龍資源有限公司
DRAGON MINING LIMITED

DRAGON MINING LIMITED
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(Incorporated in Western Australia with limited liability ACN 009 450 051)

(Stock Code: 1712)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "**Board**") of Dragon Mining Limited (the "**Company**" or "**Dragon**") announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 together with comparative figures for the corresponding period in 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** *AU$'000*	2019 *AU$'000*
Revenue from customers		**69,255**	53,073
Cost of sales	*2(a)*	**(51,599)**	(42,208)
Gross profit		**17,656**	10,865
Other revenue	*2(b)*	**12**	73
Other income	*2(c)*	**314**	1,136
Exploration expenditure		**(626)**	(60)
Management and administration expenses	*2(d)*	**(4,269)**	(4,914)
Exploration written off	*2(d)*	**(2,381)**	–
Operating expenses	*2(d)*	**(175)**	(83)
Finance costs	*2(e)*	**(133)**	(210)
Foreign exchange gain/(loss)		**111**	(496)
Profit before tax		**10,509**	6,311
Income tax expense	*3*	**(316)**	–
Profit after income tax		**10,193**	6,311
Earnings per share attributable to ordinary equity holders of the parent (cents per share)			
Basic earnings per share	*18*	**7.34**	4.55
Diluted earnings per share	*18*	**7.34**	4.55

The notes on pages 6 to 60 form part of this annual results announcement.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	AU$'000	*AU$'000*
Profit after income tax (brought forward)	**10,193**	6,311
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(79)**	(394)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)	**(79)**	(394)
Total comprehensive income for the period	**10,114**	5,917
Profit attributable to:		
Members of Dragon	**10,193**	6,311
	10,193	6,311
Total comprehensive income attributable to:		
Members of Dragon	**10,114**	5,917
	10,114	5,917

The notes on pages 6 to 60 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**2020**	2019
		AU$'000	*AU$'000*
CURRENT ASSETS			
Cash and cash equivalents	*4*	**14,352**	8,182
Trade and other receivables	*5*	**6,278**	5,949
Inventories	*6*	**16,114**	16,684
Other assets	*7*	**209**	163
TOTAL CURRENT ASSETS		**36,953**	30,978
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**38,534**	33,347
Mineral exploration and evaluation costs	*9*	**3,989**	8,699
Right-of-use assets	*10*	**377**	320
Other assets	*7*	**5,544**	5,289
TOTAL NON-CURRENT ASSETS		**48,444**	47,655
TOTAL ASSETS		**85,397**	78,633
CURRENT LIABILITIES			
Trade and other payables	*11*	**6,548**	7,049
Provisions	*12*	**2,351**	2,263
Interest bearing liabilities	*13*	**147**	65
Other liabilities		**321**	226
Current tax liability	*3*	**303**	–
TOTAL CURRENT LIABILITIES		**9,670**	9,603
NON-CURRENT LIABILITIES			
Provisions	*12*	**19,025**	19,114
Interest bearing liabilities	*13*	**3,217**	6,535
Other liabilities		**7**	17
TOTAL NON-CURRENT LIABILITIES		**22,249**	25,666
TOTAL LIABILITIES		**31,919**	35,269
NET ASSETS		**53,478**	43,364
EQUITY			
Contributed equity	*14*	**133,991**	133,991
Reserves	*15*	**(496)**	(417)
Accumulated losses		**(80,017)**	(90,210)
TOTAL EQUITY		**53,478**	43,364

The notes on pages 6 to 60 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Contributed Equity *AU$'000*	Accumulated Losses *AU$'000*	Foreign Currency Reserve *AU$'000*	Convertible Note Premium Reserve *AU$'000*	Equity Reserve Purchase of Non-controlling Interest *AU$'000*	Total Equity *AU$'000*
At 1 January 2019	133,991	(96,521)	(3,160)	2,068	1,069	37,447
Profit after income tax for the period	–	6,311	–	–	–	6,311
Other comprehensive income	–	–	(394)	–	–	(394)
Total comprehensive profit for the period	–	6,311	(394)	–	–	5,917
At 31 December 2019	133,991	(90,210)	(3,554)	2,068	1,069	43,364
At 1 January 2020	**133,991**	**(90,210)**	**(3,554)**	**2,068**	**1,069**	**43,364**
Profit after income tax for the period	**–**	**10,193**	**–**	**–**	**–**	**10,193**
Other comprehensive income	**–**	**–**	**(79)**	**–**	**–**	**(79)**
Total comprehensive profit for the period	**–**	**10,193**	**(79)**	**–**	**–**	**10,114**
At 31 December 2020	**133,991**	**(80,017)**	**(3,633)**	**2,068**	**1,069**	**53,478**

The notes on pages 6 to 60 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020**	2019
		AU$'000	*AU$'000*
Cash flows from operating activities			
Receipts from customers		**68,539**	53,196
Payments to suppliers and employees		**(47,056)**	(45,345)
Payments for mineral exploration		**(567)**	(59)
Interest received		**12**	66
Interest paid		**(154)**	(237)
Net cash from operating activities	*4*	**20,774**	7,621
Cash flows from investing activities			
Payments for property, plant and equipment		**(3,632)**	(6,983)
Proceeds from sale of property, plant and equipment	*2*	**2**	1,113
Payments for development activities		**(7,667)**	(6,431)
Payment of bonds		**(23)**	–
Refund of bonds		**–**	17
Net cash used in investing activities		**(11,320)**	(12,284)
Cash flows from financing activities			
Lease liability payments		**(101)**	(30)
Repayment of loan facility		**(3,000)**	–
Drawdown from loan facility		**–**	2,000
Net cash (used in)/from financing activities		**(3,101)**	1,970
Net increase/(decrease) in cash and cash equivalents		**6,353**	(2,693)
Cash and cash equivalents at the beginning of the period		**8,182**	10,905
Effects of exchange rate changes on cash and cash equivalents		**(183)**	(30)
Cash and cash equivalents at the end of the period	*4*	**14,352**	8,182

The notes on pages 6 to 60 form part of this annual results announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Dragon Mining Limited (the "**Company**" or the "**Parent Entity**") was incorporated as an Australian Public Company, limited by shares on 23 April 1990, and is subject to the requirements of the Australian Corporations Act 2001 as governed by the Australian Securities and Investments Commission. The Company is domiciled in Australia and its registered office is located at Unit 202, Level 2, 39 Mends Street, South Perth, Western Australia 6151 Australia.

The Company's Announcement of the Results for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 12 March 2021.

The Announcement of the Results of the Company for the year ended 31 December 2020, comprise the Company and its subsidiaries (together referred to as the "**Consolidated Entity**" or the "**Group**"). The Group is a for profit entity, primarily involved in gold mining operations and gold mineral exploration. The Company has direct and indirect interests in its subsidiaries, all of which have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company	Principal activities
Dragon Mining Investments Pty Ltd	Australia 18 December 2008	–	100%	Dormant
Dragon Mining (Sweden) AB	Sweden 27 April 1993	SEK 100,000	100%	Gold Production
Viking Gold & Prospecting AB	Sweden 3 April 1996	SEK 100,000	100%	Dormant
Dragon Mining Oy	Finland 24 March 1993	EUR 100,000	100%	Gold Production
龍資源有限公司 (Dragon Mining Limited)[1]	Hong Kong 17 May 2017	HK$1.00	100%	Dormant

[1] *For translation purposes*

b) Basis of Preparation

Statement of compliance

The consolidated results set out in this announcement do not constitute the Consolidated Financial Statements of the Group for the year ended 31 December 2020 but are extracted from those Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared in accordance with the IFRSs which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

All IFRSs effective for the accounting period commencing 1 January 2020 and during, have been adopted by the Group and, except as noted below, accounting policies have been consistently applied throughout all periods presented. The adoption of the new and revised standards and interpretations effective 1 January 2020 had no material impact on the financial position or performance of the Group. The Group's accounting policies have been updated to reflect the new standards where applicable.

c) Basis of Consolidation

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 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.

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.

Investments in subsidiaries are carried at cost less impairment in the Company's Consolidated Statement of Financial Position.

d) Revenue from Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue from the sale of gold bullion and concentrate when control of the product has transferred to the customer.

Concentrate sales

Concentrate is sold to a third-party through a standard Incoterm Delivery-At-Place ("**DAP**") agreement. Once the concentrate has been delivered, the Group has met its performance obligations and control passes. Revenue is recognised based on the estimated final settlement price and is determined with reference to the forward gold price. Adjustments are made for variations in assay and weight between delivery and final settlement. The final settlement price received is based on the monthly average London Metal Exchange ("**LME**") gold price for the month following delivery. Adjustments relating to quotational period pricing are recognised and measured in accordance with the policy at note 1(h).

Bullion sales

Bullion is sold on the market through the Group's metal account. The only performance obligation under the contract is the sale of gold bullion. Revenue from bullion sales is recognised at a point in time when control passes to the buyer. This generally occurs when the Group instructs the refiner to transfer the gold to the customer by crediting the metal account of the customer. As all performance obligations are satisfied at that time, there are no remaining performance obligations under the contract. The transaction price is determined at transaction date and there are no further adjustments to this price.

e) Income Taxes

The income tax expense or benefit 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 reporting 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 associates, 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.

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 associates, 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 substantively 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 Australian 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 Cash Flows 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 and presentation currency

The functional currency of each 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.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group Companies

The results and financial position of all the subsidiaries of the Company (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 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 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 Consolidated Statement of Profit or Loss.

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 at the reporting date.

h) Trade and Other Receivables

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss. This category includes trade receivables relating to concentrate sales that are subject to quotation period pricing.

The terms of the concentrate sales contract contain provisional pricing arrangements. Adjustments to the sales price are based on movements in metal prices up to the date of final pricing. Final settlement is based on the monthly average LME gold price for the month following delivery (the "**quotational period**"). Movements in the fair value of the concentrate debtors are recognised in other revenue.

The group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognised lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

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 inventories based on 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.

j) Deferred Waste

As part of open pit mining operations, the Group 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 unit of production ("**UOP**") 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 inventories 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 inventories produced and the stripping asset are not separately identifiable, an allocation is undertaken based on the waste to ore stripping ratio (for the ore component concerned). If mining of waste in a period occurs more than 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 inventories produced.

Amortisation is provided using a 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 Group in relation to an area of interest in which mines are being prepared for production or the 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 costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Group's mining leases. The net carrying value of each mine property is reviewed regularly and, to the extent that it's 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 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.

Depreciation

Depreciation is provided on a straight-line basis on all items of 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 1(n).

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit or Loss in the year the asset is derecognised.

l) Mineral Exploration and Evaluation 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.

Farm Out arrangements

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.

m) Cash and 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 Consolidated Statement of Cash Flows, cash and cash equivalents consist 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.

n) Impairment

The carrying amounts of the Group's non-financial 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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.

o) 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 Group prior to the end of the financial year that are unpaid and arise when the Group 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 accrual basis.

p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because 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 Group expects some or all 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.

q) Interest Bearing Liabilities

All loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated considering any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Consolidated Statements of Profit or Loss when the liabilities are derecognised, as well as through the amortisation process.

r) Employee Benefits

Wages, salaries and other short-term benefits

The liability for wages, salaries and other short-term benefits is recognised at the present value of expected future payments.

Long service leave

The liability for long service leave 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 high quality corporate bonds or national government bonds as appropriate with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

Contributions made by the Group to employee superannuation funds, defined contribution plans, are charged to the Consolidated Statement of Profit or Loss in the period employees' services are provided.

s) Restoration and Rehabilitation Costs

The Group 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.

t) Earnings Per Share

Basic Earnings Per Share ("**EPS**") is calculated as net profit attributable to members of the parent 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.

u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. There were no borrowing costs eligible for capitalisation during the year (2019: 3.9%).

v) Segment Reporting

An operating segment is a component of the Group 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 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 do not meet the quantitative criteria as prescribed by IFRS 8 Operating Segments 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".

w) 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.

x) Fair Value

The Group measures financial instruments, such as derivatives at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are disclosed in note 23.

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 the Group.

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, if market participants act in their economic best interest.

The Group 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:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

y) Significant Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following Judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Concentrate sales

With respect to concentrate sales, a receivable is recognised when the concentrate is delivered to the customer's facility as this is the point in time that the risks and rewards of ownership are transferred, and the Group's performance obligations have been met in accordance with the sales agreements. Adjustments are made for variations in assay and weight between the time of dispatch of the concentrate and time of final settlement. The Group estimates the amount of consideration receivable using the expected value approach based on internal assays. Management consider that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur due to a variation in assay and weight.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group did not include the renewal period as part of the lease term of property. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine transitions into the production phase, this being when the mine is substantially complete and ready for its intended use.

The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. Some of the criteria used to identify the production start date include, but are not limited to:

- level of capital expenditure incurred compared with the original construction cost estimate;

- completion of a reasonable period of testing of the mine plant and equipment;

- ability to produce metal in saleable form (within specifications); and

- ability to sustain ongoing production of metal.

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements. It is also at this point that depreciation/amortisation commences.

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 reporting period are:

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 ore reserves, mineral resources or mineralisation are reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves" ("**the Code**").

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. As at 31 December 2020, the Group had an increase in its Resources and Reserves. Changes in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment through depreciation, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the statement of comprehensive income. However, quantification of the future impact is not considered practicable.

Mine rehabilitation provisions

The Group assesses its mine rehabilitation provision half-yearly in accordance with the accounting policy stated in note 1(s). Significant judgement 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.

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents the Group's best estimate of the present value of the future rehabilitation costs required. The restoration activities in relation to Svartliden and Orivesi are expected to commence in 2022, once all necessary approvals have been obtained.

Contingent liabilities

The Group assesses all open legal matters at each reporting date to determine whether a provision should be recognised or contingent liability disclosed.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Groups control, or present obligations that arise from past events but are not recognised because:

(a) it is not probable that an outflow of economic benefits will be required to settle the obligation; or

(b) the amount cannot be measured reliably.

Contingent liabilities are not recognised, but are disclosed, unless the possibility of an outflow is remote. The Group has disclosed the contingent liabilities identified at year end in note 21.

Impairment of non-financial assets

In accordance with accounting policy note 1(n), the Consolidated Entity, in determining whether the recoverable amount of its cash-generating units is the higher of fair value less costs of disposal 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.

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 fair value less cost of disposal approach, classified as level 3 on the fair value hierarchy. Any variation in the assumptions used to determine fair value less cost of disposal would result in a change to the assessed recoverable value. If the variation in assumption had a negative impact on recoverable value, it could indicate a requirement for impairment of non-current assets.

Refer to note 8 for further discussion of the current year impairment trigger assessment.

Income taxes

The Group is subject to income taxes in Australia, Sweden, and Finland. The Group's accounting policy for taxation stated in note 1(e) requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement 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 investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless the 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. Judgements are also required about the application of income tax legislation.

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 2020 and are outlined below:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective January 2021)

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated annual financial statements of the Group as it does not have any interest rate hedge relationships.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective 1 January 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022)

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities – (effective 1 January 2022)

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

Reference to the Conceptual Framework – Amendments to IFRS 3 (effective 1 January 2022)

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective 1 January 2022)

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

AIP IAS 41 Agriculture – Taxation in Fair Value Measurements (effective 1 January 2022)

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

IFRS 17 – Insurance Contracts (effective 1 January 2023)

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. This standard is not applicable to the Company as it is not an insurance company.

IAS 1 current and non-current classification (effective 1 January 2023)

On 23 January 2020, the International Accounting Standards Board (IASB or the Board) issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements (the amendments) to specify the requirements for classifying liabilities as current or non-current. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

bb) Changes in Accounting Policies on Adoption of New and Amended Accounting Standards and Interpretations

The Group has adopted all new and amended Accounting Standards and Interpretations issued by the International Accounting Standards Board that are relevant to the Group and effective as at 1 January 2020.

The adoptions of these new and amended Accounting Standards and Interpretations did not impact the accounting policies or the financial statements of the Group.

2. OTHER REVENUE, INCOME AND EXPENSES

		2020 *AU$'000*	2019 *AU$'000*
(a)	**Cost of sales**		
	Cost of production net of inventory movements	**42,696**	33,655
	Depreciation of mine properties, plant and equipment	**7,882**	6,766
	Rehabilitation costs	**1,021**	1,787
		51,599	42,208
	Cost of production net of inventory movements		
	Mining	**19,706**	20,931
	Processing	**21,240**	4,440
	Other production activities	**1,243**	1,272
	Gold inventory movements	**507**	7,012
	Cost of production net of inventory movements	**42,696**	33,655
(b)	**Other revenue**		
	Finance revenue and interest	**6**	66
	Rent and sundry revenue	**6**	7
		12	73
(c)	**Other income**		
	Sale of property, plant and equipment	**2**	1,136
	Other	**312**	–
		314	1,136
(d)	**Operating expenses**		
	Management and administration expenses	**4,269**	4,914
	Evaluation assets written off	**2,381**	–
	Depreciation of non-mine site assets	**175**	83
		6,825	4,997
(e)	**Finance costs**		
	Interest	**116**	193
	Other	**17**	17
		133	210
(f)	**Total employee benefits including Directors' remuneration**		
	Wages and salaries	**7,530**	8,321
	Defined contribution superannuation expense	**1,002**	1,239
	Other employee benefits	**734**	748
		9,266	10,308
	Wages and salaries included in:		
	Cost of sales	**7,138**	7,767
	Management and administration expenses	**2,128**	2,541
		9,266	10,308

3. INCOME TAX

	2020	2019
	AU$'000	*AU$'000*
(a) Income Tax Expense		
The major components of income tax expense are:		
Current income tax		
Current income tax expense	**534**	2,079
Adjustments in respect of current income tax of previous year	**–**	–
Deferred income tax		
Income tax benefit arising from previously unrecognised tax loss	**(218)**	(2,079)
Relating to origination and reversal of temporary differences	**–**	–
Income tax expense reported in the statement of comprehensive income	**316**	–
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged/(credited) directly to equity	**–**	–

(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:

	2020	2019
	AU$'000	*AU$'000*
Accounting profit before income tax	**10,509**	6,311
At the Group's statutory income tax rate of 30% in Australia (2019: 30%)	**3,153**	1,893
Adjustments in respect of current income tax of previous year	**–**	–
Effect of different rates of tax on overseas income	**(1,698)**	(792)
Other	**(843)**	(858)
Previously unrecognised tax losses utilised/recognised	**(1,009)**	(2,079)
Tax losses and other temporary differences not recognised as benefit not probable	**713**	1,836
Aggregate income tax expense	**316**	–

	2020	2019
	AU$'000	*AU$'000*

(d) Recognised deferred tax assets and liabilities

Consolidated deferred income tax at reporting date relates to the following:		
Deferred tax assets (excluding tax losses)		
Leave entitlements	**92**	142
Rehabilitation provision	**2,165**	1,553
Share issue and listing costs	**728**	1,210
Mine properties, property, plant and equipment	**733**	788
Exploration costs	**188**	738
Accruals	**33**	50
Temporary differences not recognised	**(3,078)**	(4,353)
Set off deferred tax liabilities pursuant to set off provisions	**(861)**	(128)
Deferred income tax assets	**–**	–
Deferred tax liabilities		
Mine properties, property, plant and equipment	**(140)**	(128)
Set off deferred tax liabilities pursuant to set off provisions	**140**	128
Deferred income tax liabilities	**–**	–

(e) Tax Losses

The Group has tax losses of approximately AU$16.9 million in Australia (2019: AU$11.1 million) and approximately AU$26.8 million in Sweden (2019: AU$26.0 million) that are available indefinitely for offsetting against future taxable profits of the jurisdictions in which the losses arose. The Australian tax consolidated group has available capital losses amounting to AU$2.6 million (2019: AU$2.6 million). The Group fully utilised its tax losses in Finland during the year (2019: AU$4.5 million tax losses were carried forward).

The benefits of the tax losses will only be obtained by the companies in the Consolidated Entity 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.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

(f) Tax consolidation

Effective 1 July 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 2020, there are no tax consolidation adjustments (2019: Nil). The nature of the tax funding arrangement for the Tax Group is such that no tax consolidation adjustments (contributions by or distributions to equity participants) would be expected to arise. The head entity of the Tax Group is Dragon Mining Limited. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

4. CASH AND CASH EQUIVALENTS

	2020	2019
	AU$'000	*AU$'000*
Cash at bank and on hand	**14,352**	8,182
	14,352	8,182

(a) Reconciliation of net profit after tax to net cash flows from operations

	2020	2019
Net profit/(loss) after tax	**10,193**	6,311
Adjustments for:		
Depreciation and amortisation	**8,057**	6,849
Exploration write-off	**2,381**	–
Capitalised interest on qualifying assets	**–**	(146)
Net foreign exchange loss/(gain)	**658**	(108)
Changes in operating assets and liabilities		
Increase in receivables	**(1,030)**	(2,902)
(Increase)/decrease in other assets	**(48)**	360
Decrease/(increase) in inventories	**909**	(6,891)
(Decrease)/increase in trade creditors	**(1,181)**	1,881
Increase in provisions	**835**	2,267
Net operating cash flows	**20,774**	7,621

(b) Reconciliation of liabilities from financing activities

	2020	2019
Opening balance – 1 January	**6,600**	4,000
Cash flow:		
Proceeds from borrowings	**–**	2,000
Repayment of borrowings	**(3,000)**	–
Repayment of lease liabilities	**(101)**	(30)
Non-cash changes:		
Additions to lease liabilities	**461**	337
Foreign exchange adjustments on borrowings and lease liabilities	**(596)**	293
Balance at period end	**3,364**	6,600

5. TRADE AND OTHER RECEIVABLES

	2020	2019
	AU$'000	*AU$'000*
Trade receivables – fair value through profit or loss (i)	**4,153**	3,786
Trade receivables – amortised cost (ii)	**866**	495
Other receivables (iii)	**1,259**	1,668
	6,278	5,949

(i) Trade receivables that relate to concentrate sales that are subject to quotation period pricing are recognised at fair value through profit or loss. Concentrate sales are subject to the provisional pricing arrangements disclosed in note 1(h). The Group issues a provisional invoice at the end of the month following the month of delivery which is payable within fifteen days. A final invoice is issued by the Group within three days of receiving final assays, typically two months post-delivery, which is payable by the purchaser within five days of invoice receipt.

(ii) Includes trade receivables for gold sold on market and settled within two days. The probability of default is considered to be insignificant. All amounts have been collected subsequent to year end.

(iii) Other receivables include bank guarantees held on deposit with National Australia Bank for the lease of the corporate premises. These deposits are rolled over every three months in accordance with the lease terms. Due to the short-term nature and credit rating of the counterparty, the probability of default is insignificant.

The Group's exposure to credit risk and interest rate risk are disclosed in note 23(d) and 23(e).

Ageing Analysis

An aged analysis of the trade debtors as at the end of the reporting period, based on invoice date, is as follows:

	2020	2019
	AU$'000	*AU$'000*
Amounts not yet due	**4,153**	2,899
Within 1 month	**856**	1,382
1 to 2 months	**7**	–
2 to 3 months	**–**	–
Over 3 months	**3**	–
Trade receivables	**5,019**	4,281

6. INVENTORIES

	2020	2019
	AU$'000	*AU$'000*
Ore and concentrate stockpiles – at cost	**7,261**	9,875
Gold in circuit valued – at cost	**8,003**	5,896
Raw materials and stores – at cost	**850**	913
	16,114	16,684

7. OTHER ASSETS

	2020	2019
	AU$'000	*AU$'000*
Current		
Prepayments	**209**	163
Non-current		
Environmental and other bonds at amortised cost	**5,544**	5,289

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. The Consolidated Entity's exposure to credit risk and interest rate risk is disclosed in note 23(d) and 23(e).

8. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	AU$'000	*AU$'000*
Land		
Gross carrying amount – at cost	**1,377**	1,362
Buildings		
Gross carrying amount – at cost	**2,580**	2,548
Less accumulated depreciation and impairment	**(2,185)**	(2,052)
Net carrying amount	**395**	496
Property, plant and equipment		
Gross carrying amount – at cost	**36,083**	34,231
Less accumulated depreciation and impairment	**(33,448)**	(31,862)
Net carrying amount	**2,635**	2,369
Mine Properties		
Gross carrying amount – at cost	**136,247**	123,978
Less accumulated amortisation and impairment	**(102,120)**	(94,858)
Net carrying amount	**34,127**	29,120
Total property, plant and equipment		
Gross carrying amount – at cost	**176,287**	162,119
Less accumulated amortisation and impairment	**(137,753)**	(128,772)
Net carrying amount	**38,534**	33,347

The Group has considered whether any impairment triggers exist at 31 December 2020 and have concluded that no triggers are present in the current year. Management have also considered whether an impairment reversal is required and determined that no historical impairment should be reversed. No impairment was recognised during the 2019 and 2020 financial years. Included within Mine Properties is AU$8.4 million (31 December 2019: AU$16.3 million) relating to Fäboliden. During the year, the Company completed test mining at Fäboliden, all capitalised costs for Orivesi have been fully written off. The Company has continued to advance the approval of its environmental permit application ("**Application**"), a process which, prior to COVID-19, was anticipated to be completed by early 2021. During the year, the Company has provided supplementary investigations and responses to various statements and opinions received by the Swedish Land and Environmental Court (the "**Court**"). While the Application process was initially expected to have concluded by early 2021, the Company now anticipates the soonest date for its Application to be heard by the Court is Autumn 2021 (Northern Hemisphere) and the commencement of full-scale mining is in 2022.

Reconciliations:

	2020	2019
	AU$'000	*AU$'000*
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period:		
Land		
Carrying amount at beginning of period	**1,362**	1,390
Net foreign exchange movement	**15**	(28)
Carrying amount at end of period	**1,377**	1,362
Buildings		
Carrying amount at beginning of period	**496**	642
Additions	**7**	–
Depreciation	**(110)**	(113)
Disposals	**–**	(24)
Net foreign exchange movement	**2**	(9)
Carrying amount at end of period	**395**	496
Property, plant and equipment		
Carrying amount at beginning of period	**2,369**	2,026
Additions	**1,391**	1,605
Reclassification of right-of-use assets	**(64)**	–
Depreciation	**(1,111)**	(1,102)
Net foreign exchange movement	**50**	(160)
Carrying amount at end of period	**2,635**	2,369
Mine properties		
Carrying amount at beginning of period	**29,120**	22,455
Additions	**1,060**	9,100
Capitalisation of borrowing costs	**–**	146
Reclassification of evaluation costs	**11,037**	3,136
Depreciation	**(6,733)**	(5,609)
Net foreign exchange movement	**(357)**	(108)
Carrying amount at end of period	**34,127**	29,120

9. EXPLORATION AND EVALUATION COSTS

	2020	2019
	AU$'000	*AU$'000*
Balance at beginning of financial period	**8,699**	5,333
Additions	**8,713**	6,808
Exploration write-off	**(2,381)**	–
Reclassification to mine properties	**(11,037)**	(3,136)
Net foreign exchange movement	**(5)**	(306)
Total mineral exploration and evaluation expenditure	**3,989**	8,699

The recoverability of the carrying amount of exploration and evaluation is dependent on the successful development and commercial exploitation, or alternatively through the sale of the respective area of interest.

10. RIGHT-OF-USE ASSETS

	2020	2019
	AU$'000	*AU$'000*
Gross carrying amount – at cost	**504**	344
Less accumulated depreciation and impairment	**(127)**	(24)
Net carrying amount	**377**	320

Reconciliations

Reconciliations of the carrying amounts of right-of use asset classes at the beginning and end of the reporting period:

	2020	2019
	AU$'000	*AU$'000*
Right-of-use assets – property		
Carrying amount at beginning of period	**202**	–
Additions	**81**	205
Depreciation	**(62)**	(3)
Net foreign exchange movement	**1**	–
Carrying amount at end of period	**222**	202
Right-of-use assets – plant and equipment		
Carrying amount at beginning of period	**118**	43
Additions	**74**	97
Depreciation	**(41)**	(21)
Net foreign exchange movement	**4**	(1)
Carrying amount at end of period	**155**	118

The Group's lease liabilities are presented in note 13.

11. TRADE AND OTHER PAYABLES

	2020	2019
	AU$'000	*AU$'000*
Trade payables and accruals	**6,548**	7,049

Ageing Analysis

An aged analysis of the trade creditors and accruals as at the end of the reporting period, based on invoice date, is as follows:

	2020	2019
	AU$'000	*AU$'000*
Within 1 month	**6,544**	6,959
1 to 2 months	**1**	33
2 to 3 months	**3**	25
Over 3 months	**–**	32
Trade payables and accruals	**6,548**	7,049

12. PROVISIONS

	2020	2019
	AU$'000	*AU$'000*
Current		
Employee entitlements	**1,839**	2,263
Rehabilitation	**313**	–
Other	**199**	–
	2,351	2,263
Non-current		
Employee entitlements	**149**	122
Rehabilitation	**18,876**	18,992
	19,025	19,114
Rehabilitation movement		
Balance at 1 January	**18,992**	12,531
Additions	**26**	6,768
Rehabilitation borrowing discount unwound	**–**	–
Net foreign exchange movement	**171**	(307)
Balance at 31 December	**19,189**	18,992

The provisions for rehabilitation are 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 performed progressively where possible, 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 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 of the time value of money and the risks specific to that liability. The discount rate utilised for Finland in 2020 was 0% (2019: 0%) and in Sweden was 0% (2019: 0%). Additions during the relevant periods to the rehabilitation provision include obligations that do not have an associated mining asset recognised at the end of the reporting date.

As at the date of this announcement, there have been no changes to the acid forming characteristics of the non-acid forming waste rock area included in the Group's Svartliden Closure Plan. On 18 November 2019, the Company submitted its appeal to the Environmental Court of Appeal challenging, amongst other things, the additional security required by the Land and Environmental Court for an engineered cover to the entire waste rock area. The Company is awaiting notification of a hearing date from the Land and Environmental Court of Appeal. A contingent liability in relation to the Groups Svartliden rehabilitation provision has been disclosed at note 21.

The Group continues to complete progressive rehabilitation at all its sites. Rehabilitation expected to be undertaken in the subsequent reporting period has been recognised as a current liability.

13. INTEREST BEARING LIABILITIES

	2020	2019
	AU$'000	*AU$'000*
Current		
Lease liabilities	**147**	65
Non-current		
Loan principal	**3,000**	6,000
Revaluation of Hong Kong Dollar denominated drawdowns	**–**	293
Lease liabilities	**217**	242
	3,217	6,535

The Group's right-of-use lease assets are presented at note 10.

As at 31 December 2020:	**Interest Rate**	**Maturity**	***HK$'000***	***AU$'000***
AP Finance Limited				
Australian Dollar denominated drawdowns	**4%**	**30 Jun 2022**	**–**	**3,000**

As at 31 December 2019:	**Interest Rate**	**Maturity**	***HK$'000***	***AU$'000***
AP Finance Limited				
Australian Dollar denominated drawdowns	4%	30 Jun 2021	–	3,000
Hong Kong Dollar denominated drawdowns	4%	30 Jun 2021	17,961	3,293

The Group has an unsecured Loan Facility with AP Finance Limited ("**Loan Facility**") for the Australian Dollars ("**AUD**") equivalent of AU$12.0 million. The Group has AU$9.0 million in undrawn Loan Facility funds available.

On 19 November 2020, the Company extended the Loan Facility availability period from 31 December 2021 to 30 June 2022; all other terms and conditions remained unchanged.

Refer to Subsequent Events note 24(i) for changes to the Loan Facility after year end.

14. CONTRIBUTED EQUITY

	2020	2019	**2020**	2019
Share capital	***Number of Shares***		***AU$'000***	*AU$'000*
Ordinary shares fully paid	**138,840,613**	138,840,613	**133,991**	133,991

Movements in issued capital

	AU$'000	*No. of Shares*
At 1 January 2020	**133,991**	138,840,613
Balance at 31 December 2020	**133,991**	138,840,613

During the year, there were no disclosable transactions relating to the purchases, sales or redemption of own shares by the Company, or any of its subsidiaries, of its listed securities.

No dividend for the years ended 31 December 2020 and 2019 was declared or paid by the Company. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2020.

Refer to Subsequent Events note 24(ii) for changes in share capital after year end.

15. RESERVES

	2020	2019
	AU$'000	*AU$'000*
Foreign currency translation reserve	**(3,633)**	(3,554)
Convertible note premium reserve	**2,068**	2,068
Equity reserve purchase of non-controlling interest	**1,069**	1,069
	(496)	(417)

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. This is a historical reserve and no convertible notes are currently on issue.

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. This is a historical reserve and all subsidiaries are now wholly owned.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Key Management Personnel

Directors' and Executives' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Directors

Mr Arthur G Dew	Non-Executive Director and Chairman of the Board (appointed 7 February 2014)
Mr Wong Tai Chun Mark	Alternate Director to Mr Arthur G Dew (appointed 19 May 2015)
Mr Brett R Smith	Executive Director (appointed 7 February 2014)
Ms Lam Lai	Non-Executive Director (appointed 18 July 2019)
Mr Carlisle C Procter	Independent Non-Executive Director (appointed 19 May 2015)
Mr Pak Wai Keung Martin	Independent Non-Executive Director (appointed 5 November 2018)
Mr Poon Yan Wai	Independent Non-Executive Director (appointed 5 November 2018)

Executives

Mr Neale M Edwards	Chief Geologist (appointed 19 August 1996)
Mr Daniel K Broughton	Chief Financial Officer (appointed 8 September 2014)

b) Compensation of Key Management Personnel

Key Management Personnel

	Year ended 31 December	
	2020	2019
	AU$	*AU$*
Short-term	**1,261,264**	1,507,621
Long-term	**94,181**	86,673
Post-employment	**105,133**	134,526
Total	**1,460,578**	1,728,820

The remuneration of Key Management Personnel ("**KMP**") is determined by the Remuneration Committee having a regard to the position, experience, qualification and performance of the individuals and market trends.

Five Highest Paid Employees

The five highest paid employees during the year included one Director and four specified employees, for both 2020 and 2019 years.

c) Compensation of Key Management Personnel

Details of the remuneration for the year of the remaining four highest paid employees who is neither a Director nor Chief Executive of the Company are as follows:

	Year ended 31 December	
	2020	2019
	AU$	*AU$*
Salaries, allowances and benefits in kind	**991,162**	963,862
Performance related bonuses	**–**	26,432
Pension scheme contributions	**172,425**	206,687
Total	**1,163,587**	1,196,981

The number of Non-Director and Non-Chief Executive highest paid employees whose remuneration fell within the following bands, presented in Hong Kong Dollars, is as follows:

	As at 31 December	
	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001-HK$1,500,000	**–**	2
HK$1,500,001-HK$2,000,000	**4**	2
HK$2,000,001-HK$2,500,000	**–**	–
HK$2,500,001-HK$3,000,000	**–**	–
HK$3,000,001-HK$3,500,000	**–**	–
Total	**4**	4

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

		Short-Term		Other Long-Term Benefits		Post-Employment		
In Australian dollars		Salary & Fees	Bonuses	Annual Leave Accrued	Long Service Leave Accrued	Super-annuation Benefits	Total Emoluments	Proportion of Remuneration Performance Related
Directors		*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*%*
Mr Arthur G Dew	2020	90,000	–	–	–	8,550	98,550	–
(Non-Executive Director and Chairman of the Board)	2019	90,000	–	–	–	8,550	98,550	–
Mr Brett R Smith	2020	343,715	200,000	28,426	11,262	49,467	632,870	32%
(Executive Director)	2019	345,419	509,195	28,426	10,833	81,188	975,061	52%
Ms Lam Lai	2020	71,589	–	–	–	–	71,589	–
(Non-Executive Director)	2019	31,547	–	–	–	–	31,547	–
Mr Carlisle C Proctor	2020	40,000	–	–	–	3,800	43,800	–
(Independent Non-Executive Director)	2019	40,000	–	–	–	3,800	43,800	–
Mr Poon Yan Wai	2020	30,000	–	–	–	–	30,000	–
(Independent Non-Executive Director)	2019	30,000	–	–	–	–	30,000	–
Mr Pak Wai Keung Martin	2020	30,000	–	–	–	–	30,000	–
(Independent Non-Executive Director)	2019	30,000	–	–	–	–	30,000	–
Mr Mark Wong	2020	–	–	–	–	–	–	–
(Alternate Director)	2019	–	–	–	–	–	–	–
Total all specified Directors	**2020**	**605,304**	**200,000**	**28,426**	**11,262**	**61,817**	**906,809**	**22%**
	2019	**566,966**	**509,195**	**28,426**	**10,833**	**93,538**	**1,208,958**	**42%**
Specified Executives								
Mr Neale M Edwards	2020	214,698	–	19,030	4,123	20,396	258,247	–
(Chief Geologist)	2019	214,698	–	19,030	4,082	20,396	258,206	–
Mr Daniel K Broughton	2020	241,262	–	21,873	9,467	22,920	295,522	–
(Chief Financial Officer)	2019	216,762	–	19,214	5,088	20,592	261,656	–
Total all named Executives	**2020**	**455,960**	**–**	**40,903**	**13,590**	**43,316**	**553,769**	**–**
	2019	**431,460**	**–**	**38,244**	**9,170**	**40,988**	**519,862**	**–**
Total all specified Directors and Executives	**2020**	**1,061,264**	**200,000**	**69,329**	**24,852**	**105,133**	**1,460,578**	**14%**
	2019	**998,426**	**509,195**	**66,670**	**20,003**	**134,526**	**1,728,820**	**29%**

Notes:

1) Mr Arthur Dew received certain emoluments from Allied Group Limited in relation to his services to the Allied Group Limited, a substantial shareholder of the Company.

2) Mr Brett Smith is also the Chief Executive Officer of the Company and his remuneration disclosed above include those for services rendered by him as Chief Executive Officer.

The Executive Director remuneration shown above is for the provision of services in connection with the management of the affairs of the Company and the Group.

The Non-Executive Director and Independent Non-Executive Directors' remuneration shown above are for their services as Directors of the Company.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the reporting period.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

17. REMUNERATION OF AUDITORS

The Auditor of Dragon is Ernst & Young,
Recognised Public Interest Entity Auditor:

	2020	2019
	AU$	*AU$*
Remuneration of Ernst & Young (Australia) for:		
– auditing or reviewing accounts	**158,500**	163,193
– tax consulting	**33,000**	44,869
	191,500	208,062
Remuneration of Ernst & Young (other than Australia) for:		
– auditing or reviewing accounts	**84,697**	93,432
	84,697	93,432

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:

	2020	2019
Basic earnings per share		
Profit used in calculation of basic earnings per share (AU$'000)	**10,193**	6,311
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**138,840,613**	138,840,613
Basic earnings per share (cents)	**7.34**	4.55
Diluted earnings per share		
Profit used in calculation of basic earnings per share (AU$'000)	**10,193**	6,311
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**138,840,613**	138,840,613
Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted earnings per share. These may be dilutive in future if exercised	**–**	–
Diluted earnings per share (cents)	**7.34**	4.55

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 2020 %	2019 %
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
龍資源有限公司 (Dragon Mining Limited)[1]	Hong Kong	Ordinary	**100**	100

[1] *For translation purposes*

b) Transactions with related parties

Save as disclosed elsewhere in the notes to the Consolidated Financial Statements, the Company has the following transactions with related parties that are also exempted from the continuing connected transactions disclosures according to Rule 14A.73(6) and 14A.73(8) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

(ii) In addition to his role as the Company's Chief Financial Officer, Mr DK Broughton is the Chief Financial Officer of ASX listed gold explorer Tanami Gold NL ("**Tanami**") and provides Chief Financial Officer Services to ASX listed base metals mining and exploration company, Metals X Limited ("**Metals X**"). The Company provides administrative services to Tanami and Metals X including offering the use of certain space in the Company office premise located in Perth, Australia as its registered office to Tanami. Tanami is a company of which Messer's Dew, Smith and Procter, the Company's Non-Executive Director and Chairman, Executive Director and Independent Non-Executive Director, respectively, are also Non-Executive Directors. The provision of services commenced from 8 September 2014.

During the year, the Company charged Tanami AU$100,000 (2019: AU$100,000) of which nil was outstanding at 31 December 2020 (2019: nil). On 10 July 2020, Mr Smith was appointed Executive Director of Metals X (previously Non-Executive Director). The provision of services commenced from 1 December 2020. During the year, the Company charged Metals X AU$10,000 of which AU$8,333 was outstanding at 31 December 2020.

Entity with significant influence over the Group

As at 31 December 2020, the following entities have significant influence over the Group:

(i) Allied Properties Resources Limited ("**APRL**"), a wholly owned subsidiary of Allied Properties (H.K.) Limited ("**APL**") (a company formerly listed on The Stock Exchange of Hong Kong Limited and a wholly owned subsidiary of Allied Group Limited), owns 31,881,727 (2019: 25,487,855) ordinary shares of the Company for an interest of 22.96% (2019: 18.35%). The Company also has an unsecured AU$12 million loan facility with AP Finance Limited ("**Loan Facility**"), a subsidiary of APL. The key provisions of the Loan Facility include (i) an interest rate of 4.0% per annum payable in arrears, and (ii) a loan with the term up to 30 June 2022. Refer to note 13 Interest Bearing Liabilities for further information.

(ii) Sincere View International Ltd. owns 40,475,899 (2019: 27,500,899) ordinary shares of the Company for an interest of 29.15% (2019: 19.81%).

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, based on 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 and processed ore from test-mining activities at the Fäboliden Gold Mine. Dragon Mining Oy in Finland produces gold concentrate from the Vammala Production Centre and, processed ore from the Jokisivu, Kaapelinkulma and Orivesi 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 Consolidated Financial Statements.

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. This segment results also include intercompany sales of concentrate which occur at rates that reflect market value.

Unallocated corporate costs are non-segmental expenses such as head office expenses and finance costs that do not relate directly to segment operations.

Disaggregation of revenue and major customers

External sales in Finland relate to concentrate from the Vammala Production Centre in Finland. These sales are all made under an ongoing arrangement to one customer and the quantity of concentrate sales is agreed by the parties in advance of delivery.

Inter-segment sales in Finland relate to concentrate on-sold to the Svartliden Processing Centre for further processing.

External sales in Sweden relate to gold bullion sold on-market through National Australia Bank.

The Group's segments reflect the disaggregation of revenue by geography and product types as described above.

	Sweden 2020 *AU$'000*	Finland 2020 *AU$'000*	Unallocated 2020 *AU$'000*	Total 2020 *AU$'000*
Segment revenue				
Gold sales to external customers	**48,368**	**20,887**	**–**	**69,255**
Inter-segment sales	**–**	**39,254**	**–**	**39,254**
Elimination of inter-segment revenue	**–**	**–**	**(39,254)**	**(39,254)**
Total revenue	**48,368**	**60,141**	**(39,254)**	**69,255**
Other revenue				
Interest revenue	**–**	**6**	**–**	**6**
Sundry revenue	**–**	**6**	**–**	**6**
Total other revenue	**–**	**12**	**–**	**12**
Unallocated interest expense	**–**	**–**	**116**	**116**
Total interest expense	**–**	**–**	**116**	**116**
Depreciation and amortisation	**713**	**7,298**	**–**	**8,011**
Unallocated depreciation and amortisation	**–**	**–**	**46**	**46**
Exploration expenditure written off	**–**	**2,381**	**–**	**2,381**
	713	**9,679**	**46**	**10,438**
Segment result				
Pre-tax segment result	**(577)**	**11,363**	**–**	**10,786**
Income tax expense	**–**	**(316)**	**–**	**(316)**
Post-tax segment result	**(577)**	**11,047**	**–**	**10,470**
Unallocated items:				
Corporate interest revenue				**100**
Corporate costs				**(2,149)**
Finance costs				**(121)**
Elimination of inter-company interest, expense and management fees in segment results				**1,893**
Profit after tax as per the Consolidated Statement of Profit or Loss				**10,193**

	Sweden 2020 *AU$'000*	Finland 2020 *AU$'000*	Australia 2020 *AU$'000*	Total 2020 *AU$'000*
Non-current assets by geographic location	**1,239**	**24,928**	**22,277**	**48,444**

	Sweden 2019 *AU$'000*	Finland 2019 *AU$'000*	Unallocated 2019 *AU$'000*	Total 2019 *AU$'000*
Segment revenue				
Gold sales to external customers	41,360	11,713	–	53,073
Inter-segment sales	–	31,885	–	31,885
Elimination of inter-segment revenue	–	–	(31,885)	(31,885)
Total revenue	41,360	43,598	(31,885)	53,073
Other revenue				
Interest revenue	6	9	–	15
Sundry revenue	–	7	–	7
Unallocated interest revenue	–	–	51	51
Total other revenue	6	16	51	73
Segment interest expense	1	–	–	1
Unallocated interest expense	–	–	192	192
Total interest expense	1	–	192	193
Depreciation and amortisation	1,354	5,490	–	6,844
Unallocated depreciation and amortisation	–	–	5	5
	1,354	5,490	5	6,849
Segment result				
Pre-tax segment result	(5,030)	12,246	–	7,216
Income tax expense	–	–	–	–
Post-tax segment result	(5,030)	12,246	–	7,216
Unallocated items:				
Corporate interest revenue				51
Other corporate income				22
Corporate costs				(3,284)
Finance costs				(197)
Elimination of inter-company interest, expense and management fees in segment results				2,503
Profit after tax as per the Consolidated Statement of Profit or Loss				6,311

	Sweden 2019 *AU$'000*	Finland 2019 *AU$'000*	Australia 2019 *AU$'000*	Total 2019 *AU$'000*
Non-current assets by geographic location	255	23,241	24,159	47,655

21. CONTINGENT ASSETS AND LIABILITIES

(i) Hanhimaa Royalty

The Group has a right to a 2% Net Smelter Return (”**NSR**”) on future mineral production from Agnico Eagle Mines Limited (“**Agnico Eagle**”) with respect to the Hanhimaa Gold Project in northern Finland. Agnico Eagle will have the right to buy back 1 percentage point of the 2% NSR at any time for €2.0 million cash.

The Hanhimaa Gold Project is an early stage exploration project as at 31 December 2020 and therefore the Company has not recognised any receivables from this agreement, as the risk of reversal is considered significant.

(ii) Endomines Royalty

The Group has a right to a 1% NSR up to €1.5 million from Endomines Oy with respect to the Mining Properties in the Hattu Schist Belt in eastern Finland (“**Mining Properties**”) as described in the Purchase Agreement dated 12 October 2006. The NSR is only payable from the Mining Properties, after the Mineral Resource as defined at the Pampalo Gold Mine, at the date of sale has been mined.

(iii) Aurion Royalty

The Group has a right to a 3% NSR on future mineral production from Aurion Resources Limited with respect to the Kutuvuoma and Silassekä Gold Projects in northern Finland. The Group is also entitled to receive a bonus payment upon the defining of one million ounces of gold equivalent material categorised as Measured and Indicated and for every additional one million ounces of gold equivalent material categorised as Measured and Indicated.

(iv) Svartliden Rehabilitation Provision

In accordance with the Group’s legal requirements, a provision has been recognised to provide for the anticipated future rehabilitation costs at Svartliden. The basis for the provision amount is derived from the Svartliden Rehabilitation Plan (“**Closure Plan**”), which is reviewed and updated as necessary by an independent external consultant, in accordance with the Groups Environmental Permit provisions.

In April 2017, work to update the Closure Plan was completed and, together with comments from the Environmental Protection Agency (“**EPA**”) and the County Administration Board (“**CAB**”), was submitted to the Land and Environmental Court (“**Court**”). While the scope has not been disputed, the suggested value of the bond is presently under appeal.

The submitted Closure Plan includes segregating the potentially acid forming waste rock (“**PAF**”) from the non-acid forming waste rock (“**NAF**”) into separate cells. The cost of providing an engineered hard covering of the PAF cells is included in the updated costings provided to the Court in May 2018.

On 3 September 2019, the Court provided its ruling on the Closure Plan, whereby the Court:

(a) approved the Company's investigation reports supporting the Closure Plan; and

(b) required the Company to increase its existing rehabilitation collateral security to SEK74.0 million. The increase can take the form of a bank guarantee and is intended to provide additional security for an engineered covering of the entire waste rock area, in the event the entire waste rock area becomes potentially acid forming. The Company has appealed this ruling.

On 18 November 2019, the Company submitted its appeal to the Environmental Court of Appeal ("**Court of Appeal**"). The Company's appeal challenged:

(a) the amount of additional collateral security being requested by the Court;

(b) the permit conditions during the closure phase; and

(c) the restrictions preventing the CAB from incrementally returning the Company's security bonds as rehabilitation work is progressed.

On 16 December 2019, the Court of Appeal, having read the Company's appeal document and grounds for appeal, granted the Company leave to appeal the Court's rulings. The Company is not required to adhere to the Court ruling while the ruling is under appeal.

During the year, the Company received statements and opinions issued by the CAB, EPA and the Vapsten Sami village to the Environmental Court of Appeal. On 22 February 2020, the Company submitted its responses to these statements. As at 31 December 2020, the Group has not provided the additional security required by the Court for an engineered cover to the entire waste rock area. The current approved Closure Plan complies with the known characteristics of the tailings, waste rock and operations at Svartliden, the value of the bond proposed by the Company reflects this scope of work and is supported by calculations using the rates of local contractors. The Closure Plan reflects the conditions on the site and the necessary activities to be undertaken upon closure based on independent advice of the most likely outcome. In the event of a fundamental change to the acid forming characteristics of the NAF waste rock, the Company may need to provide for an engineered cover of the entire waste rock area and the additional provision will be significant.

The Company is currently awaiting notification from the Environmental Court of Appeal of a hearing date.

(v) Orivesi Waste Material

During 2018, the Company received notice regarding the presence of waste material in the upper levels of the Orivesi Mine. As previously announced, the Company believes that the bulk of the waste material stored between the 66m and 85m levels had been deposited before the Company purchased the asset in 2003 and recommenced mining of ore in 2007. The Company submitted its explanation and a work procedure prior to the commencement of waste material removal in 2019 in which 28,000 kg of mixed waste and rock from the 66m level was safely removed. The Company is committed to the safe removal or containment of any remaining hazardous material and continues discussions with relevant parties to ensure this outcome.

On 6 March 2020, the Company submitted a risk assessment to the Pirkanmaa Centre for Economic Development, Transport and the Environment ("**PIR ELY**") based on the results of the four drill holes and water samples taken from the stope and other parts of the mine. The risk assessment confirmed there is no need to remove the material due to its non-hazardous environmental impact. Additionally, the risk assessment confirmed the safe removal of the material is also not possible. Considering these factors, the Company applied for a retrospective Environmental Permit. In July 2020, PIR ELY imposed a compulsion order that required the Company to investigate the composition of the waste to ensure the findings from the initial risk assessment are representative of the total waste remaining.

The Company's research plan was completed by Envineer Oy on 17 September 2020 and provided to PIR ELY, who approved the plan on 6 October 2020. Between 30 November – 1 December 2020, the Company performed surface soil contamination studies and expects the results of sampling to be received during 2021. The sample results will be used by Envineer Oy to prepare a remediation plan for the areas that need cleaning.

On 30 September 2020, the Company applied for a retrospective Environmental Permit for the 66m and 85m levels waste on 30 September 2020 from The Regional State Administration Agencies ("**AVI**"). On 10 November 2020, AVI sent supplementary information requests which the Company responded to on 29 January 2021.

The Company has provided an amount in its accounts for future drilling and associated costs to comply with the compulsion order.

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 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 in good standing is detailed below.

	2020	2019
	AU$'000	*AU$'000*
Within one year	**34**	49
One year or later and no later than five years	**129**	184
	163	233

b) Capital commitments

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

	2020	2019
	AU$'000	*AU$'000*
Within one year	**–**	–
	–	–

c) Short-term lease expense commitments

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

	2020	2019
	AU$'000	*AU$'000*
Within one year	**9**	14
	9	14

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:

	2020	2019
	AU$'000	*AU$'000*
Within one year	**321**	321
	321	321

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Directors and Executives referred to in note 16 Directors and Executive Officers Remuneration that are not recognised as liabilities and are not included in the Directors' or Executives' remuneration.

23. 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 program 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 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, future cash flow forecast projections and financial instruments if considered necessary.

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 fair values of the financial instruments as well as methods used to estimate the fair market value are summarised in the table below.

	As at 31 December 2020				As at 31 December 2019			
	Quoted market price (level 1)	**Valuation technique-market observable inputs (level 2)**	**Valuation technique-non-market observable inputs (level 3)**	**Total**	Quoted market price (level 1)	Valuation technique-market observable inputs (level 2)	Valuation technique-non-market observable inputs (level 3)	Total
	AU$'000	***AU$'000***	***AU$'000***	***AU$'000***	*AU$'000*	*AU$'000*	*AU$'000*	*AU$'000*
Trade receivables at fair value through profit or loss	**–**	**4,153**	**–**	**4,153**	–	3,786	–	3,786

For financial instruments not quoted in active markets, the Group 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).

Trade receivables relate to concentrate sales that are still subject to price adjustments where the final consideration to be received will be determined based on prevailing London Metals Exchange ("**LME**") metal prices at the final settlement date. Sales that are still subject to price adjustments at balance sheet date are fair valued by applying a discounted cash flow model incorporating credit risk and forward pricing to estimate the present value of the final settlement price using the LME forward metals prices at balance date.

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 Consolidated Statement of Financial Position.

Credit risk is managed on a Group basis. Credit risk predominantly arises from cash, cash equivalents, derivative financial instruments, deposits with banks and financial institutions and receivables.

While the Group has policies in place to ensure that sales of its products are made to customers with an appropriate credit history, the Group 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 one buyer. There is generally a six-week turnaround 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. 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 nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2020	2019
	AU$'000	*AU$'000*
Cash and cash equivalents		
Counterparties with external credit ratings		
AA-	**14,352**	8,182
A	**–**	–
Total cash and cash equivalents	**14,352**	8,182

	2020	2019
	AU$'000	*AU$'000*
Trade and other receivables		
Counterparties with external credit ratings		
AAA	**782**	532
AA-	**–**	2
A+	**–**	–
A-	**–**	–
Counterparties without external credit ratings		
Counterparties with no defaults in the past	**5,496**	5,415
Total trade and other receivables	**6,278**	5,949

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.

	2020	2019
	AU$'000	*AU$'000*
Environmental and other bonds		
Counterparties with external credit ratings		
AAA	**5,544**	5,289
Counterparties without external credit ratings		
Counterparties with no defaults in the past	**–**	–
Total trade and other receivables	**5,544**	5,289

e) Interest Rate Risk

At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk that are not designated as cash flow hedges:

	2020				2019			
	Floating interest rate	**Fixed interest rate**	**Total**	**Average int. rate %**	Floating interest rate	Fixed interest rate	Total	Average int. rate %
Financial assets								
Cash and cash equivalents	**14,352**	**–**	**14,352**	**–**	8,182	–	8,182	0.83%
Trade receivables – fair value through profit or loss	**4,153**	**–**	**4,153**	**–**	3,786	–	3,786	–
Environmental bonds	**5,544**	**–**	**5,544**	**–**	5,289	–	5,289	–
	24,049	**–**	**24,049**	**–**	17,257	–	17,257	–
Financial liabilities								
Interest bearing liabilities	**–**	**3,000**	**3,000**	**4.00%**	–	6,000	6,000	4.00%
Lease liabilities	**–**	**364**	**364**	**–**	–	307	307	–
	–	**3,364**	**3,364**	**–**	–	6,307	6,307	–

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.

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 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 Group's 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.

The Company and Group's financial performance is also affected by movements in AUD:SEK and AUD:EUR. In accordance with the requirements of International Financial Reporting 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 2020, the Company did not enter or hold any foreign exchange derivatives. At balance date, the Group had the following significant exposure to foreign currencies:

	2020	2019
	AU$'000	*AU$'000*
USD exposure		
Entity with Euro functional currency		
Cash and cash equivalents	**9,991**	4,636
Trade receivables	**12,480**	7,592
Entity with AUD functional currency		
Trade payables	**(9)**	–
Entity with SEK functional currency		
Cash and cash equivalents	**74**	364
Trade receivables	**58**	452
Trade payables	**(7,571)**	(4,068)
Net USD Exposure	**15,023**	8,976
EUR exposure		
Entity with AUD functional currency		
Cash and cash equivalents	**10**	10
Trade payables	**95**	(4)
Intercompany loan	**13,714**	22,360
Entity with SEK functional currency		
Cash and cash equivalents	**2**	–
Trade payables	**(6)**	(14)
Net EUR Exposure	**13,815**	22,352
AUD exposure		
Entity with EUR functional currency		
Cash and cash equivalents	**1**	1
Trade receivables	**359**	359
Net AUD Exposure	**360**	360
HKD exposure		
Entities with AUD functional currency		
Trade payables	**(2)**	(134)
Interest bearing liabilities	**–**	(3,293)
Net HKD Exposure	**(2)**	(3,427)

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) may be used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. For the year ended 31 December 2020, the Company did not enter or hold any commodity derivatives (31 December 2019: nil).

The Group is exposed to commodity price volatility on the sale of gold in concentrate, which is priced on, or benchmarked to, open market exchanges, specifically the London Metal Exchange ("**LME**"). The exposure is outlined as trade receivables – fair value through profit or loss in note 5.

h) Sensitivity analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk and foreign exchange 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 the prior year.

31 December 2020		**Interest rate risk –0.25%**		**Interest rate risk +0.25%**	
		Profit	**Equity**	**Profit**	**Equity**
	Note	***AU$'000***	***AU$'000***	***AU$'000***	***AU$'000***
Financial assets					
Cash and cash equivalents	*1*	**(36)**	**(36)**	**36**	**36**
Trade receivables – fair value through profit or loss	*2*	**(10)**	**(10)**	**10**	**10**
Government bonds	*4*	**(14)**	**(14)**	**14**	**14**
Total (decrease)/increase		**(60)**	**(60)**	**60**	**60**

31 December 2019		Interest rate risk –0.25%		Interest rate risk +0.25%	
		Profit	Equity	Profit	Equity
	Note	*AU$'000*	*AU$'000*	*AU$'000*	*AU$'000*
Financial assets					
Cash and cash equivalents	*1*	(20)	(20)	20	20
Trade receivables – fair value through profit or loss	*2*	(9)	(9)	9	9
Government bonds	*4*	(13)	(13)	13	13
Total (decrease)/increase		(42)	(42)	42	42

31 December 2020		**Foreign exchange –10%**		**Foreign exchange +10%**	
		Profit	**Equity**	**Profit**	**Equity**
	Note	***AU$'000***	***AU$'000***	***AU$'000***	***AU$'000***
Financial assets					
Cash and cash equivalents	*1*	**(1,008)**	**(1,008)**	**1,008**	**1,008**
Trade and other receivables	*2*	**(1,263)**	**(1,263)**	**1,263**	**1,263**
Intercompany loans	*3*	**(3,212)**	**(3,212)**	**3,212**	**3,212**
Financial liabilities					
Interest bearing liabilities		**59**	**59**	**(59)**	**(59)**
Total (decrease)/increase		**(5,424)**	**(5,424)**	**5,424**	**5,424**

31 December 2019		Foreign exchange –10%		Foreign exchange +10%	
		Profit	Equity	Profit	Equity
	Note	*AU$'000*	*AU$'000*	*AU$'000*	*AU$'000*
Financial assets					
Cash and cash equivalents	*1*	(501)	(501)	501	501
Trade and other receivables	*2*	(804)	(804)	804	804
Intercompany loans	*3*	(1,961)	(1,961)	1,961	1,961
Financial liabilities					
Interest bearing liabilities		329	329	(329)	(329)
Total (decrease)/increase		(2,937)	(2,937)	2,937	2,937

1. Cash and cash equivalents include deposits at call at floating and short-term fixed interest rates.

2. Trade receivables include AU$5.0 million (2019: AU$4.2 million) of gold in concentrate and gold doré receivables denominated in USD. Subsequent to year end, the Company received payment for all USD denominated gold concentrate and doré trade receivables.

3. 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 influence the consolidated result, since 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 Statement of Profit or Loss.

4. Interest bearing environmental cash bonds that have historically been deposited with Swedish and Finnish government authorities.

i) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its 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:

	2020	2019
	AU$'000	*AU$'000*
Within one year	**7,319**	7,320
Within a period of more than one year but not exceeding two years	**3,217**	6,555
	10,536	13,875

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:

- Bi-annual cash flow budgets; and
- Bi-annual cash flow forecasts.

24. SIGNIFICANT EVENTS AFTER PERIOD END

(i) Repayment of Loan Facility

On 6 January 2021, the Company made a voluntary prepayment of AU$3.01 million (including interest payable to that date) to repay the balance remaining on its Loan Facility. The Loan has a redraw facility and is available until 30 June 2022.

(ii) Placement of shares

Pursuant to the placing agreement (the "**Placing Agreement**") dated 7 January 2021 entered into between the Company and the placing agent, a maximum of 21,000,000 ordinary shares in the share capital of the Company (the "**Shares**") would be issued at HKD2.05 per Share (the "**Placing Price**") to the placees (the "**Placement**").

The Placing Price represented (i) a premium of approximately 2.50% over the closing price of HK$2.00 per Share as quoted on the Stock Exchange on 7 January 2021; and (ii) a discount of approximately 9.61% to the average closing price of approximately HK$2.268 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Placing Agreement. As announced by the Company, all the conditions of the Placement had been fulfilled and the completion took place on 22 January 2021. A total of 20,000,000 Shares were issued on 22 January 2021.

To the best of the knowledge, information, and belief of the Directors, having made all reasonable enquiries, the placees (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the Placement were disclosed in the Company's announcements dated 7 January 2021 and 22 January 2021. The net proceeds of the Placement was approximately AU$6.62 million (or HK$39.74 million). The net Placing Price, after deducting such fees, costs, and expenses, is therefore approximately AU$0.33 per Share (HK$1.99 per Share) under the Placement. The Company would apply the entire net proceeds from the Placement for payment of the additional environmental bonds, the timing of which is ultimately determined by the relevant authority but is anticipated to be within 12-months from the Placement completion date.

25. PARENT ENTITY DISCLOSURE

	2020	2019
	AU$'000	*AU$'000*
CURRENT ASSETS		
Cash and cash equivalents	**2,189**	33
Trade and other receivables	**90**	83
Other assets	**75**	36
TOTAL CURRENT ASSETS	**2,354**	152
NON-CURRENT ASSETS		
Property, plant and equipment	**146**	213
Right-of-use assets	**161**	201
Investment in subsidiaries	**26,842**	21,522
Intercompany loans	**18,874**	19,572
TOTAL NON-CURRENT ASSETS	**46,023**	41,508
TOTAL ASSETS	**48,377**	41,660
CURRENT LIABILITIES		
Trade and other payables	**1,293**	557
Provisions	**158**	353
Interest bearing liabilities	**39**	64
TOTAL CURRENT LIABILITIES	**1,490**	974
NON-CURRENT LIABILITIES		
Provisions	**149**	122
Interest bearing liabilities	**3,124**	6,454
TOTAL NON-CURRENT LIABILITIES	**3,273**	6,576
TOTAL LIABILITIES	**4,763**	7,550
NET ASSETS	**43,614**	34,110
EQUITY		
Contributed equity	**133,991**	133,991
Reserves	**434**	(305)
Accumulated losses	**(90,811)**	(99,576)
TOTAL EQUITY	**43,614**	34,110

	Contributed Equity *AU$'000*	Accumulated Losses *AU$'000*	Convertible Note Premium Reserve *AU$'000*	Other Reserves *AU$'000*	Total Equity *AU$'000*
At 1 January 2019	133,991	(101,514)	2,068	(1,645)	32,900
Profit for the period	–	1,938	–	–	1,938
Other comprehensive income	–	–	–	(728)	(728)
Total comprehensive profit for the period	–	1,938	–	(728)	1,210
At 31 December 2019	133,991	(99,576)	2,068	(2,373)	34,110
At 1 January 2020	**133,991**	**(99,576)**	**2,068**	**(2,373)**	**34,110**
Profit for the period	**–**	**8,765**	**–**	**–**	**8,765**
Other comprehensive income	**–**	**–**	**–**	**739**	**739**
Total comprehensive profit for the period	**–**	**8,765**	**–**	**739**	**9,504**
At 31 December 2020	**133,991**	**(90,811)**	**2,068**	**(1,634)**	**43,614**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Nature of Operations and Principal Activities

The Group comprises Dragon Mining Limited ("**Dragon Mining**" or the "**Company**"), the parent entity, and its subsidiaries. Of these subsidiaries, the operating entities are Dragon Mining (Sweden) AB in Sweden and Dragon Mining Oy in Finland.

The Group operates gold mines and processing facilities in Finland and Sweden. In Finland, the Vammala Production Centre ("**Vammala**") consists of a conventional 300,000 tonnes per annum crushing, milling and flotation plant ("**Vammala Plant**"), the Jokisivu Gold Mine ("**Jokisivu**"), the Kaapelinkulma Gold Mine ("**Kaapelinkulma**") and the Orivesi Gold Mine ("**Orivesi**") which ceased production in June 2019. Annual production from Finland is in the range of 23,000 to 30,000 ounces of gold in concentrate depending on the grade of ore and gold concentrate feed.

In Sweden, the operation is known as the Svartliden Production Centre ("**Svartliden**"), consisting of a 300,000 tonnes per annum carbon-in-leach processing plant ("**Svartliden Plant**"), the closed Svartliden Gold Mine (mining completed in 2013) and the Fäboliden Gold Mine ("**Fäboliden**") where test-mining was completed in September 2020.

The principal activities of the Group during the year continued to be:

- Gold mining, and processing ore in Finland;

- Gold mining, processing ore and gold concentrate in 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 year.

OPERATIONS OVERVIEW

COVID-19 Pandemic

The COVID-19 pandemic has had a significant impact on, individuals, communities, and businesses globally. Employees at all levels of the Company's business were asked to change the way they work, and how they interacted professionally and socially. In line with the various Government health measures, the Group implemented significant controls and requirements at all its sites to protect the health and safety of its workforce, their families, local suppliers, and neighbouring communities, while ensuring a safe environment for operations to continue.

The Group's COVID-19 response protocols reinforce, and operate concurrently with, public health advice they include:

- social distancing protocols;
- suspension of large indoor gatherings;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- access to site restrictions and temperature screening;
- self-isolation following international travel, development of symptoms, or interaction with a confirmed case of COVID-19;
- increased inventory of hand sanitiser and hygiene supplies; and
- increased focus on cleaning and sanitation.

No adjustments have been made to the Group's result as at 31 December 2020 for the impacts of COVID-19. However, the scale and duration of possible future Government measures, vaccine rollout, and their impact on the Group's operations and financial situation, necessarily remains uncertain.

Safety Performance

The Group continues to focus on driving an improved safety culture across all its operations and finished the period with a 12-month rolling lost time injury ("**LTI**") frequency rate, per million work hours of 12.81 (2019: 4.02) with 3 LTI recorded at the Group's Finnish operations during the period (2019: 1 LTI). Vammala, Jokisivu and Kaapelinkulma have recorded 80, 144, and 1,461 LTI free days, respectively. In Sweden, Svartliden recorded 1,734 days LTI free and Fäboliden 874 days LTI free.

Finland Operations

Vammala Plant

During the year ended 31 December 2020, the Vammala Plant treated 316,237 tonnes of ore with a grade of 2.8 g/t gold and achieved a process recovery of 85.2% to produce 23,934 ounces of gold in concentrate. Gold production decreased by 7.7% compared to 2019 because of the cessation of mining higher grade ore tonnes from Orivesi. Vammala mill feed was sourced from Jokisivu and Kaapelinkulma with a small number of remaining tonnes from Orivesi processed in January 2020.

- 261,002 tonnes of ore from Jokisivu at a grade of 2.7 g/t gold;
- 53,821 tonnes of ore from Kaapelinkulma at a grade of 3.1 g/t gold; and
- 1,414 tonnes of ore from Orivesi stockpiles at a grade of 3.2 g/t gold.

	Vammala Production Centre	
	2020	2019
Ore Mined (tonnes)	**341,270**	314,752
Mined Grade (g/t gold)	**2.8**	3.0
Ore Milled (tonnes)	**316,237**	303,713
Head Grade (g/t gold)	**2.8**	3.1
Process Recovery (%)	**85.2%**	86.8%
Gold Production (oz)	**23,934**	25,938

Jokisivu Gold Mine

Production tonnes from Jokisivu were sourced from the Main Zone of the Kujankallio deposit and from the Arpola deposit. Total ore mined from Jokisivu was 288,641 tonnes at 2.7 g/t gold; 152,040 tonnes of ore came from ore stopes (2019: 157,283 tonnes) and the remaining 136,601 tonnes (2019: 99,493 tonnes) came from ore development. Gold production for the period was 19,338 ounces of gold (2019: 18,156 ounces of gold). The increase in mined and milled tonnes from Jokisivu compensated for the lower head grade and process recovery to deliver consistent gold production over the period.

	Jokisivu Gold Mine	
	2020	2019
Ore Mined (tonnes)	**288,641**	256,706
Mined Grade (g/t gold)	**2.7**	2.9
Ore Milled (tonnes)	**261,002**	243,961

Development of the Jokisivu decline progressed 527 metres from the 500m level to the 570m level.

Kaapelinkulma Gold Mine

Production at Kaapelinkulma came from open-pit mining with 52,629 tonnes of ore (2019: 28,499 tonnes) grading 3.1 g/t gold mined and the removal of 456,385 tonnes of waste rock (2019: 371,312 tonnes). Stripping costs incurred during the development phase of Kaapelinkulma are capitalised as part of the depreciable cost of building, developing and constructing the mine. These capitalised costs are depreciated over the life of the mine based on units of production.

	Kaapelinkulma Gold Mine	
	2020	2019
Ore Mined (tonnes)	**52,629**	28,499
Waste Rock (tonnes)	**456,385**	371,312
Strip Ratio	**9:1**	13:1
Mined Grade (g/t gold)	**3.1**	3.0

Orivesi Gold Mine

Mining at Orivesi ceased in June 2019. Production during the year came from the remaining stockpile of 1,414 ore tonnes which were milled in January 2020. All capitalised costs for Orivesi have been fully written off. The Group maintains valid exploration tenure at Orivesi with exploration and evaluation activities in the area continuing.

Sweden Operations

Svartliden Production Centre

The Svartliden Production Centre ("**Svartliden**") is in northern Sweden, approximately 750 kilometres by road north of Stockholm. It was established as part of an integrated operation comprising the Svartliden Plant and the Svartliden open-pit and underground gold mining operation ("**Svartliden Gold Mine**"). Brought into production in March 2005, Svartliden produced a total of 391,610 ounces of gold from Svartliden Gold Mine ore and external concentrates up to the end of 2016.

During the year ended 31 December 2020, the Svartliden Plant continued to operate at below break-even to ensure the retention of staff and operational facilities in readiness for the processing of ore from full-scale mining at Fäboliden. Svartliden continued to process gold in concentrate from the Vammala Production Centre to produce gold doré bars, except for 8 weeks in October and November, when only ore from the Fäboliden test mine was processed.

	Svartliden Production Centre	
	2020	2019
Ore milled (tonnes)	**39,581**	60,393
Head grade (g/t gold)	**2.7**	2.6
Ore process recovery (%)	**80.0%**	77.3%
Gold production from ore (oz)	**2,712**	4,094
Vammala flotation concentrate milled (tonnes)	**3,825**	3,433
Concentrate process recovery (%)	**94.9%**	93.9%
Head grade (g/t gold)	**143.5**	163.5
Gold production concentrate (oz)	**16,743**	17,093
Total gold production (oz)	**19,455**	20,997

During the year, the majority of Vammala flotation concentrate was processed at the Svartliden Plant, except for 8 weeks during October and November when concentrate was delivered to Boliden, while the Svartliden Plant processed only ore from the Fäboliden test-mining. After that period, the Vammala flotation concentrate was blended with ore from Fäboliden and fed into the plant. A small amount of gravity gold was also delivered to the Argor-Heraeus refinery in Switzerland.

Fäboliden Gold Mine

The Fäboliden Gold Mine is located in northern Sweden, approximately 30 kilometres by road southeast of the Svartliden Plant. In November 2017, The Company was granted an Environmental Permit for test-mining by the County Administration Board ("**CAB**") which gained legal force in May 2018. In accordance with the Environmental Permit conditions, the Company recommenced test-mining activities at Fäboliden on 11 June 2020. The Company mined 43,997 tonnes of ore at 2.7 g/t of gold with mining and ore transport to Svartliden completed in September 2020. The processing of Fäboliden ore at the Svartliden Plant recommenced in October 2020 and was completed by November 2020.

	Fäboliden Gold Mine	
	2020	2019
Ore mined (tonnes)	**43,997**	68,530
Waste rock (tonnes)	**41,479**	184,043
Strip ratio	**0.9:1**	2.7:1
Mined grade (g/t gold)	**2.7**	2.9

Overburden and pre-stripping costs incurred during the development phase of the mine have been capitalised as part of the depreciable cost of building, developing and constructing the mine. These capitalised costs will be depreciated over the life of the mine based on units of production. All capitalised costs that related only to test-mining have been fully written off.

The Company has continued to advance the approval of its environmental permit application and anticipates the soonest date for a hearing in the Swedish Land and Environmental Court is Autumn 2021 (Northern Hemisphere), and the commencement of full-scale mining in 2022.

Employees

The total head count of the Group as at 31 December 2020 was 73 (2019: 85). Total staff costs including Directors emoluments amounted to AU$9.3 million (2019: AU$10.3 million) reflecting the lower staff numbers. The Group reviews remuneration packages from time to time. The stipends of Directors were reviewed and approved by the Remuneration Committee on 21 November 2020. The remuneration packages for our employees generally include a basic salary component and a productive incentive payment. We determine employee remuneration based on factors such as qualifications and years of experience and appropriate industry benchmarks whilst the amount of annual incentive payment will be assessed and determined by the Remuneration Committee and the Board against the key performance indicators achieved. We also provide our employees with welfare benefits, including pension and healthcare benefits, as well as other miscellaneous items. We provide training to our employees to improve the skills and professional knowledge they need for our operations and their personal development, including an initial training induction on work safety and environmental protection upon entering the Company, and prior to each exploration or operational activity. The Group's responses to the COVID-19 pandemic are set out on pages 61 and 62 of this announcement.

Environment, and Social and Governance

The Company is very clear on the need to earn the respect and support of the communities in which it operates by working in a socially responsible manner, and by demonstrating a tangible commitment to environmental sustainability.

The Company operates in four 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

- systematically improve the planning, execution, and monitoring of its environmental performance.

The Company is committed to operating in a way which contributes to the sustainable development of mineral resources through efficient, balanced and long-term management, while showing due consideration for the wellbeing of people, protection of the environment and the development of the local and national economy and of society in general.

The Board has overall responsibility for the Company's strategy and reporting in respect of Environmental, Social and Governance issues. The Board reviews the effectiveness of the Group's risk management and internal control systems, which are put in place to identify, evaluate and manage the Company's operating risks, environmental risks, social governance and financial risks. Based upon the assessments made by the Company's appropriately qualified senior management, and the Company's external Auditor, the Board considers that such systems are commensurate and operating effectively.

The Company's Environmental, Social and Governance Report is available on the designated website of The Stock Exchange of Hong Kong Limited at https://www.hkexnews.hk and the Company's website at http://www.irasia.com/listco/hk/dragonmining/index.htm and www.dragonmining.com.

Operational Risks

The Group's response to the COVID-19 pandemic including identifying and responding to Operations risk is included under the Operations Overview on pages 61 and 62 of this announcement.

The Company faces operational risks on a continual basis. The Company has adopted policies and procedures designed to manage and mitigate those risks wherever possible. However, it is not possible to avoid or even manage all possible risks. Some of the operational risks are outlined below but the total risk profile, both known and unknown, is more extensive.

- ***Safety***

  Lost time injuries, serious workplace accidents or significant equipment failures may lead to harm to the Company's employees or other persons; temporary stoppage or closure of an operating mine; delays to production schedules and disruption to operations; with material adverse impact on the business.

The Company continues to work closely with all stakeholders to promote continuous safety improvements and Occupational Health and Safety ("**OH&S**") considering 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.

- ***Permitting***

The Group may encounter difficulties in obtaining all permits necessary for its exploration, evaluation and production activities at its existing operations or for Pre-Production Assets. It may also be subject to ongoing obligations to comply with permit requirements which can incur additional time and costs.

The application for a full-scale mining Permit for Fäboliden was submitted to the Land and Environmental Court in July 2018. If the Company faces significant delay in obtaining environmental approval for full-scale mining, it could materially and adversely affect the Company's profitability. Such delays would likely require the Company to re-evaluate the continued operation of Svartliden. At the date of this announcement, the Company is not aware of any reason for any delay caused as a result of the COVID-19 pandemic. The Environmental Review on pages 83 to 89 provides updates on rehabilitation and status of permitting at the Company's Finnish and Swedish operations.

- ***Production***

Any delay or failure to commence full-scale mining at Fäboliden in accordance with the current timetable may adversely impact the Company's results for 2021.

The process recovery rate and production costs are dependent on many technical assumptions and factors, including geological, physical and metallurgical characteristics of ores. Any change in these assumptions and factors may have an adverse effect on the Group's production volume or profitability. Actual production may vary from expectation for a variety of reasons, including but not limited to tonnage, grade and process recovery. Plant breakdown or availability may also affect the operation.

- ***Social and Political***

  The Group has faced, and may continue to face, activist opposition from groups or individuals opposed to mining generally, or to specific projects resulting in delays or increased costs, and with potential adverse effects on the political climate generally.

  The Company is exposed to other risks which include, but are not limited to, cyber-attack, political and economic instability, and natural disaster, all of which could have varying degrees of impact on the Group and its operating activities. Where available and appropriate to do so, the Board will seek to minimise exposure through the use of insurance, while actively monitoring the Group's ongoing exposure as a whole.

FINANCIAL REVIEW

The Group's operations returned a net profit of AU$10.5 million for the year ended 31 December 2020 (2019: net profit of AU$6.3 million) despite the Group's operations in Sweden being carried at below break-even. The pandemic, together with the various Government measures so far introduced, to date have not significantly disrupted the Group's operations. No adjustments have been made to the Group's result as at 31 December 2020 for the impacts of COVID-19.

Revenue from Customers

The increase in revenue for the year reflected the following factors:

- Stronger USD gold spot prices were realised during 2020, ranging from a low of US$1,533/oz to a high of US$2,066/oz, and averaging US$1,769/oz (2019: US$1,403/oz); and

- The Group sold 28,035 ounces of gold during 2020 (2019: 25,958 ounces of gold) to deliver revenue from customers of AU$69.3 million (2019: AU$53.1 million), a revenue increase of 30.5%. The increase in ounces of gold sold corresponds to a reduction in the gold inventory brought forward from 2019.

Cost of Sales

Cost of sales in 2020 increased by 22.2% to AU$51.6 million compared to cost of sales in 2019 of AU$42.2 million. The increase in cost of sales is proportionate to the increase in revenue during the year. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. Cost of sales includes mining, processing, other production activities and depreciation as follows:

	2020	2019	**% change**
Gold sold (oz)	**28,035**	25,958	8.0%
Gold produced (oz)	**26,645**	25,938	2.7%

Cost of sales including inventory movements	**2020**	2019	**% change**
	AU$'000	*AU$'000*	
Mining costs (i), (ii)	**19,706**	20,931	(5.9%)
Processing costs (iii)	**21,240**	4,440	378.4%
Other production costs	**1,243**	1,272	(2.3%)
Gold inventory movements (iv)	**507**	7,012	(92.8%)
Depreciation (v)	**7,882**	6,766	16.5%
Rehabilitation costs (vi)	**1,021**	1,787	(42.2%)
Total	**51,599**	42,208	22.2%

(i) In Finland, the Group mined 341,270 tonnes of ore at an average cost of AU$63.07 per tonne of ore from its Jokisivu and Kaapelinkulma Gold Mines (2019: 314,752 tonnes of ore at an average cost of AU$62.17 per tonne of ore).

(ii) In Sweden, the Group mined 43,997 tonnes of ore at an average cost of AU$24.44 per tonne from its Fäboliden Gold Mine (2019: 68,530 tonnes of ore at an average cost of AU$11.45 per tonne). Test-mining activities were completed in September 2020 at which point mining ceased in accordance with the test-mining permit conditions.

(iii) In Finland, the Groups Vammala Plant processed 316,237 tonnes of ore at an average cost of AU$28.77 per tonne. In 2019, processing costs were significantly reduced by a material build-up of gold inventory caused by the stockpiling of Orivesi ore at Vammala and longer leaching times for the Orivesi high-grade ore at Svartliden.

(iv) Fluctuations in inventory levels and value are a normal part of the Groups business operations which stem from the timing of gold pours, shipments, grade and ore source impacting leaching and residence times, and inventory valuations.

(v) Depreciation is incurred on a unit of production basis and is aligned to mined or milled tonnes dependent on the class of asset. All capitalised costs related to the test-mining at Fäboliden have been fully written off.

(vi) Mining at Orivesi ceased in June 2019. As a result, movements in the Orivesi rehabilitation provision are recognised through cost of sales.

Gross Profit

The 30.5% increase in revenue compared to the 22.2% increase in cost of sales delivered a gross profit for the year of AU$17.7 million (2019: AU$10.9 million) and gross profit ratio of 25.5% (2019: 20.5%).

Management and Administration and Other Expenses

Other expenses include the cost of evaluation assets written off as part of the Group's regular review of capitalised exploration and evaluation costs.

Working Capital, Liquidity and Gearing Ratio

At 31 December 2020, the Group had net assets of AU$53.5 million (2019: AU$43.4 million); a working capital surplus of AU$27.6 million (2019: surplus AU$21.4 million); and a closing market capitalisation of AU$56.3 million or HK$336.0 million (2019: AU$44.3 million or HK$241.6 million).

The Group had AU$14.4 million in cash and cash equivalents (2019: AU$8.2 million) and funded its activities through cash inflows from operations.

As at 31 December 2020, the Company's gearing ratio was 6% (2019: 15%), calculated by dividing total borrowings by total equity.

Interest Bearing Liabilities – AU$12 Million Unsecured Loan Facility with AP Finance Limited

The Company has an AU$12.0 million unsecured Loan Facility with AP Finance Limited ("**Loan Facility**"), a wholly owned subsidiary of Allied Properties (H.K.) Limited which is a substantial shareholder of the Company.

On 22 January 2020, the Company made a voluntary prepayment towards its Loan Facility of HK$18,063,577 (including interest payable to that date), representing the portion of the Loan Facility repayable in Hong Kong dollars. At the date of this announcement, the Company has AU$9.0 million in undrawn funds available. There have been no other drawdowns since balance date.

Financial Risks

Details of the Company's Financial Risk exposures are provided as follows:

- ***Foreign Exchange***

  The Company sells its bullion and gold concentrate in USD. Most of its costs are denominated in SEK and EUR while the Company's presentation currency is AUD.

  The Company may use foreign exchange forwards from time to time to reduce exposure to unpredictable fluctuations in the foreign exchange rates if considered suitable by the Directors. No hedging of foreign exchange exposure was used during the period.

- ***Commodity Price***

  The Company is exposed to movements in the gold price. The Company may use a variety of financial instruments (such as gold forwards and gold call options) from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams if considered suitable by the Directors. At present the Company has no plans to hedge commodity price risk.

- ***Liquidity***

  The Company is exposed to liquidity risk through its financial liabilities and its obligation to make payments on its financial liabilities as and when they fall due. The Company maintains a balance in its approach to funding through the use of debt and/or equity raisings.

- ***Credit***

  Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company'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 Consolidated Annual Statement of Financial Position.

  Credit risk is managed on a group basis and predominantly arises from cash and cash equivalents deposited with banks and financial institutions, trade and other receivables and environmental and other bonds. While the Company has policies in place to ensure that sales are made to customers with an appropriate credit history, the Company is exposed to a concentration of credit risk in relation to its gold concentrate sales to a nearby smelter in Finland.

- ***Interest Rate***

  Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flow from a financial instrument will fluctuate because of changes in market interest rates. The Company'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 Company 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.

- ***Costs***

  Fuel, power, labour and all other costs can vary from existing rates and assumptions.

Charges on Company Assets

Other than the right of use assets which are subject to lease, there were no charges on the Company's assets as at 31 December 2020 and 31 December 2019.

Contingent Liabilities

As at 31 December 2020, the Group has disclosed two contingent liabilities at note 21 of the Consolidated Financial Statements.

Company Strategy

The Company is principally engaged in gold exploration, mining and processing in the Nordic region. The Company's objective is to focus on the development of existing and new mining assets in reasonable proximity to our production plants in Vammala, Finland and Svartliden, Sweden. The Company operates with a long-term business strategy to operate responsibly taking into account the interests of all stakeholders including its staff, contractors, and the public including civic groups, together with the environment and the general amenity of its areas of operation. It aims to produce positive financial outcomes through (i) the economic operations of its operating mines and production plants; (ii) development of new projects consistent with the Company's objective, such as the Group's newest operations at Fäboliden, and (iii) attention to the Company's corporate and social responsibilities, including a focus on ongoing safety and environmental compliance, and ongoing positive interaction with the communities within which it operates.

Dividends

No dividend has been paid or declared and no dividend has been recommended by the Directors for the year ended 31 December 2020 (2019: nil).

Annual General Meeting

The forthcoming Annual General Meeting ("**AGM**") will be held on 21 May 2021. A notice convening the AGM and all other relevant documents will be published and dispatched to shareholders of the Company.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 21 May 2021, the registers of members of the Company in Hong Kong and Australia will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both days inclusive, during which period no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with (i) the Company's principal share registrar, Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, Melbourne VIC 3067, Australia for registration no later than 4:30 p.m. on Friday, 14 May 2021 (Hong Kong time); or (ii) the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 May 2021 (Hong Kong time).

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in this announcement, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Company's Constitution, or in the Corporations Act in Australia where the Company is registered, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares are held by the public as at the date of this announcement.

Significant Events After Period End

(i) Repayment of Loan Facility

On 6 January 2021, the Company made a voluntary prepayment of AU$3.01 million (including interest payable to that date) to repay the balance remaining on its Loan Facility. The Loan has a redraw facility and is available until 30 June 2022.

(ii) Placement of Shares

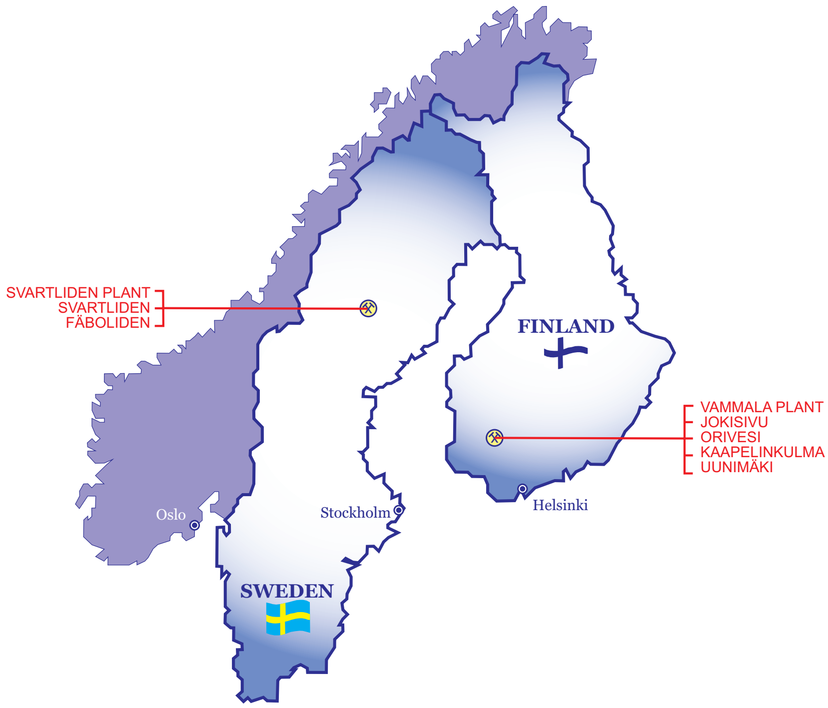
Pursuant to the placing agreement dated 7 January 2021 (the "**Placing Agreement**") entered into between the Company and the placing agent, a maximum of 21,000,000 ordinary shares in the share capital of the Company (the "**Shares**") would be issued at HKD2.05 per Share (the "**Placing Price**") to the placees (the "**Placement**").

The Placing Price represented (i) a premium of approximately 2.50% over the closing price of HK$2.00 per Share as quoted on the Stock Exchange on 7 January 2021; and (ii) a discount of approximately 9.61% to the average closing price of approximately HK$2.268 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Placing Agreement. As announced by the Company, all the conditions of the Placement had been fulfilled and the completion took place on 22 January 2021. A total of 20,000,000 Shares were issued on 22 January 2021.

To the best of the knowledge, information, and belief of the Directors, having made all reasonable enquiries, the placees (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the Placement were disclosed in the Company's announcements dated 7 January 2021 and 22 January 2021. The net proceeds of the Placement was approximately AU$6.62 million (or HK$39.74 million). The net Placing Price, after deducting such fees, costs, and expenses, is therefore approximately AU$0.33 per Share (HK$1.99 per Share) under the Placement. The Company would apply the entire net proceeds from the Placement for payment of the additional environmental bonds, the timing of which is ultimately determined by the relevant authority but is anticipated to be within 12-months from the Placement completion date.

ADVANCED PROJECTS AND EXPLORATION REVIEW

The Company is an established Nordic gold producer that holds a portfolio of projects within the highly prospective Fennoscandian Shield. Since entering the Nordic Region in 2000, the Company has successfully brought four gold mines into full scale production, generating in excess of 750,000 ounces of gold over the past 16 years. This has been achieved by way of a commitment by the Company to actively explore its project holding, with an objective to maintain the Company's annual production profile over the years of operation and into the foreseeable future.



Project Location

During 2020, the Company maintained a high level of activity on its key projects with a series of drilling campaigns completed at the Jokisivu Gold Mine ("**Jokisivu**") and the Kaapelinkulma Gold Mine ("**Kaapelinkulma**") and active campaigns on the project site of the closed Orivesi Gold Mine ("**Orivesi**") and Fäboliden Gold Mine ("**Fäboliden**") at the end of 2020.

In Finland, 167 diamond core drill holes were completed over the course of the year totalling 20,083 metres (2019 – 90 diamond core holes for 11,035 metres). Whilst in Sweden, an infill diamond core drilling program is underway, with 19 holes, 2,037 metres completed by the end of the year (2019 – 57 reverse circulation drill holes and 53 diamond core drill collectively totalling 3,211 metres).

In addition to drilling, the Company also recommenced early-stage exploration activities over the project site at Orivesi, with the undertaking of a geochemical survey and review of available historical geophysical datasets. Whilst the Company also completed a Scoping Study (the "**Scoping Study**"), a preliminary technical and economic study that was initiated for the purpose of assessing the viability of undertaking underground mining at Fäboliden, at the conclusion of open-pit mining.

The information in this announcement that relates to exploration activities has been extracted from the following announcements that were released to the Stock Exchange of Hong Kong Limited ("**HKEx**") on:

- 27 February 2020 – Update on Exploration Activities Undertaken in Southern Finland;
- 9 June 2020 – Exploration Activities Continue to Advance in Southern Finland;
- 23 June 2020 – Fäboliden Underground Scoping Study Commences;
- 2 September 2020 – Drilling Continues to Define Extensions of the Jokisivu Gold Deposits;
- 16 October 2020 – Scoping Study Highlights Potential for Fäboliden Underground Mine; and
- 6 January 2021 – Drilling Campaigns Advance on Dragon Mining's Finnish and Swedish Projects.

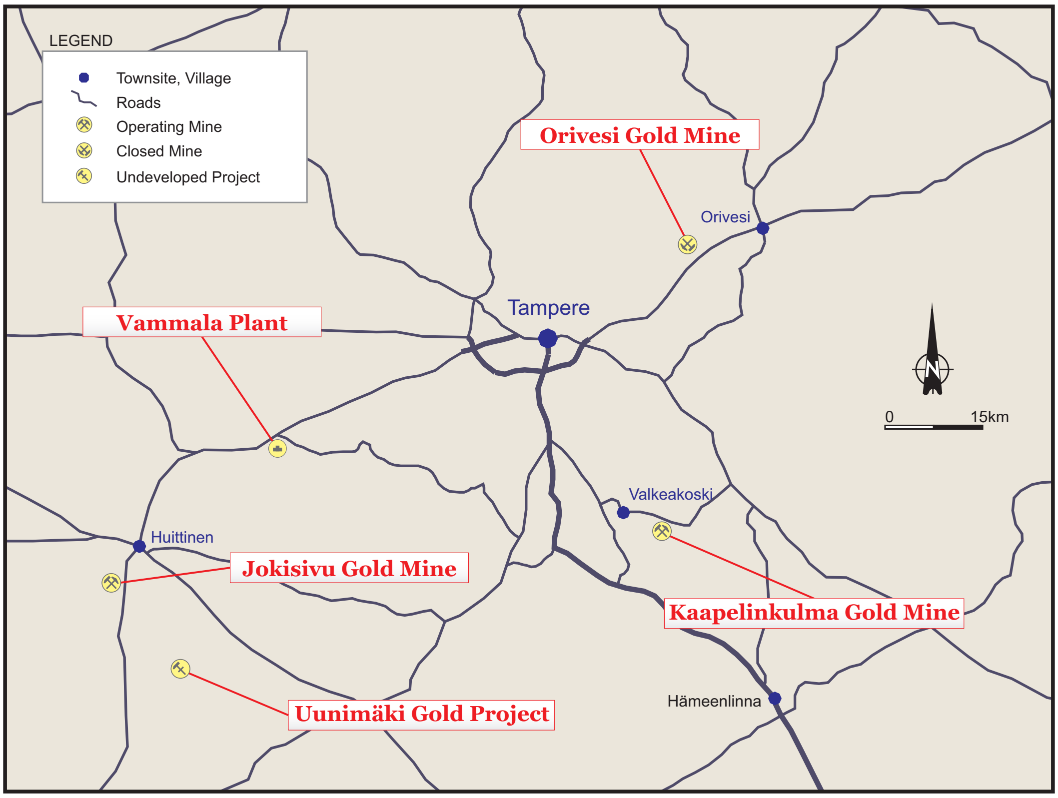
These releases can be found at www.hkexnews.hk (Stock Code: 1712) and www.dragonmining.com.

The information in this Announcement that relates to Exploration Results were previously released to the HKEx on the 27 February 2020, 9 June 2020, 23 June 2020, 2 September 2020, 16 October 2020 and 6 January 2021. They fairly represent information and supporting documentation that was compiled or supervised by Mr. Neale Edwards. Mr. Neale Edwards BSc (Hons), a Fellow of the Australian Institute of Geoscientists, 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 Exploration Results presented in this Announcement have not been materially modified and are consistent with the 27 February 2020, 9 June 2020, 23 June 2020, 2 September 2020, 16 October 2020 and 6 January 2021 releases. Mr. Neale Edwards has provided written consent approving the use of previously reported Exploration Results in this Announcement in the form and context in which they appear.

The Company confirms that it is not aware of any new information or data that materially affects the Exploration Results as reported on the 27 February 2020, 9 June 2020, 23 June 2020, 2 September 2020, 16 October 2020 and 6 January 2021, and the assumptions and technical parameters underpinning the Exploration Results continue to apply and have not materially changed.

Finland

In southern Finland, approximately 165 kilometres northwest of the Finnish capital Helsinki, the Company holds a series of projects that collectively form the Vammala Production Centre encompassing 3,502 hectares. This Centre comprises the centrally located Vammala Plant, a 300,000 tonnes per annum conventional crushing, milling and flotation facility, the operational Jokisivu and Kaapelinkulma gold mines, Orivesi where mining ceased in 2019 and the Uunimäki Gold Project ("**Uunimäki**").



Vammala Production Centre

Jokisivu Gold Mine

At Jokisivu, 129 underground diamond core drill holes were completed over ten campaigns during the year for an advance of 14,942.75 metres (2019 – 90 holes, 11,034.90 metres). These campaigns included:

- a 13 hole, 1,502.80 metre underground diamond core campaign completed from the 495m level targeting the Kujankallio Main Zone and Kujankallio Hinge Zone ("**Campaign 1**");

- a 5 hole, 548.60 metre underground diamond core campaign drilled from the 470m level directed at the Kujankallio Hinge Zone ("**Campaign 2**");

- a 16 hole, 2,810.75 metre underground diamond core campaign from the 510m level targeting the Kujankallio Main Zone between the 525m and 565m levels (“**Campaign 3**”);

- a 20 hole, 2,228.15 metre underground diamond core campaign drilled from the 170m and 190m levels directed at the Kujankallio Main Zone and Kujankallio Hinge Zone (“**Campaign 4**”);

- a 22 hole, 1,803.00 metre underground diamond core campaign drilled from the 170m level directed at the Arpola Footwall Zones between the 135m and 220m levels (“**Campaign 5**”);

- a 18 hole, 2,128.20 metre underground diamond core campaign targeting the Arpola Hanging Wall Zone between the 155m and 230m levels (“**Campaign 6**”);

- a 10 hole, 1,301.30 metre underground diamond core campaign targeted the Arpola Hanging Wall Zone between the 120m and 175m levels (“**Campaign 7**”);

- a single hole, 130.10 metre underground diamond core campaign directed at the Arpola Osmo Zone between the 160m and 170m levels (“**Campaign 8**”);

- a 12 hole, 1,454.95 metre underground diamond core campaign that targeted the Arpola Footwall Zone from the 205m level (“**Campaign 9**”); and

- a 12 hole, 1,034.90 metre underground diamond campaign that targeted the Arpola Footwall Zone between the 100m and 145m levels (“**Campaign 10**”).

The drilling campaigns that targeted the Kujankallio deposit (Campaign 1 to Campaign 4) returned a series of significant intercepts above 1 g/t gold, including the high-grade highlights 2.50 metres @ 33.46 g/t gold, 3.55 metres @ 21.53 g/t gold, 3.65 metres @ 20.39 g/t gold and 3.45 metres @ 19.20 g/t gold. Results aligned well with expectations, extending known mineralisation associated with the Kujankallio Main Zone to the 560m level and mineralisation associated with the Kujankallio Hinge Zone to the 590m level. Further drilling of these extensions is needed to better define the geometry of the mineralised zones in preparation for future mining studies.

Six drilling campaigns (Campaign 5 to Campaign 10) targeted the Footwall and Hanging Wall positions of the Arpola deposit. Final results have been received for Campaigns 5 to 8, yielding a series of significant intercepts above 1 g/t gold, including the higher-grade 2.00 metres @ 57.54 g/t gold, 10.40 metres @ 21.39 g/t gold, 5.55 metres @ 78.15 g/t gold, 4.70 metres @ 21.92 g/t gold and 3.05 metres @ 30.04 g/t gold. The results have better defined the extent and geometry of the areas targeted with drilling, highlighting the presence of moderate to high-grade gold mineralisation close to existing underground development. Final results for Campaigns 9 and 10 were still pending at the end of the year.

Drilling has now recommenced at Jokisivu, on the first of a series of campaigns in 2021, directed at the extensions of the Kujankallio Main Zone and Kujankallio Hinge Zone, below the current level of underground development.

During the year, the Company also executed an Asset Sale Agreement ("**Agreement**") with Australian Securities Exchange ("**ASX**") listed Sunstone Metals Limited ("**Sunstone**") to acquire the Exploration Permit application (ML2018:0082), which fully surrounds Dragon Mining's Jokisivu project area. In accordance with the terms of the Agreement, Dragon Mining paid Sunstone AU$75,000 upon execution of the Agreement. A further payment of AU$75,000 is payable by Dragon Mining upon the earlier of:

- 5 Business Days after the grant of the Exploration Permit; or

- 6 months from the date of the Agreement.

The acquisition secures the possible down plunge depth extensions of the Kujankallio and Arpola gold deposits at Jokisivu, which are interpreted to continue onto the Exploration Permit application area.

Kaapelinkulma Gold Mine

At Kaapelinkulma, drilling resumed during early 2020 on a 28-hole, 2,757.25 metre campaign of diamond core drilling primarily directed at the northern gold deposit, 300 metres north of open-pit mining operation at Kaapelinkulma. Twenty-five holes of the 28-hole campaign were designed to better determine the extent and geometry of the known zones of mineralisation at the northern deposit, whilst 3 holes of the 28-hole campaign were directed at examining the depth extensions of the southern deposit. Results from the campaign yielded a number of significant intercepts greater than 1 g/t gold.

Drilling has now been completed on a second campaign of diamond core drilling at Kaapelinkulma. This 8-hole, 2,061.50 metre campaign targeted the down plunge extensions of the northern and southern gold deposits, as well as further examining a second diorite body, the host of the gold bearing quartz veins at Kaapelinkulma, below the southern gold deposit. Results from the 8-hole campaign were still pending at the end of the year.

Orivesi Gold Mine

Following the cessation of mining at Orivesi during 2019, the Company embarked on a campaign of early-stage exploration to evaluate the merit of the Company's core project holding, in areas away from the Orivesi mine. Two programs were completed during the year, including a high-level review of available historic airborne and ground geophysical datasets and a base of till/top of bedrock geochemical survey.

The geophysical review was undertaken by independent geophysical consultants Resource Potentials in Perth, Western Australia and was the first integrated study of geophysical datasets to be carried out across the wider Orivesi area. The review resulted in the identification of a series of geophysical anomalies east of the Orivesi mine site, through to the Koukkujärvi copper-zinc mineral occurrence.

The base of till/top of bedrock geochemical survey was carried out over the western part of the Orivesi Mining Concession area on a nominal grid base of 50m by 50m. The results of low-level gold and multi-element analysis on till and rock samples collected have confirmed and better delineated areas of geochemical gold anomalism that were previously identified from the broader geochemical survey undertaken during the early 1990's. Gold values ranged up to 61ppb gold and correlated well with key pathfinder elements.

The success of the new geochemical survey, together with the review of the results from the 1990's geochemical program outside the Company's core project holding at Orivesi, have allowed a number of gold anomalous zones north and west of the Orivesi mine to be outlined.

The Company recommenced drilling at the site of Orivesi at the end of the year following up the results of the completed early-stage exploration activities. The reconnaissance diamond core drilling campaign targeted the defined geochemical anomalism at the western end of the Mining Concession and a zone of geophysical anomalism at the eastern end of the Mining Concession. The drilling phase of the 15-hole campaign was completed in early 2021.

Uunimäki Gold Project

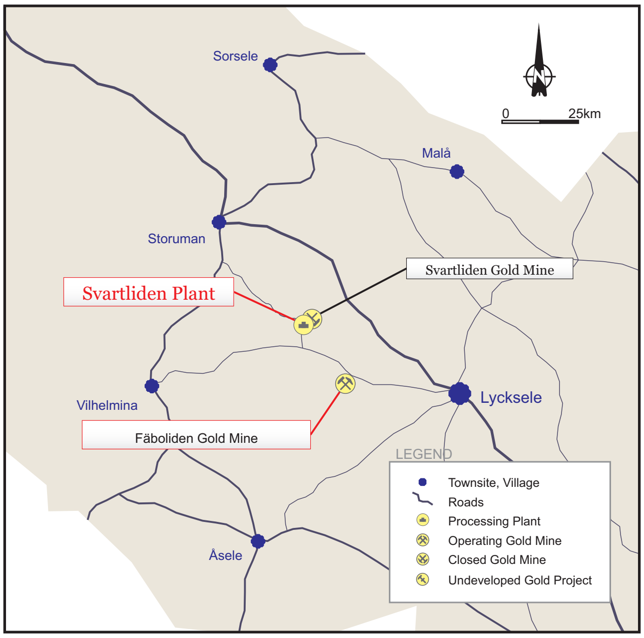
The Company applied for a new Exploration Licence encompassing the Uunimäki gold occurrence in southern Finland during 2020.

Uunimäki represents an advanced gold opportunity that has previously been subjected to diamond core drilling (36 holes, 3,424 metres) and other exploratory activities including ground geophysical surveys and geochemical till surveys by the Geological Survey of Finland.

Upon the Exploration Licence being granted and becoming legally valid, the Company will look to determine if the identified zones of higher-grade gold mineralisation within the Uunimäki mineralised system occur at tonnage levels that could potentially be amenable to mining, and processing at the Company's Vammala Plant.

Sweden

In northern Sweden, the Company holds 1,046 hectares of tenure that collectively is known as the Svartliden Production Centre. Located approximately 750 kilometres by road north of Stockholm, this Centre includes the Svartliden Plant, a 300,000 tonne per annum conventional comminution and carbon in leach (“**CIL**”) plant, the Fäboliden Gold Mine (“**Fäboliden**”) and the closed Svartliden Gold Mine (“**Svartliden**”).



Svartliden Production Centre

Fäboliden Gold Mine

The Company resumed drilling at Fäboliden in late 2020 with the undertaking of a diamond core drilling campaign. The campaign has been designed to improve the drill density in the northern part of the deposit in readiness for future mining studies. Nineteen holes of the 32-hole campaign had been completed by the end of the year, with drilling expected to be completed in early 2021.

A positive result was returned from the Fäboliden Underground Scoping Study (the “**Scoping Study**”), a preliminary technical and economic study that was initiated for the purpose of assessing the viability of undertaking underground mining at Fäboliden, at the conclusion of open-pit mining.

The Scoping Study was undertaken by independent mining consultants RPM Advisory Services Pty Ltd (“**RPM**”) in Perth, Western Australia and was based on the development of an underground operation at Fäboliden, to provide 300,000 tonnes of ore annually for processing through the CIL facility at Svartliden (“**Svartliden Plant**”). It was underpinned by the Fäboliden Mineral Resource as at 31 December 2019 and completed to a +/– 35% level of accuracy.

The key production and financial results delivered by the Scoping Study include:

- 15 year underground operating life generating a total run-of-mine ("**ROM**") tonnes and grade of 4,410 kt grading 2.97 g/t gold at a 2.5 g/t gold in-situ stoping cut-off grade;
- average annual production of 23 kozs of gold, based on a production rate of 300 ktpa and 82% process recovery through the Company's CIL facility at Svartliden;
- estimated start-up capital cost of US$15.1 million and a total life-of-mine ("**LOM**") capital cost of US$77.8 million;
- net cash flow approximating US$72 million based on a long term consensus gold price of US$1,437 per ounce and a USD:SEK exchange rate of 9.66 and EUR:USD exchange rate of 1.09;
- estimated total operating cost of US$78.65 per ROM tonne;
- estimated net present value ("**NPV**") at 10% of US$24 million and internal rate of return ("**IRR**") of 27%; and
- payback period of 5.4 years.

The Scoping Study demonstrated that Fäboliden has the potential for a viable underground operation that warrants a commitment from the Company to advance to the next stage of evaluation. Dragon will now look to enhance the results of the Scoping Study through a series of drilling campaigns that will be designed to upgrade the Mineral Resource below the planned open-pit, in preparation for more detailed underground mining studies.

ENVIRONMENTAL REVIEW

The Company is very clear on the need to earn the respect and support of the community by operating in a socially responsible manner, and by demonstrating a tangible commitment to environmental sustainability.

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 its requirements under those regulations and is not aware of any breach of such requirements as they apply to the Company, except where indicated below.

Finland

Vammala Production Centre

On 12 March 2020, AVI issued a new environmental permit enabling Vammala to process 300,000 tpa of ore including from Kaapelinkulma. The permit contains some new crushing conditions which the Company has appealed to the Administrative Court of Vaasa ("**Court**") on 20 April 2020. Between September and November 2020, the Company responded to various appeals, statements, and opinions. The Company can continue to operate under its existing permit conditions until a decision is handed down.

In April 2020, the ELY Centre instructed the Company to implement further dust prevention measures around the Vammala tailings area due to complaints from locals. A dust monitoring unit and weather station have been installed in the tailings area and two units in the yards of nearby neighbours. The Company can now monitor the amount of dust, wind speed and wind direction in real-time from an online service. The Company plans to widen the water spraying in conjunction with the use of lime to reduce the level of dusting in these areas.

During the year, an external contractor was selected to complete the Miljoonaoja ditch project. The project involved the separation of natural water from the Vammala mill water cycle. The project was included in the Company's Vammala Environmental Permit application and reduces the need for run-off of the Mill drainage waters. The project was completed during September 2020 and is operating as intended.

On 17 June 2020, an inspection of the Vammala site was undertaken by the ELY Centre. As a result, the Company submitted an environmental risk assessment and risk mitigation strategy to ELY on 28 August 2020.

On 9 September 2020, the 5-yearly inspection of the Vammala tailings dam was conducted by external consultant Ramboll Oy in the presence of The ELY Centre. The Company with the help of Ramboll Oy, is in the process of updating its environmental health and risk assessment to include the tailings dam. The update is expected to be completed by 31 March 2021.

On 22 September 2020, the Centre for Economic Development, Transport and the Environment ("**the ELY Centre**") accepted the Company's request to process 300,000 tonnes of ore per annum, an increase from 200,000 tpa, under its existing permit on the basis that it accepted the increase in ore production does not have a material adverse environmental impact.

A chemical safety inspection was held in Vammala on 18 November 2020 by the Pirkanmaa fire department. The inspection has determined the need for updates to the chemical risk assessment documentation.

The Forest Management Association's forestry plan for the vicinity of the Vammala mill was completed in late 2020. The plan includes actions for the forests in the Vammala site area for the next 10 years.

Orivesi Gold Mine

In June 2019, the Supreme Administrative Court upheld the Regional State Administrative Agency's ("**AVI**") rejection of the Orivesi Environmental Permit. In December 2019, a Closure Plan for the mine was submitted to AVI for approval. In May 2020, AVI requested supplementary information which the Company submitted in June 2020. In November 2020, AVI issued a request for further supplementary information with requests of a technical nature. Accordingly, the Company has engaged Envineer Oy to assist with its responses.

In August 2020 all the underground mine infrastructure was demolished and on 17 August 2020, representatives of the Finnish Safety and Chemicals Agency ("**Tukes**") carried out an inspection and confirmed that the work had been carried out satisfactorily.

As part of the Closure Plan, local consultants, Envineer Oy, were engaged to prepare a research plan to clean and remediate any soil contaminated areas including maintenance and storage areas, fuel tank storage locations, settling ponds and any roads previously exposed to sulphide containing waste rock. The research plan was completed on 17 September 2020 submitted to the ELY Centre who, on 5 October 2020, conducted a site visit and resulted in the plan obtaining approval on 6 November 2020. On 30 November 2020, soil contamination studies were carried conducted at Orivesi over two days. Results from the studies will be available in early 2021, at which point Envineer Oy will prepare a remediation plan for the Company.

In October 2018, the Pirkanmaa Centre for Economic Development, Transport and the Environment ("**PIR ELY**") requested further information from the Company on the presence of waste material stored between the 66m and 85m levels. The bulk the material was deposited before the Company purchased the mine in 2003 and recommenced mining in 2007. On 6 March 2020, the Company submitted a risk assessment to PIR ELY based on the results of the four drill holes and water samples taken from the stope and other parts of the mine. The risk assessment confirmed there is no need to remove the material due to its non-hazardous environmental impact. Additionally, the risk assessment confirmed the safe removal of the material is also not possible. Considering these factors, the Company applied for a retrospective environmental permit.

In May 2020, PIR ELY conducted its annual inspection of the Orivesi site and in July 2020, imposed a compulsion order that required the Company to investigate the composition of the waste. The purpose being to ensure the findings from the initial risk assessment are representative of the total waste. The Company submitted a work plan to PIR ELY on 1 September 2020 and 24 November 2020. On 11 December 2020, the Company responded to a further supplementary request from PIR ELY. The Company is continuing to investigate the safety and technical aspects of emptying the stope.

The Company has simultaneously lodged an appeal with the Vaasa Administrative Court regarding the compulsion. The Administrative Court has requested further information and the Company is preparing its responses. The Company has also engaged lawyers, Castren and Snellman to provide a legal opinion.

Jokisivu Gold Mine

The work to update the Jokisivu Waste Management Plan was finalised by Envineer Oy in August 2020. The work formed the basis for an application to update the environmental permit submitted to AVI in late 2019. The update was required because of the new Jokisivu 2 and Jokisivu 3 Mining Concessions and the need to extend the waste rock area. In recognition of the change in the environmental qualities of some waste rock from inert to potentially acid forming, the update includes new surface settling ponds and the development of additional water treatment measures. The updated Water Management Plan was submitted to the ELY Centre for approval on 7 August 2020. On 2 November 2020, during an exercise of mapping the tree nests of the flying squirrel near the ditch that is proposed to run toward the new settling ponds, ELY identified three potential tree nests but determined the construction works in the Water Management Plan were not expected to have any impact. The Water Management Plan was subsequently approved with construction works due to complete sometime between March and September 2021.

The environmental permit requires annual noise measurements to be taken. These measurements were taken on 17 November 2020, the same time as waste rock crushing. Measurements were taken in the mining area and in the yards of the nearby neighbours. Measurement results indicated that the noise levels at the mine site are below the permissible limit value of 55 dB at all measuring points. The report has been submitted to the ELY Centre.

Radon measurements at the Jokisivu mine were taken on 29 September 2020, by Radiation Safety Authority (STUK) and a final report of the measurements was received. According to the measurements, the radon concentration is low in those places where ventilation is good. Adequate ventilation at working sites must be ensured at all times.

A radiation exposure assessment report was completed, and the report was sent to Radiation Safety Authority (STUK) on 16 November 2020. In accordance with radiation legislation, concentrations of natural radioactive substances, particularly uranium and thorium in ore and waste rocks must be reported. The natural radioactive substances in the waters of the mining area must be studied.

Kaapelinkulma Gold Mine

An appeal originally received by AVI in June 2017 and rejected by them in November 2017, was then appealed to the Vaasa Administrative Court, who dismissed it on 10 June 2019. The Vaasa Administrative Court ruled some appellants failed to demonstrate they had suffered any harm as stated in the Administrative Judicial Procedure Act, and therefore the Vaasa Administrative Court determined they had no legal justification to appeal. The appellants subsequently sought leave to appeal to the Supreme Administrative Court but were rejected.

In July 2019, PIR ELY rejected an appeal from the Finnish Nature Conservation Association's of Valkeakoski for the initiation of an administrative coercion related to operations at the Kaapelinkulma mine, in respect to the Nature Conservation Act. The secondary claims raised and the remainder of the appeal, including a claim for costs, were rejected by the Hämeenlinna Administrative Court.

On 29 September 2020, the Company received a letter from the Vaasa Administrative Court advising that opponents have appealed PIR ELY's decision because the PIR ELY did not impose a compulsion order on Kaapelinkulma in 2019. Opponents believe that noise levels are too high in the Natural area. The Company submitted a response to Vaasa Administrative Court on 19 October 2020.

The Kaapelinkulma Closure Plan was finalised by Envineer Oy on 4 September 2020. Water samples were taken from the ditches around the waste rock area and aggregate samples taken from the waste rock area, for laboratory testing. Results from this work will provide a basis for suitable future risk assessments and closure measures. During January 2021, minor updates were made before the Closure Plan was submitted to ELY on 28 January 2021.

In April 2020, a water sample from the last measuring well was taken with 22 mg/l of contained solids which exceeded the permit limit of 20mg/l. This matter and resulting preventative actions were reported to PIR ELY.

The counting of the woodland brown butterfly in the Kaapelinkulma area was completed on 12 July 2020 and according to calculations, the number of butterflies is approximately the same as the previous years.

A plan for the continuing operations at Kaapelinkulma was compiled for review by PIR ELY and used to determine whether operations can continue under the existing permit. PIR ELY considers that mining from a second open pit is substantial and indicated that it will require a new Environmental Permit. Preparation of the environmental amendment application has commenced in conjunction with Envineer Oy.

Sweden

Svartliden Rehabilitation Plan (U3)

The Company has previously announced that work to update the Svartliden Rehabilitation Plan ("**Closure Plan**") was submitted to the Swedish Land and Environmental Court ("**Court**") in April 2017. In May 2018, the Company updated the Closure Plan cost assessment and its responses to comments received from the Environmental Protection Agency ("**EPA**") and the County Administrative Board ("**CAB**"), both of whom considered the Closure Plan and the proposed closure bond as insufficient. From 24 to 26 April 2019, the Closure Plan, U1 and U2 investigations were heard by Court ("**Hearing**") and on 3 September 2019, delivered its rulings on each of the matters.

On 18 November 2019, the Company lodged an appeal in the Environmental Court of Appeal ("**Court of Appeal**") against the following rulings by the Court:

- the amount of additional collateral security being requested by the Court;
- the permit conditions during the closure phase; and
- restrictions that would prevent the CAB from incrementally returning the Company's security bond as rehabilitation work is progressed.

On 22 February 2021, the Company submitted its responses to statements issued by the CAB, EPA and Vapsten Sami village to the Environmental Court of Appeal and is currently awaiting notification from the Court of Appeal of a hearing date.

Svartliden Conditions of Tailings Depositions (U1)

In September 2019, the Court approved the Company's permit application to deposit tailings into the Svartliden open-pit to +441 meters above sea level, subject to the Company's other permit conditions, which excludes the deposition of tailings from full-scale mining at Fäboliden. As a result, the Company is applying to change the permit conditions to include the deposition of tailings from full-scale mining at Fäboliden. During the year, the Company engaged in consultation with stakeholders and is expected to complete and submit its Environmental Impact Assessment to the Swedish Land and Environmental Court during 2021. An exact timeframe is not yet known.

The Company has a separate permit allowing tailings from the Fäboliden test mining to be deposited into the Svartliden open-pit.

Svartliden Permit Conditions (U2)

In April 2018, the Company submitted to the Court an additional investigation report proposing changes to the final permit conditions for the clarification pond discharge limits. In July 2018, the CAB provided its comments which disagreed with the Company's proposals. In October 2018, the Company responded with investigations and calculations that showed the proposed changes did not pose any further risk to the environment.

On 3 September 2019, the Court provided additional rulings on clarification pond discharge limits that remained consistent with the current permit conditions.

On 16 December 2019, the Environmental Court of Appeal granted the Company leave to appeal the Court's rulings on the clarification pond discharge limits. The Company submitted its appeal on 18 November 2019.

On 22 February 2021, the Company submitted its responses to statements issued by the CAB, EPA and Vapsten Sami village to the Environmental Court of Appeal and is currently awaiting notification from the Court of Appeal of a hearing date.

Fäboliden Environmental Permit

On 1 December 2017, the Company was granted an Environmental Permit to conduct test mining activities at Fäboliden. The Company's test mining operations were completed during September 2020 whereby all test-mining activities ceased as per the Environmental Permit.

The Company is actively pursuing environmental approval of its application for full-scale mining activities at Fäboliden which was submitted to the Swedish Land and Environmental Court (the "**Court**") in July 2018. On 4 April 2020, the application was publicly announced, and the Company submitted its responses to statements issued by the CAB and other stakeholders on 5 March 2021.

While the application process was initially expected to have concluded by early 2021, the Company anticipates the soonest date for its application to be heard by the Court is Autumn 2021 (Northern Hemisphere), and the commencement of full-scale mining is in 2022.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance is essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

During the year, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**HKEx Listing Rules**") on The Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the HKEx Listing Rules as the code of conduct regarding Directors' securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit and Risk Management Committee consists of three Independent Non-Executive Directors. The Audit and Risk Management Committee has reviewed the annual results of the Company for the year ended 31 December 2020, including the accounting principles and practices adopted by the Company. The figures in respect of the Group's Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's Auditors, Ernst & Young, to the amounts set out in the Group's draft Consolidated Financial Statements. The work performed by the Company's Auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Audit and Assurance Standards Board and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the designated website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.irasia.com/listco/hk/dragonmining/ and www.dragonmining.com. The Company's Annual Report for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Dragon Mining Limited
Arthur George Dew
Chairman

Hong Kong, 12 March 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Arthur George Dew as Chairman and Non-Executive Director (with Mr. Wong Tai Chun Mark as his Alternate); Mr. Brett Robert Smith as Chief Executive Officer and Executive Director; Ms. Lam Lai as Non-Executive Director; and Mr. Carlisle Caldow Procter, Mr. Pak Wai Keung Martin and Mr. Poon Yan Wai as Independent Non-Executive Directors.