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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)**

### **DISCLOSEABLE TRANSACTIONS**

#### **(I) GRANT OF OPTION**

#### **(II) POSSIBLE ACQUISITION OF SHARES IN AURION**

##### **GRANT OF OPTION**

On 31 May 2023, the Subsidiary (a wholly-owned subsidiary of the Company), the Company and Aurion entered into the Agreement, pursuant to which, in consideration of the issuance of 37,500 Option Grant Shares to the Subsidiary, the Subsidiary shall grant the Option to Aurion to purchase the Interests from the Subsidiary at the Consideration of Euro 5,000,000 (equivalent to approximately A\$8,200,000).

##### **POSSIBLE ACQUISITION OF SHARES IN AURION**

In addition to the issuance of the Option Grant Shares, in the event that the Option is exercised by Aurion and a portion or the full amount of the Consideration be settled by way of issue of Consideration Shares in accordance with the terms of the Agreement, the Group will further acquire certain shareholding interest in Aurion.

##### **LISTING RULES IMPLICATIONS**

The grant of the Option is treated as a transaction and classified by reference to the percentage ratio(s) pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. As the exercise of the Option is only at the discretion of Aurion, on the grant of the Option, the transaction will be classified as if the Option had been exercised. Since the applicable percentage ratio(s) for the grant of the Option is more than 5% but all are less than 25%, the grant of the Option constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratio(s) for the Possible Acquisition, either on a standalone basis or aggregated with the issue of the Option Grant Shares, is more than 5% but all are less than 25%, the Possible Acquisition, should it materialise, constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **GRANT OF OPTION**

On 31 May 2023, the Subsidiary (a wholly-owned subsidiary of the Company), the Company and Aurion entered into the Agreement, pursuant to which, in consideration of the issuance of 37,500 Option Grant Shares to the Subsidiary, the Subsidiary shall grant the Option to Aurion to purchase the Interests from the Subsidiary at the Consideration of Euro 5,000,000 (equivalent to approximately A\$8,200,000).

The terms of the Agreement are as follows:

### **Date of Agreement**

31 May 2023

### **Parties**

- (1) the Subsidiary
- (2) the Company
- (3) Aurion

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Aurion and its ultimate beneficial owners are Independent Third Parties.

### **Subject matter**

The Subsidiary shall grant the Option to Aurion, the exercise of which is only at the discretion of Aurion, to purchase the Interests from the Subsidiary on or before 30 September 2023.

Based on the consolidated financial statements of the Company as at 31 December 2022, the book value of the Interests was zero, and no revenue nor profit was attributable to the Interests.

### **Consideration and payment terms**

The Consideration for the exercise of the Option shall be Euro 5,000,000 (equivalent to approximately A\$8,200,000). In the event that the Option is to be exercised, the Consideration shall be settled by Aurion prior to 30 September 2023 in cash, or by way of issue of Consideration Shares to the Subsidiary (or such other party as designated in writing by the Subsidiary or the Company), or a combination of both.

Aurion shall give a notice to the Subsidiary not less than 15 business days prior to the proposed payment date to set out the amount of Consideration to be paid in cash and settled by the issue of Consideration Shares (the “**Notice**”). The number of Consideration Shares to be issued by Aurion, if any, shall be calculated by the following formula:

$$\begin{array}{l} \text{Number of Consideration} \\ \text{Shares to be issued by} \\ \text{Aurion} \end{array} = \text{Relevant Consideration}^{(1)} \text{ divided by Aurion share price}^{(2)}$$

- <sup>(1)</sup> Relevant Consideration: the amount of Consideration to be settled by the issue of Consideration Shares converted to CAD based on the quoted exchange rate of Bank of Canada on the date of Notice.
- <sup>(2)</sup> Aurion share price: the volume weighted average price of the common shares of Aurion traded on the TSX Venture Exchange during the ten days prior to the date of Notice, subject to a minimum price of the common shares of Aurion based on the policy of TSX Venture Exchange on the date of disclosing the entering of the Agreement, if any.

As at the date of the Agreement, there is no minimum price of the common shares of Aurion based on TSX Venture Exchange policy, and the Aurion share price calculated based on the above is CAD0.63.

The Consideration was determined after arm’s length negotiations between the Subsidiary, the Company and Aurion taking into account (i) the estimated net present value of royalties which could be derived from the Kutuvuoma Project and the Silasselkä Project in the next 12 years should such mines be able to commence production; and (ii) the possible net gain which could be generated from the Consideration less the said royalties estimate.

### **Completion**

The completion of the Agreement is conditional upon the acceptance by the TSX Venture Exchange.

## POSSIBLE ACQUISITION OF SHARES IN AURION

In addition to the issuance of the 37,500 Option Grant Shares, for illustrative purposes only, should the Option be exercised by Aurion and the full Consideration, equivalent to approximately CAD7,292,000, be settled by way of issue of Consideration Shares calculated under the section “Grant of Option – Consideration and payment terms” above, a total of 11,531,543 Consideration Shares will be issued to the Subsidiary (or such other party as designated in writing by the Subsidiary or the Company). The Consideration Shares, together with the Option Grant Shares, represent approximately 8.17% of the enlarged number of issued common shares of Aurion. Aurion will not become a subsidiary of the Company upon completion of the Possible Acquisition.

## INFORMATION ON AURION

Aurion is a company incorporated in Canada, the shares of which are listed on the TSX Venture Exchange (TSX-V:AU) and the OTCQX Best Market (OTCQX:AIRRF). Aurion and its subsidiaries are engaged in the evaluation, acquisition and exploration of mineral properties in Canada, the United States of America and Finland.

Based on the audited consolidated financial statements of Aurion, the consolidated net loss before and after taxation for the financial years ended 31 December 2021 and 2022 and the consolidated net assets of Aurion as at 31 December 2021 and 2022 are as follows:

	<b>For the year ended 31 December 2022</b>		<b>For the year ended 31 December 2021</b>	
	<i>CAD'000</i>	<i>A\$'000</i>	<i>CAD'000</i>	<i>A\$'000</i>
Consolidated net loss before taxation	(4,714)	(5,233)	(7,381)	(7,824)
Consolidated net loss after taxation	(4,714)	(5,233)	(7,381)	(7,824)
	<b>As at 31 December 2022</b>		<b>As at 31 December 2021</b>	
	<i>CAD'000</i>	<i>A\$'000</i>	<i>CAD'000</i>	<i>A\$'000</i>
Consolidated net assets	61,976	66,934	63,329	68,395

*Notes:* The translation of CAD consolidated net loss before and after taxation into A\$ is based on the yearly average exchange rate of CAD1 to A\$1.06 and CAD1 to A\$1.11 for the year ended 31 December 2021 and 31 December 2022 respectively.

The translation of CAD consolidated net assets into A\$ is based on the exchange rate of CAD1 to A\$1.08 and CAD1 to A\$1.08 as at 31 December 2021 and 31 December 2022 respectively.

## **FINANCIAL IMPACT OF THE DISPOSAL OF THE INTERESTS RESULTING FROM THE EXERCISE OF THE OPTION**

Based on the Consideration of Euro 5,000,000 (equivalent to approximately A\$8,200,000) and on the assumption that it will be payable in cash in full, it is expected that, upon completion of the transactions contemplated under the Agreement, the Group will record a gain of approximately A\$8,200,000.

The Shareholders should note that the above figures are for illustrative purposes only. The actual gain or loss arising from the transactions contemplated under the Agreement may be different from the above estimation and will be determined based on the portion of Consideration which shall be settled by cash and is subject to review by the auditors of the Company.

## **USE OF PROCEEDS**

The maximum proceeds arising from the grant of Option of Euro 5,000,000 (equivalent to approximately A\$8,200,000) will be used by the Company for general working capital purposes.

## **INFORMATION ON THE COMPANY AND THE SUBSIDIARY**

### **The Company**

The Company is a company incorporated in Western Australia with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Group operates gold mines and processing facilities in Finland and Sweden.

### **The Subsidiary**

The Subsidiary is a company incorporated in Finland with limited liability and a wholly-owned subsidiary of the Company, and is principally engaged in gold production.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENT**

Pursuant to the 2014 Agreement, the Mining Rights in the Kutuvuoma Project and the Silasselkä Project were acquired by Aurion from the Subsidiary while the Subsidiary retained certain Interests attached to those Mining Rights, including interests in receiving bonus payments and royalties. Over the past years, the development of the abovementioned projects has been limited, and the Group has never received any bonus payment or royalty arising from its Interest.

Based on the current circumstance, it is expected that considerable time will still have to be invested in the exploration stage to determine the existence of gold resources, and subsequently to obtain all necessary permits and construct production facilities. Meanwhile, there is no guarantee that such permits would be granted and the volume of gold which could be produced from the said projects, and in turn the royalties generated therefrom, would justify the years of exploration and development. Considering the risks and uncertainty associated with such mineral exploration and the estimated low profitability to be generated from the Interests in such Mining Rights, the grant of Option represents a great opportunity for the Company to realise its past investment in the said projects for a value.

In the event the Option is exercised and cash is determined by Aurion as the settlement method of the Consideration, it is expected to improve the liquidity of the Group and allows the Group to allocate its financial resources in its business operations and/or expand its mining activities. Alternatively, if the Option is to be settled by way of issuance of Consideration Shares, the Company shall have the opportunity to enjoy the profit generated by Aurion being a well-established Canadian exploration company listed on the TSX Venture Exchange and the OTCQX Best Market.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the grant of the Option and the Possible Acquisition were fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The grant of the Option is treated as a transaction and classified by reference to the percentage ratio(s) pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. As the exercise of the Option is only at the discretion of Aurion, on the grant of the Option, the transaction will be classified as if the Option had been exercised. Since the applicable percentage ratio(s) for the grant of the Option is more than 5% but all are less than 25%, the grant of the Option constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratio(s) for the Possible Acquisition, either on a standalone basis or aggregated with the issue of the Option Grant Shares, is more than 5% but all are less than 25%, the Possible Acquisition, should it materialise, constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2014 Agreement”	a purchase agreement dated 23 May 2014 (and supplemented by a supplemental agreement dated 28 October 2021) entered into by the Subsidiary and Aurion, pursuant to which Aurion purchased the Mining Rights from the Subsidiary, and the Subsidiary retained certain interests attached to the Mining Rights;
“A\$”	Australian Dollar, the lawful currency of Australia;
“Agreement”	a letter agreement dated 31 May 2023 entered into among the Subsidiary, the Company and Aurion in relation to the grant of Option;

“Aurion”	Aurion Resources Ltd., a company incorporated in Canada and listed on the TSX Venture Exchange (TSX-V:AU) and the OTCQX Best Market (OTCQX:AIRRF);
“Board”	the board of Directors;
“CAD” or “Canadian dollar(s)”	Canadian Dollar, the lawful currency of Canada;
“Company”	Dragon Mining Limited, a company incorporated in Western Australia with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1712);
“Consideration”	the total consideration payable by Aurion for the Option, being Euro 5,000,000 (equivalent to approximately A\$8,200,000);
“Consideration Shares”	the number of common shares of Aurion to be issued to the Subsidiary (or such other party as designated in writing by the Subsidiary or the Company);
“Director(s)”	the director(s) of the Company;
“Euro”	the lawful currency of the member states of the European Union;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules);



“Interests”	all of the Subsidiary’s right, title and interest attached to the Mining Rights in the 2014 Agreement, including the right to receive bonus payments and royalties in relation to the Mining Rights;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mining Rights”	the mining rights in the Kutuvuoma Project and the Silasselkä Project located in Finland owned by Aurion;
“Option”	Aurion’s option to purchase the Interests from the Subsidiary;
“Option Grant Shares”	37,500 common shares of Aurion to be issued to the Subsidiary as consideration for the grant of the Option by the Subsidiary;
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“Possible Acquisition”	the possible acquisition of the Consideration Shares by the Subsidiary or the Group in the event that the Option is exercised by Aurion and the Consideration be settled by way of issue of the Consideration Shares;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	Dragon Mining Oy, a company incorporated in Finland with limited liability and a wholly-owned subsidiary of the Company; and

“%”

per cent.

On behalf of the Board  
**Dragon Mining Limited**  
**Arthur George Dew**  
*Chairman*

Hong Kong, 31 May 2023

*Unless otherwise stated, for illustration purpose only, amounts in Euro have been translated into A\$ at the exchange rate at Euro 1 to A\$1.64. No representation has been made that any amount in Euro or A\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

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

\* *For identification purpose only*