龍資源有限公司
DRAGON MINING
LIMITED

# DRAGON MINING LIMITED
# 龍資源有限公司*

*(Incorporated in Western Australia with limited liability ACN 009 450 051)*

**(Stock Code: 1712)**

## ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 together with comparative figures for the corresponding period in 2018 are as follows:

* *for identification purpose only*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS
*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | Note | 2019<br>AU$'000 | 2018<br>AU$'000 |
|---|---|---|---|
| Revenue from customers | *16* | **53,073** | 37,850 |
| Cost of sales | *2(a)* | **(42,208)** | (41,154) |
| **Gross profit/(loss)** | | **10,865** | (3,304) |
| Other revenue | *2(b)* | **73** | 216 |
| Other income | *2(c)* | **1,136** | 35 |
| Exploration expenditure | | **(60)** | (51) |
| Management and administration expenses | | **(4,914)** | (3,754) |
| Other expenses | *2(d)* | **(83)** | (398) |
| Finance costs | *2(e)* | **(210)** | (191) |
| Foreign exchange loss | | **(496)** | (782) |
| Hong Kong listing costs | | **–** | (1,302) |
| **Profit/(loss) before tax** | | **6,311** | (9,531) |
| Income tax expense | *3* | **–** | – |
| **Profit/(loss) after income tax** | | **6,311** | (9,531) |
| **Earnings per share attributable to ordinary equity holders of the parent (cents per share)** | | | |
| Basic earnings/(loss) per share | *14* | **4.55** | (9.90) |
| Diluted earnings/(loss) per share | *14* | **4.55** | (9.90) |

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **Profit/(loss) after income tax (brought forward)** | **6,311** | (9,531) |
| **Other comprehensive income** | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | |
| (Loss)/gain on foreign currency translation | **(394)** | 1,620 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **(394)** | 1,620 |
| **Total comprehensive income/(loss) for the period** | **5,917** | (7,911) |
| **Income/(loss) attributable to:** | | |
| Members of Dragon Mining Limited | **6,311** | (9,531) |
| | **6,311** | (9,531) |
| **Total comprehensive income/(loss) attributable to:** | | |
| Members of Dragon Mining Limited | **5,917** | (7,911) |
| | **5,917** | (7,911) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*AS AT 31 DECEMBER 2019*

| | Note | 2019 AU$'000 | 2018 AU$'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | **8,182** | 10,905 |
| Trade and other receivables | *4* | **5,949** | 3,990 |
| Inventories | | **16,684** | 10,057 |
| Other assets | | **163** | 429 |
| **TOTAL CURRENT ASSETS** | | **30,978** | 25,381 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *5* | **33,347** | 26,556 |
| Mineral exploration and evaluation costs | *6* | **8,699** | 5,333 |
| Right of use assets | *7* | **320** | – |
| Other assets | | **5,289** | 5,480 |
| **TOTAL NON-CURRENT ASSETS** | | **47,655** | 37,369 |
| **TOTAL ASSETS** | | **78,633** | 62,750 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *8* | **7,049** | 6,409 |
| Provisions | *9* | **2,263** | 1,892 |
| Interest bearing liabilities | *10* | **65** | 7 |
| Other liabilities | | **226** | 100 |
| **TOTAL CURRENT LIABILITIES** | | **9,603** | 8,408 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | *9* | **19,114** | 12,617 |
| Interest bearing liabilities | *10* | **6,535** | 4,278 |
| Other liabilities | | **17** | – |
| **TOTAL NON-CURRENT LIABILITIES** | | **25,666** | 16,895 |
| **TOTAL LIABILITIES** | | **35,269** | 25,303 |
| **NET ASSETS** | | **43,364** | 37,447 |
| **EQUITY** | | | |
| Contributed equity | *11* | **133,991** | 133,991 |
| Reserves | | **(417)** | (23) |
| Accumulated losses | | **(90,210)** | (96,521) |
| **TOTAL EQUITY** | | **43,364** | 37,447 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | Contributed Equity<br>*AU$'000* | Accumulated Losses<br>*AU$'000* | Foreign Currency Translation<br>*AU$'000* | Convertible Note Premium Reserve<br>*AU$'000* | Equity Reserve Purchase of Non-controlling Interest<br>*AU$'000* | Total Equity<br>*AU$'000* |
|---|---|---|---|---|---|---|
| **At 1 January 2018** | 119,992 | (86,990) | (4,780) | 2,068 | 1,069 | 31,359 |
| Loss for the period | – | (9,531) | – | – | – | (9,531) |
| Other comprehensive income | – | – | 1,620 | – | – | 1,620 |
| Total comprehensive income for the period | – | (9,531) | 1,620 | – | – | (7,911) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issue of shares (net of cost) | 13,999 | – | – | – | – | 13,999 |
| **At 31 December 2018** | 133,991 | (96,521) | (3,160) | 2,068 | 1,069 | 37,447 |
| **At 1 January 2019** | **133,991** | **(96,521)** | **(3,160)** | **2,068** | **1,069** | **37,447** |
| Profit for the period | **–** | **6,311** | **–** | **–** | **–** | **6,311** |
| Other comprehensive income | **–** | **–** | **(394)** | **–** | **–** | **(394)** |
| Total comprehensive income for the period | **–** | **6,311** | **(394)** | **–** | **–** | **5,917** |
| Transactions with owners in their capacity as owners: | **–** | **–** | **–** | **–** | **–** | **–** |
| **At 31 December 2019** | **133,991** | **(90,210)** | **(3,554)** | **2,068** | **1,069** | **43,364** |

**CONSOLIDATED STATEMENT OF CASH FLOWS**
*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **Cash flows from operating activities** | | |
| Receipts from customers | **53,196** | 36,587 |
| Payments to suppliers and employees | **(45,345)** | (44,980) |
| Payments for mineral exploration | **(59)** | (68) |
| Interest received | **66** | 225 |
| Interest expense | **(237)** | (170) |
| **Net cash from/(used in) operating activities** | **7,621** | (8,406) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(6,983)** | (3,249) |
| Proceeds from sale of property, plant and equipment | **1,113** | – |
| Payments for development activities | **(6,431)** | (5,329) |
| Proceeds from bond held on deposit | **–** | 9 |
| Refund of environmental bonds | **17** | – |
| **Net cash used in investing activities** | **(12,284)** | (8,569) |
| **Cash flows from financing activities** | | |
| Lease liability payments | **(35)** | (68) |
| Proceeds from share issue | **–** | 17,890 |
| Drawdown of loan | **2,000** | 9,000 |
| Repayment of loan | **–** | (5,000) |
| Share issue costs | **–** | (933) |
| **Net cash from financing activities** | **1,965** | 20,889 |
| Net (decrease)/increase in cash and cash equivalents | **2,698** | 3,914 |
| Cash and cash equivalents at the beginning of the period | **10,905** | 6,609 |
| Effects of exchange rate changes on cash and cash equivalents | **(25)** | 382 |
| **Cash and cash equivalents at the end of the period** | **8,182** | 10,905 |

# 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 Investment Commission. The Company is domiciled in Australia and its registered office is located at Unit 202, 39 Mends Street, South Perth, WA 6151 Australia.

The Company's Announcement of the Results for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 9 March 2020.

The Announcement of the Results of the Company as at and for the year ended 31 December 2019 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#) | Hong Kong 17 May 2017 | HK$1.00 | 100% | Dormant |

# for translation purpose

**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 2019 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 issues 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 2019 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 2019 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. Refer to note 1(bb) for disclosure on the implementation of IFRS 16 *Leases* ("IFRS 16") and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23").

**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 & 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 de-recognition 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 Cashflows, 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's 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. The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.9% (2018: 4.0%), which is the effective interest of the specific borrowing.

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, such as interest bearing liabilities, are measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the 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 customers 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 several 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. Refer to note 1(bb) for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

*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.

The Group determined the production start date for the Kaapelinkulma Gold Mine as 8 April 2019 and 24 June 2019 for the Fäboliden Gold Mine. These being the dates when the mining of ore commenced.

**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.

*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.

*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 31 December 2019 in note 17.

*Leases – Estimating the incremental borrowing rate*

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

*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 5 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 2019 and are outlined below:

*Definition of Material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020)*

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that,"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new framework will be minimal.

*Definition of a Business – Amendments to IFRS 3 (effective 1 January 2020)*

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have "the ability to contribute to the creation of outputs" rather than "the ability to create outputs." The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new framework will be minimal.

*Conceptual Framework for Financial Reporting (effective 1 January 2020)*

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new framework will be minimal.

*Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2022)*

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in associate or joint venture. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

*IFRS 17, – Insurance contracts (effective 1 January 2021)*

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.

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**

This note explains the impact of the adoption of new and amended accounting standards and interpretations effective from 1 January 2019.

*IFRS 16*

IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees, with limited exception, to account for leases under a single on balance sheet model.

Prior to the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Comparatives for the 2018 reporting period have not been restated as permitted under the specific transition provisions in the standard. In accordance with IFRS 16, at the transition date, the Group assessed all contracts to establish whether they contain a lease.

*Leases previously accounted for as operating leases*

The Group has a lease contract for property with a lease term of 60 months. On transition, the Group elected to use the practical expedient not to apply the requirements of IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application of the Standard.

As at 1 January 2019 all leases were assessed as having a lease term of less than 12 months from initial application. Under IFRS 16, lease payments on short term leases are also recognised as an expense on a straight-line basis over the lease terms.

*Leases previously classified as finance leases*

The Group has lease contracts for plant and equipment previously classified as finance leases. The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied on these leases from 1 January 2019.

On adoption of IFRS 16 on 1 January 2019, right of use assets of AU$43,000 were reclassified from property plant and equipment to right of use assets on the Consolidated Statement of Financial Position. The Group continues to present lease liabilities within interest bearing liabilities.

| *Impact on application* | **2019**<br>***AU$'000*** |
|---|---|
| The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows: | |
| Operating lease commitments as at 31 December 2018 | **67** |
| Less: | |
| Commitments relating to short-term leases | **(67)** |
| Add: | |
| Commitments relating to lease previously classified as finance lease | **37** |
| Lease liabilities as at 1 January 2019 | **37** |

| *Impact on application* | **2019**<br>***AU$'000*** |
|---|---|
| Depreciation expense for right of use asset | **24** |
| Interest expense on lease liabilities | **1** |
| Expense relating to leases of low value assets (included in general and administrative expense) | **7** |
| Variable lease payments | **–** |
| Total amount recognisd in the Consolidated Statement of Profit or Loss | **32** |
| Total cash flow | **35** |

*Policy applied from 1 January 2019 – Group as Lessee*

The Group assesses each contract at inception to determine whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*(i)* *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(ii)* *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets:

| | |
|---|---|
| Property | 5-50% |
| Plant and equipment | 4-33% |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 1(n). The Group's right-of-use assets are included in note 7.

*(iii)* *Short-term leases and leases of low value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

*(iv)* *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in interest-bearing liabilities in note 10.

*Policy applied prior to 1 January 2019 – Group as Lessee*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets) are not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only a lessee.

*(i)* *Group as a lessee*

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;

- The assumptions an entity makes about the examination of tax treatments by taxation authorities;

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

## 2. OTHER REVENUE, INCOME AND EXPENSES

| | | 2019 | 2018 |
|---|---|---|---|
| | | *AU$'000* | *AU$'000* |
| a) | **Cost of sales** | | |
| | Cost of production net of inventory movements | **33,655** | 37,666 |
| | Depreciation of mine properties, plant and equipment | **6,766** | 3,488 |
| | Rehabilitation costs[1] | **1,787** | – |
| | | **42,208** | 41,154 |
| | *Cost of production net of inventory movements* | | |
| | Mining | **20,931** | 25,480 |
| | Processing | **4,440** | 9,941 |
| | Other production activities | **1,272** | 1,370 |
| | Gold inventory movements | **7,012** | 875 |
| | Cost of production net of inventory movements | **33,655** | 37,666 |

[1] In December 2019, the Group submitted its mine closure plan for Orivesi to the Regional State Administrative Agency of Western and Inland Finland, which included the recognition of an additional AU$1.8 million rehabilitation expense through cost of sales.

| | | 2019 | 2018 |
|---|---|---|---|
| b) | **Other revenue** | | |
| | Finance revenue and interest | **66** | 209 |
| | Rent and sundry income | **7** | 7 |
| | | **73** | 216 |
| c) | **Other income** | | |
| | Sale of property, plant and equipment | **1,136** | – |
| | Other | **–** | 35 |
| | | **1,136** | 35 |
| d) | **Other expenses** | | |
| | Depreciation of non-mine site assets | **83** | 72 |
| | Evaluation assets written off | **–** | 326 |
| | | **83** | 398 |
| e) | **Finance costs** | | |
| | Interest | **193** | 174 |
| | Other | **17** | 17 |
| | | **210** | 191 |
| f) | **Total employee benefits including Directors remuneration** | | |
| | Wages and salaries | **8,321** | 7,771 |
| | Defined contribution superannuation expense | **1,239** | 1,245 |
| | Other employee benefits | **748** | 669 |
| | | **10,308** | 9,685 |

## 3. INCOME TAX

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **(a) Income Tax Expense** | | |
| The major components of income tax expense are: | | |
| *Current income tax* | | |
| Current income tax expenses | **2,079** | – |
| Adjustments in respect of current income tax of previous year | **–** | – |
| *Deferred income tax* | | |
| Income tax benefit arising from previously unrecognised tax loss | **(2,079)** | – |
| Relating to origination and reversal of temporary differences | **–** | – |
| Income tax expense reported in the statement of comprehensive income | **–** | – |

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **(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:

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| Accounting profit/(loss) before income tax | **6,311** | (9,531) |
| At the Group's statutory income tax rate of 30% in Australia (2018: 30%) | **1,893** | (2,859) |
| Adjustments in respect of current income tax of previous year | **–** | – |
| Effect of different rates of tax on overseas income | **(792)** | 623 |
| Other | **(858)** | (3,353) |
| Previously unrecognised tax losses utilised/recognised | **(2,079)** | – |
| Tax losses and other temporary differences not recognised as benefit not probable | **1,836** | 5,589 |
| Aggregate income tax expense | **–** | – |

| | | 2019 | 2018 |
|---|---|---|---|
| | | ***AU$'000*** | *AU$'000* |
| **(d)** | **Recognised deferred tax assets and liabilities** | | |
| | *Deferred tax assets (excluding tax losses)* | | |
| | Leave entitlements | **142** | 46 |
| | Rehabilitation provision | **1,553** | 393 |
| | Share issue and listing costs | **1,210** | 2,125 |
| | Mine Properties, Property, plant and equipment | **788** | 3,572 |
| | Exploration costs | **789** | 928 |
| | Accruals | **50** | 42 |
| | Temporary differences not recognised[1] | **(4,353)** | (7,101) |
| | Set off deferred tax liabilities pursuant to set off provisions | **(128)** | (5) |
| | Deferred income tax assets | **–** | – |
| | *Deferred tax liabilities* | | |
| | Mine Properties, property, plant and equipment | **(128)** | (5) |
| | Set off deferred tax liabilities pursuant to set off provisions | **128** | 5 |
| | Deferred income tax liabilities | **–** | – |

[1] The temporary differences not recognised include AU$0.1 million in respect of FX movements and AU$2.4 million of adjustments in respect of deferred tax of previous year.

**(e) Tax Losses**

Future benefits of tax losses total approximately AU$11.1 million (2018: AU$15.5 million). The Consolidated Entity has available capital losses at a tax rate of 30% amounting to AU$2.6 million (2018: AU$2.6 million).

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.

**(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 2019, there are no tax consolidation adjustments (2018: 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. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| Trade receivables – fair value through profit or loss (i) | **3,786** | 749 |
| Trade receivables – amortised cost (ii) | **495** | 2,094 |
| Other receivables (iii) | **1,668** | 1,147 |
| | **5,949** | 3,990 |

(i) Trade receivables that relate to concentrate sales that are subject to quotation period pricing are recognised at fair value through profit or loss. The receivables are payable in full within 45 days.

(ii) Includes trade receivables for gold sold on market and settled within 2 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 counter-party, the probability of default is insignificant.

**Ageing Analysis**

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

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| Within 1 month | **2,899** | 2,843 |
| 1 to 2 months | **1,382** | – |
| 2 to 3 months | **–** | – |
| Over 3 months | **–** | – |
| Trade debtors | **4,281** | 2,843 |

## 5. PROPERTY, PLANT AND EQUIPMENT

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **Land** | | |
| Gross carrying amount – at cost | **1,362** | 1,390 |
| **Buildings** | | |
| Gross carrying amount – at cost | **2,548** | 2,623 |
| Less accumulated depreciation and impairment | **(2,052)** | (1,981) |
| Net carrying amount | **496** | 642 |
| **Property, plant and equipment** | | |
| Gross carrying amount – at cost | **34,231** | 33,474 |
| Less accumulated depreciation and impairment | **(31,862)** | (31,405) |
| Net carrying amount | **2,369** | 2,069 |
| **Mine Properties** | | |
| Gross carrying amount – at cost | **123,978** | 113,429 |
| Less accumulated amortisation and impairment | **(94,858)** | (90,974) |
| Net carrying amount | **29,120** | 22,455 |
| **Total property, plant and equipment** | | |
| Gross carrying amount – at cost | **162,119** | 150,915 |
| Less accumulated amortisation and impairment | **(128,772)** | (124,360) |
| Net carrying amount | **33,347** | 26,556 |

**Reconciliations**

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period:

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **Land** | | |
| Carrying amount at beginning of period | **1,390** | 1,334 |
| Net foreign exchange movement | **(28)** | 56 |
| Carrying amount at end of period | **1,362** | 1,390 |
| **Buildings** | | |
| Carrying amount at beginning of period | **642** | 613 |
| Additions | **–** | 98 |
| Disposals | **(24)** | – |
| Depreciation | **(113)** | (102) |
| Net foreign exchange movement | **(9)** | 33 |
| Carrying amount at end of period | **496** | 642 |
| **Property, plant and equipment** | | |
| Carrying amount at beginning of period | **2,026** | 2,457 |
| Additions | **1,605** | 719 |
| Depreciation | **(1,102)** | (1,227) |
| Net foreign exchange movement | **(160)** | 120 |
| Carrying amount at end of period | **2,369** | 2,069 |
| **Mine properties** | | |
| Carrying amount at beginning of period | **22,455** | 14,940 |
| Additions | **9,100** | 3,596 |
| Capitalisation of borrowing costs | **146** | – |
| Reclassification from evaluation costs | **3,136** | 5,385 |
| Depreciation | **(5,609)** | (2,231) |
| Net foreign exchange movement | **(108)** | 765 |
| Carrying amount at end of period | **29,120** | 22,455 |

The Group has considered whether any impairment triggers exist at 31 December 2019 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 2018 and 2019 financial years.

## 6. MINERAL EVALUATION AND DEVELOPMENT COSTS

### Mineral exploration and evaluation costs

| | 2019<br>*AU$'000* | 2018<br>*AU$'000* |
|---|---|---|
| Balance at beginning of financial period | **5,333** | 5,562 |
| Additions | **6,808** | 5,298 |
| Exploration write off | **–** | (326) |
| Reclassification to mine properties | **(3,136)** | (5,385) |
| Net foreign exchange movement | **(306)** | 184 |
| Total mineral exploration and evaluation expenditure | **8,699** | 5,333 |

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.

## 7. RIGHT OF USE ASSET

| | 2019<br>*AU$'000* | 2018<br>*AU$'000* |
|---|---|---|
| Gross carrying amount – at cost | **344** | – |
| Less accumulated depreciation and impairment | **(24)** | – |
| Net carrying amount | **320** | – |

### Reconciliations

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

| | 2019<br>*AU$'000* | 2018<br>*AU$'000* |
|---|---|---|
| **Right-of-use assets – property** | | |
| Carrying amount at beginning of period | **–** | – |
| Additions | **205** | – |
| Depreciation | **(3)** | – |
| Carrying amount at end of period | **202** | – |
| **Right-of-use assets – plant and equipment** | | |
| Carrying amount at beginning of period | **43** | – |
| Additions | **97** | – |
| Depreciation | **(21)** | – |
| Net foreign exchange movement | **(1)** | – |
| Carrying amount at end of period | **118** | – |

1 On 1 January 2019, the Group reclassified the carrying value of finance leases previously held under property, plant and equipment as right-of-use assets – plant and equipment in accordance with IFRS 16.

The Group's lease liabilities are included in interest-bearing liabilities at note 10.

## 8. TRADE AND OTHER PAYABLES

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| Trade payables and accruals | **7,049** | 6,409 |

**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:

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| Within 1 month | **6,959** | 5,418 |
| 1 to 2 months | **33** | 974 |
| 2 to 3 months | **25** | 10 |
| Over 3 months | **32** | 7 |
| Trade payables and accruals | **7,049** | 6,409 |

## 9. PROVISIONS

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **Current** | | |
| Employee entitlements | **2,263** | 1,762 |
| Other | **–** | 130 |
| | **2,263** | 1,892 |
| **Non-current** | | |
| Employee entitlements | **122** | 86 |
| Rehabilitation | **18,992** | 12,531 |
| | **19,114** | 12,617 |
| *Rehabilitation movement* | | |
| Balance at 1 January 2019 | **12,531** | |
| Additions | **6,768** | |
| Rehabilitation borrowing discount unwound | **–** | |
| Net foreign exchange movement | **(307)** | |
| Balance at 31 December 2019 | **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 regulatory requirements and 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 2019 was 0% (2018: 0%) and in Sweden was 0% (2018: 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. A contingent liability in relation to the Group's Svartliden rehabilitation provision has been disclosed at note 17.

The Group continues to complete progressive rehabilitation at all its sites but the works associated with these rehabilitation provisions are not expected to be undertaken in the subsequent reporting period.

## 10. INTEREST BEARING LIABILITIES

| | **2019** | 2018 |
|---|---|---|
| | ***AU$'000*** | *AU$'000* |
| **Current liabilities** | | |
| Lease liabilities[1] | **65** | 7 |
| | **65** | 7 |
| **Non-current liabilities** | | |
| Loan principal | **6,000** | 4,000 |
| Revaluation of HKD denominated drawdowns | **293** | 249 |
| Lease liabilities[1] | **242** | 29 |
| | **6,535** | 4,278 |

The Group's right-of-use lease assets are included at note 7.

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

The Group has a Hong Kong Dollar denominated unsecured Loan Facility with AP Finance Limited ("Loan Facility") for the Australian Dollars ("AUD") equivalent of AU$12.0 million. On 22 November 2019, the Company extended the Loan Facility availability period from 30 June 2020 to 30 June 2021; all other terms and conditions remained unchanged.

The Company has agreed with AP Finance Limited that the September 2018, January and March 2019 drawdowns of AU$1.0 million each will be repayable in Australian Dollars. The rest of the Loan Facility remains repayable in Hong Kong Dollars. Refer to Subsequent Events note 18 for changes to the Loan Facility after year end.

## 11. CONTRIBUTED EQUITY

| Share capital | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|
| | **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. Shares |
|---|---|---|
| At 1 January 2019 | 133,991 | 138,840,613 |
| Balance at 31 December 2019 | 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 2019 and 2018 was declared or paid by the Company. In addition, the Board resolved not to propose any final dividend for the year ended 31 December 2019.

## 12. KEY MANAGEMENT PERSONNEL DISCLOSURES

### a) Details of Key Management Personnel

Directors' and Executive's 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 Chairman (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 | |
|---|---|---|
| | **2019** | 2018 |
| | ***AU$*** | *AU$* |
| Short-term | **1,507,621** | 1,080,161 |
| Long-term | **86,673** | 116,375 |
| Post-employment | **134,526** | 101,738 |
| **Total** | **1,728,820** | 1,298,274 |

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 2019 and 2018 years.

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 | |
|---|---|---|
| | **2019** | 2018 |
| | ***AU$*** | *AU$* |
| Salaries, allowances and benefits in kind | **963,862** | 924,852 |
| Performance related bonuses | **26,432** | 50,995 |
| Pension scheme contributions | **206,687** | 165,516 |
| **Total** | **1,196,981** | 1,141,363 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| Nil to HK$1,000,000 | **–** | – |
| HK$1,000,001-HK$1,500,000 | **2** | 1 |
| HK$1,500,001-HK$2,000,000 | **2** | 2 |
| HK$2,000,001-HK$2,500,000 | **–** | 1 |
| HK$2,500,001-HK$3,000,000 | **–** | – |
| HK$3,000,001-HK$3,500,000 | **–** | – |
| **Total** | **4** | 4 |

## 13. 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[1] | 2019 | 90,000 | – | – | – | 8,550 | 98,550 | – |
| (Non-Executive Chairman) | 2018 | 90,000 | – | – | – | 8,550 | 98,550 | – |
| Mr Brett R Smith[2] | 2019 | 345,419 | 509,195 | 28,426 | 10,833 | 81,188 | 975,061 | 52% |
| (Executive Director) | 2018 | 300,000 | 200,000 | 26,591 | 19,696 | 47,500 | 593,787 | 34% |
| Ms Lam Lai[3] | 2019 | 31,547 | – | – | – | – | 31,547 | – |
| (Non-Executive Director) | 2018 | – | – | – | – | – | – | – |
| Mr Carlisle C Proctor | 2019 | 40,000 | – | – | – | 3,800 | 43,800 | – |
| (Independent Non-Executive Director) | 2018 | 37,930 | – | – | – | 3,603 | 41,533 | – |
| Mr Poon Yan Wai | 2019 | 30,000 | – | – | – | – | 30,000 | – |
| (Independent Non-Executive Director) | 2018 | 4,615 | – | – | – | – | 4,615 | – |
| Mr Pak Wai Keung Martin | 2019 | 30,000 | – | – | – | – | 30,000 | – |
| (Independent Non-Executive Director) | 2018 | 4,615 | – | – | – | – | 4,615 | – |
| Mr Mark Wong | 2019 | – | – | – | – | – | – | – |
| (Alternate Director) | 2018 | – | – | – | – | – | – | – |
| **Total all specified Directors** | **2019** | **566,966** | **509,195** | **28,426** | **10,833** | **93,538** | **1,208,958** | **42%** |
| | **2018** | **437,160** | **200,000** | **26,591** | **19,696** | **59,653** | **743,100** | **27%** |
| **Specified Executives** | | | | | | | | |
| Mr Neale M Edwards | 2019 | 214,698 | – | 19,030 | 4,082 | 20,396 | 258,206 | – |
| (Chief Geologist) | 2018 | 208,000 | – | 18,437 | 3,958 | 19,760 | 250,155 | – |
| Mr Daniel K Broughton | 2019 | 216,762 | – | 19,214 | 5,088 | 20,592 | 261,656 | – |
| (Chief Financial Officer) | 2018 | 210,000 | 25,000 | 18,614 | 29,079 | 22,325 | 305,018 | 8% |
| **Total all named Executives** | **2019** | **431,460** | **–** | **38,244** | **9,170** | **40,988** | **519,862** | **–** |
| | **2018** | **418,000** | **25,000** | **37,051** | **33,037** | **42,085** | **555,173** | **5%** |
| **Total all specified Directors and Executives** | **2019** | **998,426** | **509,195** | **66,670** | **20,003** | **134,526** | **1,728,820** | **29%** |
| | **2018** | **855,160** | **225,000** | **63,642** | **52,733** | **101,738** | **1,298,273** | **17%** |

*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.

3) Ms Lam Lai was appointed Non-Executive Director effective from 18 July 2019.

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.

## 14. 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:

| | **2019** | 2018 |
|---|---|---|
| **Basic earnings/(loss) per share** | | |
| Earnings/loss used in calculation of basic earnings/(loss) per share (AU$'000) | **6,311** | (9,531) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings/(loss) per share | **138,840,613** | 96,532,921 |
| Basic earnings/(loss) per share (cents) | **4.55** | (9.90) |
| **Diluted earnings/(loss) per share** | | |
| Earnings/loss used in calculation of diluted earnings/(loss) per share (AU$'000) | **6,311** | (9,531) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings/(loss) per share | **138,840,613** | 96,532,921 |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share | **138,840,613** | 96,532,921 |
| 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/(loss) per share (cents) | **4.55** | (9.90) |

## 15. 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 2019 % | 2018 % |
|---|---|---|---|---|
| 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#) | Hong Kong | Ordinary | **100** | – |

# for translation purpose

### 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 provides Chief Financial Officer Services and the Company also provides administrative services including offering the use of certain space in the Company office premise located in Perth, Australia as its registered office to ASX listed gold explorer, Tanami Gold NL ("Tanami"). Tanami is a Company of which Messer's Dew, Smith and Procter, the Company's Non-Executive Chairman, Executive Director and Independent Non-Executive Director are also Non-Executive Directors. The provision of services commenced from 8 September 2014 whereby the Company will charge Tanami for 46% of Mr DK Broughton's salary cost. During the year, the Company charged Tanami AU$100,000 (2018: AU$100,000) of which nil was outstanding at 31 December 2019 (2018: AU$24,750).

### Entity with significant influence over the Group

As at 31 December 2019, 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, owns 25,487,855 ordinary shares of the Company for an interest of 18.35%. The Company also has an unsecured AU$12 million loan facility with AP Finance Limited ("Loan Facility"), a subsidiary of Allied Properties (H.K.) Limited. 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 2021. Refer to note 10.

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

## 16. 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 Orivesi, Jokisivu and Kaapelinkulma 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 2019 *AU$'000* | Finland 2019 *AU$'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)** |
| **Total revenue** | **41,360** | **43,598** | **53,073** |
| **Other revenue** | | | |
| Interest revenue | **6** | **9** | **15** |
| Sundry revenue | **–** | **7** | **7** |
| Unallocated interest revenue | **–** | **–** | **51** |
| **Total other revenue** | **6** | **16** | **73** |
| Segment interest expense | **1** | **–** | **1** |
| Unallocated interest expense | **–** | **–** | **192** |
| **Total interest expense** | **1** | **–** | **193** |
| Depreciation and amortisation | **1,354** | **5,490** | **6,844** |
| Unallocated depreciation and amortisation | **–** | **–** | **5** |
| | **1,354** | **5,490** | **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** |
| **Segment assets** | **31,362** | **46,864** | **78,226** |
| Unallocated items: | | | |
| Other corporate assets | | | **407** |
| **Total assets** | | | **78,633** |
| Acquisition of non-current assets | **1,125** | **6,101** | **7,226** |

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

| | Sweden 2018 *AU$'000* | Finland 2018 *AU$'000* | Total 2018 *AU$'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Gold sales to external customers | 31,837 | 6,013 | 37,850 |
| Inter-segment sales | – | 31,819 | 31,819 |
| Elimination of inter-segment revenue | – | – | (31,819) |
| **Total revenue** | 31,837 | 37,832 | 37,850 |
| **Other revenue** | | | |
| Interest revenue | 3 | – | 3 |
| Sundry revenue | – | 7 | 7 |
| Unallocated interest revenue | – | – | 206 |
| **Total other revenue** | 3 | 7 | 216 |
| Segment interest expense | – | – | – |
| Unallocated interest expense | – | – | 173 |
| **Total interest expense** | – | – | 173 |
| Depreciation and amortisation | 109 | 3,451 | 3,560 |
| Loss on disposal of exploration | – | 326 | 326 |
| | 109 | 3,777 | 3,886 |
| **Segment result** | | | |
| Pre-tax segment result | (7,319) | 653 | (6,666) |
| Income tax expense | – | – | – |
| Post tax segment result | (7,319) | 653 | (6,666) |
| Unallocated items: | | | |
| Corporate interest revenue | | | 206 |
| Corporate costs | | | (3,817) |
| Finance costs | | | (181) |
| Elimination of inter-company interest expense and management fees in segment results | | | 927 |
| **Profit after tax as per the Consolidated Statement of Profit or Loss** | | | (9,531) |

| | Sweden 2018 *AU$'000* | Finland 2018 *AU$'000* | Total 2018 *AU$'000* |
|---|---|---|---|
| **Segment assets** | 26,723 | 26,583 | 53,306 |
| Unallocated items: | | | |
| Other corporate assets[1] | | | 9,458 |
| **Total assets** | | | 62,764 |
| Acquisition of non-current assets | 4,244 | 187 | 4,431 |

[1] Other corporate assets predominantly relates to cash and short-term deposits held within the Australian Parent of AU$9.3 million.

| | Australia 2018 *AU$'000* | Sweden 2018 *AU$'000* | Finland 2018 *AU$'000* | Total 2018 *AU$'000* |
|---|---|---|---|---|
| **Non-current assets by geographic location** | 53 | 18,898 | 18,417 | 37,368 |

## 17. 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 remains as an early stage exploration project as at 31 December 2019 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% Net Smelter Return 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) Svartliden Rehabilitation Provision

In accordance with the Group's constructive and 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 Courts ruling while the ruling is under appeal.

As at 31 December 2019, the Group has not included the additional bond security in its Closure Plan for Svartliden. In the event of a fundamental change to the acid forming characteristics of the NAF waste rock resulting in the need for an engineered cover of the entire waste rock area, the recognition of the additional provision amount will be significant.

**(iv) PEIC Dispute**

On 9 March 2016, PEIC Oy, one of the Group's electrical contractors at the time in Finland, ceased to provide electrical contracting services to Dragon Mining Oy ("DOY"). On 20 December 2017, the Company was informed by the Pirkanmaan District Court ("District Court") that PEIC Oy had applied to the District Court summoning a claim against DOY.

On 17 December 2018, the District Court ruled in favour of PEIC Oy. On 22 February 2019, the Court of Appeal, having read the Group's appeal document and grounds for appeal, granted the Group leave to appeal the District Court's ruling.

The basis for the Group's appeal challenges both the reasonableness and legitimacy of a number of historical demands being raised in PEIC Oy's claim. The Group's initial defence was lacking in this area and has since changed its legal representation. The Claim Amount, which has been paid by the Company, is held in escrow pending the decision of the Court of Appeal scheduled to be heard in early April 2020.

Regardless of the aforesaid appeal, the Group has objected to all historical demands from PEIC Oy and maintains the view that PEIC Oy does not have a valid basis for its claim above the amount provided by the Company. In the event the Company's appeal is unsuccessful, the claim amount will not constitute a material impact on the Groups financial position or operating results.

## 18. SIGNIFICANT EVENTS AFTER PERIOD END

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.

## 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 mining and processing facilities in Finland and Sweden. In Finland, the Vammala Production Centre ("Vammala") consists of a conventional 300,000 tpa crushing, milling and flotation plant ("Vammala Plant"), the Jokisivu Gold Mine ("Jokisivu"), and the Kaapelinkulma Gold Mine ("Kaapelinkulma"). The Orivesi Gold Mine ("Orivesi") ceased production in June 2019 and the Company is working towards closing the mine. 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 tonne per annum carbon-in-leach processing plant ("Svartliden Plant") the closed Svartliden Gold Mine (mining completed 2013) and the Fäboliden Gold Mine ("Fäboliden"). A program of test-mining recommenced at Fäboliden in May 2019, with processing of first ore from test-mining in September 2019.

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.

## OPERATIONS OVERVIEW

### Safety Performance

The Group continues to focus on driving an improved safety culture across all its operations and finished the year with a 12 month rolling lost time injury ("LTI") frequency rate, per million work hours of 4.02 (2018: 4.32). One LTI occurred at the Group's Finnish operations during 2019. Prior to the cessation of mining, Orivesi has achieved over 1,855 days LTI free, Vammala, Jokisivu and Kaapelinkulma recorded 309, 1,472 and 1,096 LTI free days, respectively. In Sweden, Svartliden and Fäboliden have recorded 1,370 days and 508 days LTI free respectively.

## Finland Operations

### *Vammala Plant*

Since recommissioning of the Vammala Plant in June 2017, the conventional crushing, milling and flotation facility has produced in total 362,157 ounces of gold in concentrate for the year to 31 December 2019 (2018: 336,219 ounces of gold). During 2019, the Vammala Plant treated 303,713 tonnes of ore (2018: 308,070 tonnes of ore) with an average grade of 3.1 g/t gold (2018: 2.9 g/t gold) to produce 25,938 ounces of gold (2018: 24,883 ounces of gold) at a recovery level of 86.8% (2018: 87.1%). Gold production increased by 4.2% compared to 2018. Mill feed for Vammala was sourced from Jokisivu, Kaapelinkulma and Orivesi, comprising:

- 243,961 tonnes of ore from Jokisivu at an average grade of 2.7 g/t gold;
- 20,862 tonnes of ore from Kaapelinkulma at an average grade of 2.9 g/t gold; and
- 38,890 tonnes of ore from Orivesi at an average grade of 5.6 g/t gold.

| | **Vammala Production Centre** | |
|---|---|---|
| | **2019** | 2018 |
| Ore mined (tonnes) | **314,752** | 301,430 |
| Mined grade (g/t gold) | **3.0** | 3.8 |
| Ore milled (tonnes) | **303,713** | 308,070 |
| Head grade (g/t gold) | **3.1** | 2.9 |
| Process recovery (%) | **86.8%** | 87.1% |
| Gold production (oz) | **25,938** | 24,883 |

### *Jokisivu Gold Mine*

Production at Jokisivu came from the Kujankallio and Arpola deposits, with ore coming from both stope and development works. Total ore mined from Jokisivu was 256,706 tonnes at 2.9 g/t gold (2018: 264,679 tonnes at 2.8 g/t gold); 157,283 tonnes of ore came from ore stopes (2018: 113,391 tonnes) and the remaining 99,423 tonnes (2018: 151,288 tonnes) came from ore development.

| | **Jokisivu Gold Mine** | |
|---|---|---|
| | **2019** | 2018 |
| Ore Mined (tonnes) | **256,706** | 264,679 |
| Mined Grade (g/t gold) | **2.9** | 2.8 |

Development of the Jokisivu decline progressed 587 metres during the year from the 415m level to the 500m level.

*Kaapelinkulma Gold Mine*

In April 2019, first ore production commenced from the Kaapelinkulma open-pit gold mine. During the year, a total of 28,499 tonnes of ore grading 3.0 g/t gold was mined. 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.

| | **Kaapelinkulma Gold Mine** | |
|---|---|---|
| | **2019** | 2018 |
| Ore mined (tonnes) | **28,499** | – |
| Waste rock (tonnes) | **371,312** | – |
| Strip ratio | **13:1** | – |
| Mined grade (g/t gold) | **3.0** | – |

*Orivesi Gold Mine*

Total ore mined from Orivesi was 29,547 tonnes at 4.6g/t gold (2018: 37,140 tonnes at 3.9 g/t gold). With the end of mining in June 2019, Orivesi commenced working towards closing the mine.

| | **Orivesi Gold Mine** | |
|---|---|---|
| | **2019** | 2018 |
| Ore mined (tonnes) | **29,547** | 37,140 |
| Mined grade (g/t gold) | **4.6** | 3.9 |

The Supreme Administrative Court of Finland ("Court") decision to uphold the Western and Inland Finland Regional State Administrative Office decision to not grant the Group a new Environmental Permit (refer Environmental Review from page 69) did not impact the Groups production activities during the year. The Company was given six months to submit a mine closure plan to the Regional State Administrative Agency of Western and Inland Finland for approval. Underground rehabilitation works commenced upon cessation of mining. In December 2019, the Company submitted its updated Orivesi Closure Plan to the Regional State Administrative Agency of Western and Inland Finland ("AVI") for approval. In light of this, the Group has considered its future rehabilitation obligations in light of all available information and is satisfied the provision amount is reasonable.

All capitalised costs for Orivesi have been fully written off. The Group continues to hold 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 located in northern Sweden, approximately 700 kilometres 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 2019, the Svartliden Plant continued to operate at below breakeven 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 six weeks in September and October, when it processed only ore from the Fäboliden test mine.

| | **Svartliden Production Centre** | |
|---|---|---|
| | **2019** | 2018 |
| Ore milled (tonnes) | **60,393** | – |
| Head grade (g/t gold) | **2.6** | – |
| Ore process recovery (%) | **77.3%** | – |
| Vammala flotation concentrate milled (tonnes) | **3,433** | 4,482 |
| Concentrate process recovery | **93.9%** | 94.0% |
| Head grade (g/t gold) | **163.5** | 137.5 |
| Total Gold production (oz) | **20,997** | 18,625 |

During the year, the majority of Vammala flotation concentrate was processed at the Svartliden Plant, except for six weeks during September and October 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 30km southeast of the Svartliden Plant. On 23 November 2017, the Company was granted an Environmental Permit for test-mining by the County Administration Board. Following the rejection of an appeal by the Swedish Land and Environmental Court on 18 April 2018, the permit gained legal force on 11 May 2018.

In accordance with the Environmental Permit, test-mining activities at Fäboliden recommenced on 1 May 2019, with the first parcel of ore mined and transported to Svartliden in June 2019. The processing of Fäboliden ore at the Svartliden Plant commenced in September 2019.

During the year, a total of 68,530 tonnes of ore grading 2.9 g/t gold was mined. 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.

| | **Fäboliden Gold Mine** | |
|---|---|---|
| | **2019** | 2018 |
| Ore mined (tonnes) | **68,530** | – |
| Waste rock (tonnes) | **184,043** | – |
| Strip ratio | **2.47:1** | – |
| Mined grade (g/t gold) | **2.9** | – |

As anticipated, conditions at Fäboliden at recommencement were challenging due to the spring snow melt. This was further compounded by significantly higher than average rainfall during May, however the weather and ground conditions improved during the summer months. The national holiday period over the summer resulted in reduced contractor personnel and lower production during July and part of August 2019. Acceptable mining rates were achieved in the later part of August and September 2019. Mining activities were halted as per the Environmental Permit conditions on 30 September 2019, resulting in a small ore stockpile remaining at Fäboliden.

Combined ore and waste blasting were performed with a bench height of 5 metres followed by selective loading of 2.5 metre flitches using GPS set-out of grade control ore zones. Mining reconciliation data indicates ore dilution levels have varied between 10% and 26%. Higher dilution levels were experienced in the upper levels at the bedrock surface although, once mining had progressed beyond 5-10 metres from the bedrock surface, rock conditions improved allowing for more even benches, better drilling conditions, and improved mining accuracy. In summary, the dilution levels and resulting run of mine grade are within expectations for test-mining. The average metallurgical recovery achieved during ore processing was 77.3% and falls within the range of recoveries achieved during the various stages of metallurgical test work previously conducted by the Company and the projects previous owner. Data from the test-mining reconciliation has been incorporated into the ongoing Mineral Resource and Ore Reserves update.

The Fäboliden deposit is an orogenic gold deposit, with mineralisation hosted by Paleoproterozoic meta-sediments and meta-volcanic rocks, which are surrounded by granitoids. This host sequence is cross-cut by a set of northwest-southeast striking, flat lying undeformed dolerites that are not mineralised. Mineralisation is commonly hosted by the arsenopyrite and graphite bearing, variably boudinaged quartz and sulphide veins within the host rocks.

Mining confirmed the information derived from grade control drilling, with the higher grade main mineralised zone within the meta-sediments displaying good continuity for the length of the test mine open pit. In the hanging wall overlying the main zone, a series of narrower, lower grade mineralised zones occur close to or on the metasediment and meta-volcanic contact zone. This pattern of mineralisation repeats for the 1.3 kilometre strike length of the deposit, which has been shown by drilling to date to extend over a vertical extent of 665 metres.

While mining activities were suspended at 30 September 2019, water treatment continued until November 2019 in order to gain additional data prior to full scale operations.

Test mining will be completed during 2020, within the Environmental Permits operation window of May – September. With a reduced tonnage remaining, mining is planned to be conducted after the national holiday period to allow efficient operation. Tasks such as pit dewatering, road maintenance and other minor preparation activities will be conducted during May – July 2020.

**Employees**

As at 31 December 2019, the number of people employed by the Group was 85 (2018: 82). Total staff costs including Directors emoluments amounted to AU$10.3 million (2018: AU$9.7 million). The Group reviews remuneration packages from time to time. The stipends of Directors was reviewed and approved by the Remuneration Committee on 21 November 2019. 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, 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.

## Environment, Social and Governance

The Company is committed to operating in a socially responsible manner.

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
- act systematically in the planning, execution, monitoring and improvement of environmental performance.

The Company is committed to operating in a way that 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 ("ESG") 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, the Board considers that such systems are effective and adequate.

## Operational Risks

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 much 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 operation stoppage or closure of an operating mine, which could delay production schedules and disrupt operations, and impose a material and 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") taking into account evolving scientific knowledge and technology, management practices and community expectations.

The Company ensures that 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.

- *Production*

  Any delay or failure to maintain production in accordance with the current mine plans and timetable may adversely affect the Company's future results.

  The recovery rate and production costs are dependent on many technical assumptions and factors, namely 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 grade, tonnage, mining dilution and process recovery.

  Plant breakdown or availability affect the operation.

- *Permitting*

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

  On 22 February 2019, the Swedish Land and Environment Court ("Court") issued the Company with requests for supplementary information to the Company's full-scale mining permit. The request contained questions from the Court, The Geological Survey of Sweden, and the County Administration Board. The Company supplied the supplementary information on 28 June 2019.

On 16 October 2019, the Court issued a second request for supplementary information about the scope of the permit, project economics, baseline measurements, best possible techniques, Natura 2000, recipient mixing zone, test-mining results, water treatment, unforeseen events and risks, water management, reindeer herding, cumulative effects, site rehabilitation, ore transport, and other general interests. The Court has also included their view of the scope of the Svartliden Permit, which according to the Court does not specifically cover the treatment and processing of Fäboliden ore (refer to the Environmental Review from page 69). As a result, the Company has commenced work on a change permit for Svartliden to formalise the Permit scope to specifically include Fäboliden ore processing and tailings storage, a separate process that will be conducted parallel with the ongoing permit application process for Fäboliden. The response to the Court's request for supplementary information to the Fäboliden permit application was submitted to the Court in late February 2020. The Fäboliden test-mining has a separate permit which allows for the processing of ore and depositing of tailings in the Svartliden open-pit.

If the Company faces significant delay in obtaining the full-scale mining Permit for Fäboliden, it could materially and adversely affect the Company's future profitability. Such delays would likely require the Company to re-evaluate the continued operations of the Svartliden operations. The Environmental Review from page 69 provides updates on rehabilitation and status of permitting at the Company's Swedish and Finnish operations.

- *Social and Political*

  The Company 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 or other adverse effects affecting the political climate.

In addition to the above micro level risks, the Company is exposed to other risks which include, but are not limited to, cyber-attack, environmental activism, political and economic instability, and natural disaster, all of which can have varying degrees of impact on the Company and its operating activities. Where available and appropriate to do so, the Board will seek to minimise exposure through the use of insurance and or actively monitoring the Company's ongoing exposure on a whole.

## FINANCIAL REVIEW

The Consolidated Entity generated a net profit of AU$6.3 million for the year ended 31 December 2019 (2018: net loss AU$9.5 million).

Such improvement in net profit reflects both higher than average gold prices and an increase in gold production. The main underlying factors during the year were:

- the processing of a quantity of high-grade Orivesi ore with an average grade of 9.4 g/t of gold that was originally scheduled for processing during the last two weeks of 2018 but was delayed due to operational problems;

- the commencement of processing the initial batch of ore from Fäboliden test-mining at Svartliden in September 2019; and

- Stronger USD gold spot prices were realised during the year, ranging from a low of US$1,270/oz to a high of US$1,614/oz and averaging US$1,403/oz (2018: US$1,267/oz).

**Revenue from Customers**

The Group sold 25,958 ounces of gold during 2019 (2018: 22,498 ounces of gold) to deliver revenue from operations of AU$53.1 million (2018: AU$37.9 million), an increase of 40.2%.

**Cost of Sales**

Cost of sales for the year increased slightly to AU$42.2 million (2018: AU$41.2 million) and includes an additional AU$1.8 million rehabilitation expense recognised as part of the Orivesi mine closure plan submitted to the Regional State Administrative Agency of Western and Inland Finland in December 2019. The commencement of working towards mine closure at Orivesi accelerated the depreciation of Orivesi asset carrying values to align with the depletion of all known Ore Reserves.

Cost of sales includes mining, processing, other production activities and depreciation as follows:

| **Cost of sales** | **2019**<br>***AU$'000*** | 2018<br>*AU$'000* | % change favourable/ (unfavourable) change |
|---|---|---|---|
| Mining costs | **21,746** | 24,017 | 9.5% |
| Processing costs | **10,637** | 12,279 | 13.4% |
| Other production costs | **1,272** | 1,370 | 7.2% |
| Depreciation | **6,766** | 3,488 | (94.0%) |
| Rehabilitation expense | **1,787** | – | – |
| **Total** | **42,208** | 41,154 | 2.6% |

- Mining unit costs in Finland decreased by 10.2% to €44 per tonne of ore mined (2018: €49 per tonne); the unit cost decrease is a combination of mining increased volume with 314,752 ore tonnes mined in 2019 (2018: 301,430 ore tonnes mined), and the replacement of mining higher cost underground ore tonnes at Orivesi with lower cost open-pit ore tonnes at Kaapelinkulma;

- Fäboliden test-mining produced 68,530 ore tonnes and the removal of 184,043 tonnes of waste. The remaining 31,470 ore tonnes will be mined during mid-2020;

- Processing unit costs at the Vammala Plant were €14 per ore tonne milled which represents an increase of 7.7% (2018: €13 per ore tonne). Despite this, processing costs overall were 13.4% lower in 2019 because of a significant end of year build-up in concentrate stockpiles and gold-in-circuit. Fluctuations in inventory levels and value are a normal part of the business operations which result from the timing of gold pours, shipments, grade and ore source impacting leaching residence times, and inventory revaluations;

- Depreciation increased 94.0% to AU$6.8 million (2018: AU$3.5 million) due to the limited remaining mine life at Orivesi resulting in reserve-related assets being fully depreciated by mid-2019; and

- In December 2019, the Group submitted its updated mine closure plan for Orivesi resulting in an additional AU$1.8 million rehabilitation costs for the year.

**Gross Profit**

A significant A$15.2 million increase in revenue from gold sales compared to 2018, resulted in the Group delivering a gross profit of A$10.9 million and gross profit ratio of 20.5% (2018: gross loss A$3.3 million).

**Working Capital, Liquidity and Gearing Ratio**

At 31 December 2019, the Company had net assets of AU$43.4 million (2018: AU$37.4 million), a working capital surplus of AU$21.4 million (2018: surplus AU$16.7 million) and a market capitalisation of approximately AU$44.3 million or HK$241.6 million (2018: AU$31.6 million or HK$174.9 million).

At 31 December 2019, the Company's remaining net proceeds from its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2018 had been fully utilised. The unrestricted cash and cash equivalents at balance date were AU$8.2 million (2018: AU$10.9 million of which AU$2.7 million was unrestricted). The Company has an AU$12.0 million unsecured Loan Facility with AP Finance Limited of which it had AU$6.0 million in undrawn funds remaining available at 31 December 2019 (2018: AU$8.0 million).

During the year, the Company funded its activities through cash inflows from operating activities, debt and the remaining net proceeds from the Company's initial public offering. As at 31 December 2019, the Company's gearing ratio was 15% (2018: 11%), calculated by dividing total borrowing by total equity.

**Interest Bearing Liabilities – AU$12 million unsecured loan facility with AP Finance Limited**

During the year, the Company made two drawdowns of AU$1.0 million each (2018: net drawdowns of AU$5.0 million) from its 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 November 2019, the Company extended the Loan Facility availability period from 30 June 2019 to 30 June 2021; all terms and conditions remain unchanged.

At 31 December 2019, the Company had AU$6.0 million in remaining funds available (2018: AU$8.0 million). Refer to Significant Events after Balance Date for details of movements in the Loan Facility after year end.

**Other Key Movements on the Consolidated Statement of Financial Position**

- Total current assets increased by 22.1% to AU$31.0 million (2018: AU$25.4 million). The main movement was a 65.9% increase in the value of inventory, specifically from the build-up of gold-in-circuit at the Svartliden Plant and the reintroduction of Vammala concentrate to the plant's processing circuit. The gold in concentrate has a significantly longer leaching residence time than ore due to its significantly higher-grade;

- Right of use assets is a new class of non-current asset recognised in accordance with International Financial Reporting Standard, IFRS 16 – Leases. The balance represents carrying values for right-of-use assets subject to lease;

- Total non-current assets increased by 27.5% to AU$47.7 million (2018: AU$37.4 million). Property, plant and equipment includes mine properties which represents the accumulation of all acquired exploration, evaluation and development expenditure, in relation to the development of Fäboliden and Kaapelinkulma during 2019;

- Non-current provisions increased by 51.5% as a result of AU$6.8 million increase in the rehabilitation provisions at Orivesi, Jokisivu and Kaapelinkulma in Finland and Fäboliden in Sweden; and

- As a result of the additional rehabilitation provisions and an AU$2.0 million drawdown from the Company's Loan Facility, total liabilities have increased by 39.4% to AU$35.3 million (2018: AU$25.3 million).

**Financial Risks**

The following is a summary of the Company's financial risk management policies, the full details of which are provided in the Annual Report.

- ***Foreign Exchange***

  The Company sells its bullion and gold concentrate in USD, the majority of its costs are denominated in SEK and EUR, an interest-bearing liability denominated in HKD, 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.

- ***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 this stage, the Company does not plan to hedge commodity price risk.

- ***Liquidity***

  The Company is exposed to liquidity risk through its financial liabilities and its ability to meet obligations to repay its financial liabilities as and when they fall due. The Company intends to maintain a balance between continuity of funding and flexibility using bank loans and 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 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 2019 and 31 December 2018.

**Contingent Liabilities**

As at 31 December 2019, the Group has disclosed two contingent liabilities at note 17 of the Consolidated Financial Statements.

**Company Strategy**

The Company is 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, the public including civic groups, the environment and the general amenity of its areas of operation.

The Company seeks 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 Fäboliden and Kaapelinkulma Gold Mines; 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 since the commencement of the period and no dividend has been recommended by the Directors for the year ended 31 December 2019 (2018: nil).

## Annual General Meeting

The forthcoming Annual General Meeting will be held on 21 May 2020. 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 Annual General Meeting ("AGM") to be held on 21 May 2020, the registers of members of the Company in Hong Kong and Australia will be closed from Monday, 18 May 2020 to Thursday, 21 May 2020, 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, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067, Melbourne for registration no later than 4:30 p.m. on Friday, 15 May 2020 (Australian time); (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, 15 May 2020 (Hong Kong time).

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

During the year ended 31 December 2019, 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 Balance Date

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.

**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.

**Use of Net Proceeds from The Company's Initial Public Offer ("IPO")**

The net proceeds from the Company's listing on the Main Board of the Stock Exchange, after deducting underwriting commission and listing expenses, amounted to AU$9.5 million (HK$53.9 million).

The Company has previously advised in the Prospectus that 90.0% of the net proceeds, representing approximately HK$48.5 million would be used to fund mine development, capital expenditure and operating expenditure activities associated with Fäboliden during 2018 and 2019. The Prospectus allocated the net proceeds as follows:

- approximately 13.5% of the net proceeds would be used to fund mine development and capital expenditure activities at Fäboliden for the three months ending 31 December 2018; and

- approximately 76.5% of the net proceeds will be used for funding mine development, capital expenditure and operating expenditure activities at Fäboliden for the year ending 31 December 2019; and

- the balance of approximately 10.0% of the net proceeds, representing approximately HK$5.4 million, would be used for working capital and general corporate purposes.

As at 31 December 2019, all of the net proceeds have been used by the Company. The Independent Non-Executive Directors, having reviewed the transaction records of the account holding the IPO proceeds, confirm that the net proceeds available for the Fäboliden development have been used only for Fäboliden as follows, note the table is presented in the Company's presentation currency:

| **Purpose** | **Proposed use of proceeds** | **Purpose of proceeds expressed as % of net proceeds** | **Actual Amount utilised from 5 Nov 2018 to 31 Dec 2018** | **% utilised from 5 Nov 2018 to 31 Dec 2018** | **Actual Amount utilised from 1 Jan 2019 to 31 Dec 2019** | **% utilised from 1 Jan 2019 to 31 Dec 2019** | **Total utilised from 5 Nov 2018 to 31 Dec 2019** | **% utilised from 5 Nov 2018 to 31 Dec 2019** |
|---|---|---|---|---|---|---|---|---|
| | *AU$'000* | *%* | *AU$'000* | *%* | *AU$'000* | *%* | *AU$'000* | *%* |
| Net proceeds dollar value proposed to be used (incl % of total) versus actual use (incl % of actual total) for 2018. Use restricted to mine development and capital expenditure activities at Fäboliden. | 1,282 | 13.5% | 382 | 29.8% | 900 | 70.2% | 1,282 | 100% |
| Net proceeds dollar value proposed to be used (incl % of total) versus actual use (incl % of actual total) for 2019. Use restricted to mine development, capital expenditure and operating expenditure at Fäboliden including Fäboliden processing costs at Svartliden. | 7,268 | 76.5% | – | 0.0% | 7,268 | 100.0% | 7,268 | 100% |
| Working capital and corporate purposes. | 950 | 10.0% | 409 | 43.1% | 541 | 56.9% | 950 | 100% |
| **Totals** | **9,500** | **100.0%** | **791** | **8.3%** | **8,709** | **91.7%** | **9,500** | **100%** |

## ADVANCED PROJECTS AND EXPLORATION REVIEW

Dragon Mining continued to undertake drilling activities at the Company's key projects in southern Finland and northern Sweden during 2019. Drilling was primarily undertaken to better define the extent and geometry of known mineralised zones and provide information to support mine planning and development.

In Finland, 90 diamond core drill holes were completed during the year from underground positions at the Jokisivu Gold Mine ("Jokisivu"), totalling 11,034.90 metres (2018–112 diamond core holes for 17,059.55). In Sweden, a grade control drilling program comprising of 59 reverse circulation drill holes and 51 diamond core drill collectively totalling 3,210.90 metres was drilled at the Fäboliden Gold Mine ("Fäboliden") as part of the test-mining program (2018–15 diamond core holes for 707.50 metres).

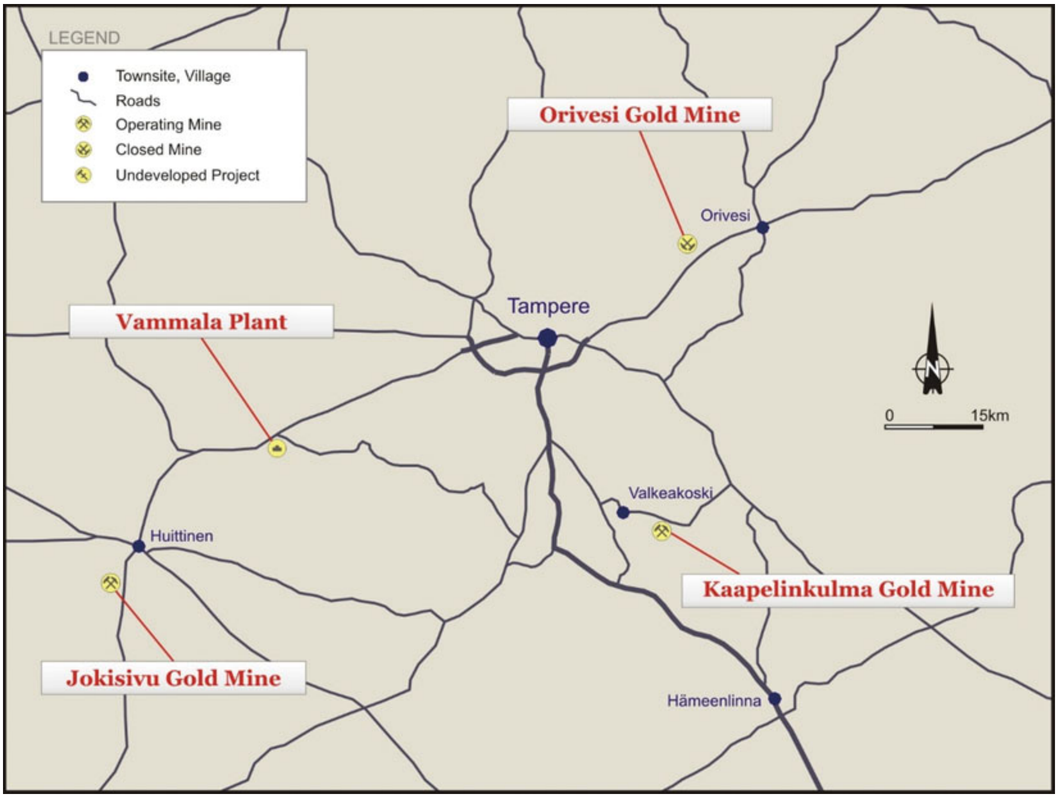

Full details of the Jokisivu drilling campaigns have been previously released to the Stock Exchange on:

2 September 2019 – Promising Results from Drilling at the Jokisivu Gold Mine; and 27 February 2020 – Update on Exploration Activities Undertaken in Southern Finland.

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

In addition to drilling, the Company also commenced full-scale mining at the Kaapelinkulma Gold Mine ("Kaapelinkulma") and test mining at Fäboliden. Preparation for exploration activities at Orivesi and its nearby surroundings commenced as the Company works towards closing the Orivesi mine.

**Finland**




*Jokisivu Gold Mine*

At Jokisivu, 90 underground diamond core holes were drilled in five campaigns for an advance of 11,034.90 metres. These campaigns included:

- a 24 hole, 2,111.5 metre campaign completed from drill stations at the 120m and 170m levels targeting the footwall zones at Arpola between the 120m and 210m levels;
- a 35 hole, 5,128.70 metre campaign drilled from the 450m level directed at the Kujankallio Main Zone and Kujankallio Hinge Zone between the 420m and 500m levels;
- a 17 hole, 1,906.30 metre campaign from the 470m level targeting the Kujankallio Hinge Zone between the 500m and 530m levels;
- a 9 hole, 1,203.60 metre campaign drilled from the 170m and 190m levels directed at the Arpola Hanging Wall Zone; and
- a 5 hole, 684.80 metre campaign drilled from the 120m level directed at the Arpola Hanging Wall Zone.

By the end of the year, results had been received for 67 holes of the 90 holes drilled, returning a series of significant intercepts. These intercepts support current geological models, further delineating the principal mineralised zones in the Kujankallio Main Zone and Kujankallio Hinge Zone area, whilst providing confidence that the mineralised zones associated with the Arpola deposit display good continuity, though the area is structurally complex and remains challenging.

Updating of the Jokisivu Mineral Resource commenced in November 2019 and included the results from 54 holes of the 90 holes drilled during 2019 that were available at the date of commencement of the update. An application for a new Mining Concession, contiguous with Dragon Mining's current Jokisivu Mining Concession holding was approved during the year. The new Mining Concession secures further extensions of the Kujankallio and Arpola deposits in readiness for future mine development.

Drilling programs will continue at Jokisivu from underground positions in 2020 with the objective of further evaluating the extensions of the Kujankallio and Arpola deposits and associated satellite zones.

***Orivesi Gold Mine***

Following the cessation of mining activities at Orivesi in June 2019, the Company commenced preparation to undertake a campaign of early-stage exploration to evaluate the merit of the Company's Orivesi project holding, in areas away from the known mineralisation, which in the past were subject to limited exploration.

The proposed activities will include a high-level review of available airborne and ground geophysical data. This is the first integrated review of geophysical data to be undertaken across the Orivesi area, with the objective of identifying new targets that could warrant follow-up activities in the future. The second proposed campaign is a base of till/top of bedrock geochemical survey in the western part of the Orivesi project area to confirm and expand on areas of gold, arsenic and bismuth anomalism that were identified from a base of till survey undertaken in this area during the early 1990's.

***Kaapelinkulma Gold Project***

Dragon Mining continued to advance Kaapelinkulma towards mine start-up during early 2019 with the mining of first ore commencing in April 2019. Mine start-up incurred minimal capital investment as the Company continued to draw on its extensive experience of establishing mining operations in the Nordic Region.

Ore is being extracted by open pit methods and transported by road to the Vammala Plant to produce a high-grade gold flotation concentrate and gravity concentrate.

**Sweden**


***Fäboliden Gold Project***

The test mining campaign at the Fäboliden Gold Mine ("Fäboliden") recommenced in May 2019, with the first parcel of ore mined and transported to the Company's CIL circuit at Svartliden in June 2019.

The County Administration Board ("CAB") in Västerbotten had previously granted the Company an Environmental Permit for test mining operations at Fäboliden ("Test Mining Permit") in November 2017. The Test Mining Permit gained legal force on the 11 May 2018 and the Company commenced pre-stripping activities in August 2018. Following the cessation of test-mining activities for the year at the end of September 2019, test-mining activities will recommence in May 2020 in accordance with the conditions of the Test Mining Permit.

The test mining campaign has incurred minimal capital investment and is providing the Company with important information to further optimise both mining and processing activities, once full-scale operations commence.

As part of the test-mining program, a detailed grade control drilling program comprising of 59 reverse circulation drill holes and 51 diamond core drill holes, collectively totalling 3,210.9 metres. Drilling yielded a series of significant intercepts, with results commensurate with the existing geological model. Results from all grade control drill holes have been included in the update of the Fäboliden Mineral Resource.

The Company submitted an application to the Swedish Land and Environment Court ("Court") to secure an Environmental Permit for full scale mining operations at Fäboliden in July 2018 and having received an initial request for supplementary information in February 2019, provided the information accordingly. In October 2019, the Court issued a second request for supplementary information to the Company.

## 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 the requirements under those regulations and is not aware of any breach of such requirements as they apply to the Company.

### Finland

#### *Vammala Production Centre*

The Environmental Permit for production of 300,000 tonnes per annum and the processing of ore from Kaapelinkulma was returned to the permitting authority, the Western and Inland Finland Regional State Administrative Office ("AVI") by the Supreme Court. In April 2019, AVI asked requested supplementary information from the Company, for its application based on the requirements set out in Vaasa Administrative Court Decision No. 16/0096/2 May 2016.

The new Environmental Permit Application was made public on 23 May 2019. Supplementary information and Company's reply to statements received from interested parties was sent to AVI in September 2019. AVI is expected to issue a decision on the new permit application during 2020. Until such time, the Company can continue to operate under its existing permit conditions.

#### *Orivesi Gold Mine*

The Company has previously announced that its 2010 application for an extension to its 2006 Environmental Permit had been rejected by AVI. Furthermore, the Vaasa Administrative Court rejected both the Company's and the Pirkanmaa Centre for Economic Development, Transport and the Environment ("PIR ELY") appeals against the rejection decision. In July 2018, the Company and PIR ELY each submitted a Leave to Appeal, and an Appeal, to the Supreme Administrative Court ("Court") and on 6 June 2019, the Court upheld AVI's rejection decision.

During 2018 the Company received notice regarding the presence of waste material in the upper levels of the Orivesi Mine. 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. During the year, the Company safely removed 28,000 kg of mixed waste and rock from the 66m level.

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. During the year, the Company drilled four holes into the waste material and a installed a water monitoring tube to better understand potential safety issues. Samples were taken to waste acceptance criteria testing. Final results are still pending, a risk assessment will be performed by the external consultant when the results become available. Future waste removal activities are suspended waiting upon the completion of the risk assessment. The Company continues to coordinate the removal of the waste in conjunction with investigations.

***Jokisivu Gold Mine***

Work to update the Jokisivu Waste Management Plan was conducted by Envineer Oy, an external consultant. The work formed the basis for the Company's application to update the Jokisivu Environmental Permit, which was submitted to AVI in December 2019. The update to the permit was required due to the new Mining Concessions, Jokisivu 2 and Jokisivu 3. and the need to extend the waste rock area. The permit update will recognise the change in environmental quality and characteristics of the waste rock.

***Kaapelinkulma Gold Mine***

During the year, the Company met bond obligations and was given permission from The Finnish Safety and Chemicals Agency ("Tukes"), irrespective of any appeal, to commence mining activities, which it did so on 7 February 2019. Mining initially operated from mid-April to the end of May 2019. The Company monitors its noise and dust emissions so not to disrupt wildlife and adjacent Natura area, mining ceased from the end of May to ensure minimal disruption to the nesting of local Osprey.

The Hämeenlinna Administrative Court received two appeals from local residents in Kaapelinkulma. The appeals were against the amount of bond requested by Tukes and paid by the Company. The Company was required by this Court to provide additional information, which it did and in July 2019. The Court rejected the appeals.

An appeal originally received by AVI in June 2017, which they rejected in November 2017, was then appealed to the Vaasa Administrative Court and dismissed by this Court 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.

On 10 January 2019, opponents submitted an application for an administrative compulsion to AVI. The residents demanded the Company apply for a permit according to the Water Act. Prior to the commencement of mining at Kaapelinkulma, AVI rejected the demands on the basis that the permit had already been determined during the environmental permitting process. The residents have lodged their appeal with the Vaasa Administrative Court, the matter is still pending.

In April 2019, a local nature conservationist group applied for a compulsion order to the Centre for Economic Development, Transport and the Environment ("ELY") to cease operations. In July 2019, ELY rejected the matter which was subsequently appealed to the Hämeenlinna Administrative Court. In November 2019, the Company responded to statements, the matter is still pending.

Pursuant to the Environmental Permit, the trees that stand in the southern part of Kaapelinkulma must be conserved as a protected zone for the woodland brown butterfly (lopinga achine). As previously announced, a section of trees, explicitly classified as a potential habitat for the woodland brown butterfly, were accidentally logged during tree felling activities in Autumn 2016. Following the incident, the ELY Centre issued a statement on 21 April 2017, approving the Company's follow up activities and future mitigation plans to prevent a recurrence. The Tampere District Court dismissed all charges in early 2019, no criminal charges were bought against the Company or its employees and no appeal was lodged by the Prosecutor. Monitoring of the butterfly habitat continued throughout 2019.

**Sweden**

On 3 September 2019, the Swedish Land and Environment Court provided its rulings on the Company's Svartliden Rehabilitation Plan (U3), continued disposal of tailings in the Svartliden open-pit (U1) and Svartliden Permit Conditions (U2).

- ***Svartliden Rehabilitation Plan (U3)***

  Work to update the Svartliden Rehabilitation Plan ("Closure Plan") was completed in April 2017, supplementary information was submitted in May 2018 and included comments from both the Environmental Protection Agency ("EPA") and the County Administrative Board ("CAB"). The EPA and CAB both viewed the proposed actions in the Closure Plan, and the proposed closure bond, as being insufficient.

  In its ruling, 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 by 3 December 2019, subject to the Company's appeal below. The increase can take the form of a bank guarantee and is intended to provide additional security for an engineered cover over the entire waste rock area, in the event the entire waste rock area becomes potentially acid forming.

- ***Svartliden Conditions of Tailings Depositions (U1)***

  The Company has two permits (one with conditions and one without), allowing for the deposit of tailings into the Svartliden open pit. The permit with conditions allows for the deposition of tailings to a height of +415 meters above sea level. The permit without conditions has an application to allow deposition of tailings up to a height of +441 meters above sea level. In its ruling, the Court:

  (a) approved the Company's permit application to deposit tailings in the Svartliden open pit to +441 meters above sea level, subject to its other Permit conditions, which exclude the deposition of tailings from full-scale mining at Fäboliden.

  As a result, the Company will apply to update its permit conditions to allow for the deposition of tailings from full-scale mining at Fäboliden to the Svartliden open pit. This process is well understood and is considered unlikely to delay the commencement of full-scale mining or processing of ore from Fäboliden. 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 an additional investigation report into the final permit conditions for discharge from the clarification pond, to the Court. In July 2018, the CAB provided its comments to the Company disagreeing with the Company's proposed permit conditions. In October 2018, the Company provided additional comments outlining that its proposed permit conditions were based on thorough investigations and calculations which showed no risk for the environment.

  In its ruling, the Court:

  (a) provided additional rulings on clarification pond discharge limits, which are consistent with previous temporary permit conditions.

  As a result of the above rulings, the Company has taken the following actions:

  On 16 December 2019, the Environmental Court of Appeal ("Court of Appeal") granted the Company leave to appeal. The Company has submitted its appeal to challenge:

  (a) the amount of additional collateral security being requested by the Court (U3). The Company is not required to pay the additional collateral security while the appeal is pending;

  (b) the permit conditions during the closure phase (U3);

  (c) the restrictions preventing the CAB from incrementally returning the Company's security bonds as rehabilitation work is progressed (U3); and

  (d) the (U2) discharge limits and a request that the conditions proposed by the Company derived from its investigations be ruled as the final conditions.

  Further information on the appeal process from the Court of Appeal is pending.

***Fäboliden Environmental Permit***

As previously advised, the Environmental Permit for test mining was granted on 1 December 2017 and is valid until 30 September 2027.

The Company is actively pursuing the full-scale mining permit which was submitted to the Land and Environmental court in July 2018. In February 2019, the Land and Environment Court ("Court") issued a request for supplementary information, the Company's response was submitted June 2019. In October 2019, the Court issued a second request for supplementary information which the Company plans to submit in early 2020.

**Corporate Governance Practices**

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 and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities 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") 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 their tenure during the year ended 31 December 2019.

**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 2019, including the accounting principles and practices adopted by the Company. The figures in respect of the Company's Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement, have been agreed by the Company's Auditors, Ernst & Young, to the amounts set out in the Company's draft Financial Statements for the year. The work performed by Ernst & Young 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 website of the Stock Exchange 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 2019 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, 9 March 2020

*As at the date of this announcement, the Board 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.*