 | (28,489,232) | (3,981) | 4,588,590 |
| Balance at 1 July 2015 | 33,081,803 | (28,784,181) | 1,040 | 4,298,662 |
| Loss for the half-year attributable to the owners of the parent | - | (274,291) | - | (274,291) |
| Other comprehensive income for the half-year attributable to the owners of the parent | - | - | 5,923 | 5,923 |
| Total comprehensive income for the half-year attributable owners of the parent | - | (274,291) | 5,923 | (268,368) |
| Transactions with owners, directly in equity | | | | |
| Shares issued during the half-year | - | - | - | - |
| Transaction costs | - | - | - | - |
| Options issued during the half-year | - | - | - | - |
| Balance at 31 December 2015 | 33,081,803 | (29,058,472) | 6,963 | 4,030,294 |

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

| | Note | 31 December 2015 \$ | 31 December 2014 \$ |
|--|----------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | - | - |
| Payments to suppliers and employees | | (295,653) | (231,927) |
| Interest received | | 90,150 | 26,038 |
| Income tax paid | | - | (126) |
| Net cash used in operating activities | | (205,503) | (206,015) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | - | (6,361) |
| Net cash used in investing activities | | - | (6,361) |
| Cash flows from financing activities | | | |
| Net cash provided by financing activities | | - | - |
| Net decrease in cash held | | (205,503) | (212,376) |
| Cash and cash equivalents at the beginning of the period | | 3,999,187 | 4,552,558 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 5,923 | - |
| Cash and cash equivalents at 31 December | 2 | 3,779,607 | 4,340,182 |

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These are the condensed consolidated financial statements and notes of Dragon Mountain Gold Limited (**the Company**) and its controlled entities (**the Group**). Dragon Mountain Gold is a public company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue on 11 March 2016 by the Directors of the Company.

a. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Dragon Mountain Gold Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the half-year.

i. Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

ii. Financial position

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

iii. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

b. Critical Accounting Estimates and Judgments

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2015 annual report.

c. New and Amended Standards Adopted by the Company Applicable to the Current Half-Year Reporting Period

For the half-year ended 31 December 2015, the Company has reviewed all of the New and Amended Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2015.

It has been determined by the Company that there is no impact, material or otherwise, of the New and Amended Standards and Interpretations on its business, and therefore, no changes are required to the Company's accounting policies.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 2 CASH AND CASH EQUIVALENTS

| | 31 December 2015 \$ | 30 June 2015 \$ |
|--------------------------|---------------------------|-----------------------|
| Cash at bank | 11,132 | 100,239 |
| Short-term term deposits | 3,788,475 | 3,898,948 |
| | 3,799,607 | 3,999,187 |

NOTE 3 TRADE AND OTHER RECEIVABLES

| | 31 December 2015 \$ | 30 June 2015 \$ |
|----------------------------|---------------------------|-----------------------|
| Current | | |
| Value-added tax receivable | 27,854 | 51,099 |
| Other receivables | 33,699 | 75,832 |
| | 61,553 | 126,931 |

a. Value-added tax (VAT) is a generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (GST) and in China (VAT).

NOTE 4 PLANT AND EQUIPMENT

| | 31 December 2015 \$ | 30 June 2015 \$ |
|---------------------------|---------------------------|-----------------------|
| Non-current | | |
| Furniture and fittings | 16,740 | 16,740 |
| Accumulated depreciation | (10,691) | (9,645) |
| | 6,049 | 7,095 |
| Office equipment | 54,213 | 54,213 |
| Accumulated depreciation | (49,820) | (48,729) |
| | 4,393 | 5,484 |
| Leasehold improvements | 211,499 | 211,499 |
| Accumulated amortisation | (35,792) | (28,647) |
| | 175,707 | 182,852 |
| Total plant and equipment | 186,149 | 195,431 |

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NOTE 5 TRADE AND OTHER PAYABLES

Current

Unsecured

Trade payables
Other creditors and accruals

| | 31 December 2015 \$ | 30 June 2015 \$ |
|------------------------------|---------------------------|-----------------------|
| Trade payables | 15,112 | 14,111 |
| Other creditors and accruals | 16,016 | 17,844 |
| | 31,128 | 31,955 |

a. Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

NOTE 6 ISSUED CAPITAL

The Company has issued share capital amounting to 263,530,515 (June 2015: 263,530,515) fully paid ordinary shares at no par value.

Note

6a

| | 31 December 2015 \$ | 30 June 2015 \$ |
|--|---------------------------|-----------------------|
| | 33,081,803 | 33,081,803 |

a. Ordinary shares

At the beginning of the reporting period

At reporting date

| | 31 December 2015 \$ | 30 June 2015 \$ |
|--|---------------------------|-----------------------|
| At the beginning of the reporting period | 33,081,803 | 33,081,803 |
| At reporting date | 33,081,803 | 33,081,803 |

At the beginning of the reporting period

At reporting date

| | 31 December 2015 No. | 30 June 2015 No. |
|--|----------------------------|------------------------|
| At the beginning of the reporting period | 263,530,515 | 263,530,515 |
| At reporting date | 263,530,515 | 263,530,515 |

The Company does not have authorised capital in respect to its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

NOTE 7 EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events subsequent to reporting date

NOTE 8 COMMITMENTS

There is no change in the Company's commitments or contingencies reported at 30 June 2015

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 9 RELATED PARTY TRANSACTIONS

a. Key management personnel (KMP) compensation

The totals of remuneration paid to KMP during the half-year are as follows:

| | 31 December 2015 \$ | 31 December 2014 \$ |
|------------------------------|---------------------------|---------------------------|
| Short-term employee benefits | 210,607 | 210,607 |
| Post-employment benefits | 1,518 | 1,289 |
| Total | 212,125 | 211,896 |

b. Other related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with Key Management Personnel:

Fastwitch Enterprises Pty Ltd

Fastwitch Enterprises Pty Ltd, a company controlled by Mr Gardner, received payments of \$194,838 (Dec 2014: \$177,125) for director's fees and consulting services provided by Mr Gardner in respect of the Company's operations. These services are provided directly and indirectly by Mr Gardner and are therefore reported in note 9a above. Balances reported in this note 9b represent reimbursements of Company costs paid directly by Mr Gardner.

- 18,285

Wolfstar Group Corporate Management

Wolfstar Group Corporate Management, a company jointly controlled by Mr Stephenson, provides financial services and company secretarial services to the Company. These services are provided directly and indirectly by Mr Stephenson and have therefore not been included in in note 9a above.

49,181 53,252

NOTE 10 OPERATING SEGMENTS

a. Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a regular basis and in determining the allocation of resources. Management continually assesses the Group's segments and has identified the operating segments based on the one principal location based on geographical areas and therefore different regulatory environments – Australia (December 2014: Australia). The Group operates predominantly in the minerals exploration and evaluation industry.

Due to its reduced activity, the Group currently operates materially in one business segment being Australia and one geographical segment as described above. Accordingly, the financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker.

NOTE 11 FINANCIAL INSTRUMENTS

The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables and trade and other payables. The carrying amount of these financial assets and liabilities approximate their fair value.

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DIRECTORS' DECLARATION

The Directors of the Group declare that:

1. The condensed financial statements and notes, as set out on pages 3 to 10, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the financial position as at 31 December 2015 and of the performance for the half-year ended on that date of the Consolidated Group.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001* and is signed for and on behalf of the directors by:



ROBERT GARDNER

Chairman

Dated this Friday, 11 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DRAGON MOUNTAIN GOLD LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dragon Mountain Gold Ltd and its controlled entities (the consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Dragon Mountain Gold Limited and its controlled entities' financial position as at 31 December 2015 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Dragon Mountain Gold Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dragon Mountain Gold Limited and its controlled entities is not 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 half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



CROWE HORWATH PERTH



SEAN MCGURK

Partner

Signed at Perth, 11th March 2016

