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 2021

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 2021 together with comparative figures for the corresponding period in 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** **AU$'000**	2020 AU$'000
Revenue from customers	*21*	**50,003**	69,255
Cost of sales	*2(a)*	**(41,753)**	(51,599)
Gross profit		**8,250**	17,656
Other revenue	*2(b)*	**9**	12
Other income	*2(c)*	**805**	314
Exploration expenditure		**(458)**	(626)
Management and administration expenses	*2(d)*	**(4,356)**	(4,269)
Exploration and evaluation written off	*2(d)*	**(561)**	(2,381)
Operating expenses	*2(d)*	**(220)**	(175)
Finance costs	*2(e)*	**(29)**	(133)
Foreign exchange gain		**541**	111
Profit before tax		**3,981**	10,509
Income tax expense	*3*	**(3,689)**	(316)
Profit after income tax		**292**	10,193
Earnings per share attributable to ordinary equity holders of the parent (cents per share)			
Basic and diluted earnings per share	*19*	**0.19**	7.34

The notes on pages 6 to 59 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	AU$'000	*AU$'000*
Profit after income tax (brought forward)	**292**	10,193
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(230)**	(79)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)	**(230)**	(79)
Total comprehensive income for the period	**62**	10,114
Profit attributable to:		
Members of Dragon Mining Limited	**292**	10,193
	292	10,193
Total comprehensive income attributable to:		
Members of Dragon Mining Limited	**62**	10,114
	62	10,114

The notes on pages 6 to 59 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	**2021** *AU$'000*	2020 *AU$'000*
CURRENT ASSETS			
Cash and cash equivalents	*4*	**14,370**	14,352
Trade and other receivables	*5*	**5,225**	6,278
Inventories	*6*	**19,679**	16,114
Other assets	*7*	**825**	209
TOTAL CURRENT ASSETS		**40,099**	36,953
NON-CURRENT ASSETS			
Property, plant, and equipment	*8*	**46,246**	38,534
Mineral exploration and evaluation costs	*9*	**1,625**	3,989
Right-of-use assets	*10*	**2,043**	377
Other assets	*7*	**5,287**	5,544
TOTAL NON-CURRENT ASSETS		**55,201**	48,444
TOTAL ASSETS		**95,300**	85,397
CURRENT LIABILITIES			
Trade and other payables	*11*	**5,496**	6,548
Provisions	*12*	**3,114**	2,351
Interest bearing liabilities	*13*	**622**	147
Other liabilities		**122**	321
Current tax liability		**1,697**	303
TOTAL CURRENT LIABILITIES		**11,051**	9,670
NON-CURRENT LIABILITIES			
Provisions	*12*	**22,889**	19,025
Interest bearing liabilities	*13*	**1,391**	3,217
Other liabilities		**–**	7
TOTAL NON-CURRENT LIABILITIES		**24,280**	22,249
TOTAL LIABILITIES		**35,331**	31,919
NET ASSETS		**59,969**	53,478
EQUITY			
Contributed equity	*14*	**140,454**	133,991
Reserves	*16*	**(760)**	(496)
Accumulated losses		**(79,725)**	(80,017)
TOTAL EQUITY		**59,969**	53,478

The notes on pages 6 to 59 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Contributed Equity *AU$'000*	Accumulated Losses *AU$'000*	Foreign Currency Reserve *AU$'000*	Convertible Note Premium Reserve *AU$'000*	Equity Reserve Purchase of Non-controlling Interest *AU$'000*	Treasury Shares Reserve *AU$'000*	Total Equity *AU$'000*
At 1 January 2020	133,991	(90,210)	(3,554)	2,068	1,069	–	43,364
Profit after income tax for the year	–	10,193	–	–	–	–	10,193
Other comprehensive loss	–	–	(79)	–	–	–	(79)
Total comprehensive profit for the year	–	10,193	(79)	–	–	–	10,114
At 31 December 2020	133,991	(80,017)	(3,633)	2,068	1,069	–	53,478
At 1 January 2021	**133,991**	**(80,017)**	**(3,633)**	**2,068**	**1,069**	**–**	**53,478**
Profit after income tax for the year	**–**	**292**	**–**	**–**	**–**	**–**	**292**
Other comprehensive loss	**–**	**–**	**(230)**	**–**	**–**	**–**	**(230)**
Total comprehensive profit for the year	**–**	**292**	**(230)**	**–**	**–**	**–**	**62**
Shares issued	**6,862**	**–**	**–**	**–**	**–**	**–**	**6,862**
Share issue transaction costs	**(229)**	**–**	**–**	**–**	**–**	**–**	**(229)**
Share buy-back transaction	**(170)**	**–**	**–**	**–**	**–**	**(34)**	**(204)**
Total transactions with owners	**6,463**	**–**	**–**	**–**	**–**	**(34)**	**6,429**
At 31 December 2021	**140,454**	**(79,725)**	**(3,863)**	**2,068**	**1,069**	**(34)**	**59,969**

The notes on pages 6 to 59 form part of this annual results announcement.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *AU$'000*	2020 *AU$'000*
Cash flows from operating activities			
Receipts from customers		**51,487**	68,539
Payments to suppliers and employees		**(39,606)**	(47,056)
Payments for mineral exploration		**(1,223)**	(567)
Interest received		**3**	12
Interest paid		**(15)**	(154)
Income taxes paid		**(1,950)**	–
Net cash from operating activities	*4*	**8,696**	20,774
Cash flows from investing activities			
Payments for property, plant, and equipment		**(7,219)**	(3,632)
Proceeds from sale of property, plant, and equipment		**374**	2
Payments for development activities		**(2,335)**	(7,667)
Payments for exploration and evaluation		**(1,463)**	–
Payment of bonds		**–**	(23)
Net cash used in investing activities		**(10,643)**	(11,320)
Cash flows from financing activities			
Lease liability payments		**(1,501)**	(101)
Repayment of loan facility		**(3,000)**	(3,000)
Net proceeds from issue of shares		**6,633**	–
Payments for share buy-back		**(204)**	–
Net cash from/(used in) financing activities		**1,928**	(3,101)
Net (decrease)/increase in cash and cash equivalents		**(19)**	6,353
Cash and cash equivalents at the beginning of the period		**14,352**	8,182
Effects of exchange rate changes on cash and cash equivalents		**37**	(183)
Cash and cash equivalents at the end of the period	*4*	**14,370**	14,352

The notes on pages 6 to 59 form part of this annual results announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

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

The Company's Announcement of the Results for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 9 March 2022.

The Announcement of the Results of the Company for the year ended 31 December 2021, 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[1]	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)[2]	Hong Kong 17 May 2017	HK$1.00	100%	Dormant

1 *Deregistered on 9 May 2021*
2 *For translation purposes*

b) Basis of Preparation

Statement of compliance

The consolidated results set out in this announcement do not constitute the Consolidated Financial Statements of the Group for the year ended 31 December 2021 but are extracted from those Consolidated Financial Statements.

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

All IFRSs effective for the accounting period commencing 1 January 2021 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 2021 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.

The Group has adopted the going concern basis of preparation for the preparation of this announcement.

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) Liquidity Management

The Group achieved a profit before tax of AU$3.981 million (31 December 2020: AU$10.509 million) and a net profit after income tax of AU$0.292 million for the year ended 31 December 2021 (31 December 2020: net profit after tax AU$10.193 million). At 31 December 2021, the Group has cash and equivalents of AU$14.370 million (31 Dec 2020: AU$14.352 million), including the restricted use net proceeds from the placement of AU$6.633 million ("**Net Proceeds**"). In addition, the Company has an unsecured AU$12.000 million Loan Facility with AP Finance Limited (together the "**Available Funds**"). After year end, the Loan Facility repayment date was extended from 31 December 2022 to 30 June 2023. The Group has a working capital surplus of AU$29.048 million (31 December 2020: AU$27.283 million) and is debt free at the date of this announcement.

The Company has prepared a cash flow forecast ("**Forecast**") extending for at least 12-months from the signing date of the financial report ("**Forecast Period**"). The Forecast includes the following significant assumptions:

- based on budgeted production forecasts, the Group's activities are expected to generate positive operating cash flows.
- the Company will continue to support the Swedish operations at below break-even to maintain operational readiness pending approval of the Company's Environmental Permit ("**Permit**") application for Fäboliden, scheduled for hearing on 14 March 2022.
- Excludes cash flows associated with commencing full-scale mining activities at Fäboliden including any bond payments.
- the timing of additional environmental bond payments ("**Bond Payments**") is ultimately determined by the relevant authority. The Forecast includes approximately AU$7.8 million of Bond Payments which include:
    - o Jokisivu – 3.4 million EUR (approximately AU$5.4 million) contained in permit order 16; and
    - o Vammala 1.4 million EUR (approximately AU$2.4 million) bond increase.

On 26 March 2021, the Company submitted an appeal of permit order 16 to the Administrative Court. The forecast assumes a hearing date will be set within the Forecast Period.

While the Forecast demonstrates the Company will not need to access its Loan Facility, if the Group's Finnish operations fail to achieve the anticipated production and cash flow outcomes, the Company may be required to make drawdowns from its Loan Facility.

Based on the Forecast, the expected positive cash margins generated from Finnish operations and Available Funds, the Directors consider these are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due.

The Company anticipates its application for a Permit will be determined following the Main Court Hearing commencing on 14 March 2022. During the year, the County Administration Board ("**CAB**") also submitted a statement confirming that they deemed the Permit permissible provided certain conditions were met. The Company has submitted documents to the Swedish Land and Environmental Court ("**Environmental Court**") proposing an environmental bond of 64.0 million SEK (approximately AU$9.9 million), consisting of an upfront payment of 7.0 million SEK (approximately AU$1.1 million) plus a variable cost of 2.6 SEK (approximately AU$0.4) per tonne of waste rock mined. This results in linear down payments of up to 55.0 million SEK (approximately AU$8.6 million) over the first 5–7 years of operation. While a Bond Payment will be required, the final magnitude is uncertain. In any event, it is likely the Company will be required to source additional funding through either debt, equity, or a combination of both, before mining activities at Fäboliden could progress.

If the Permit application is further delayed, not granted or the Company is unable to source additional funding, as a contingency, the Company can choose to put the Svartliden operations on care and maintenance.

e) 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 been 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(i).

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.

f) 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.

g) 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, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each Company is measured using the currency of the primary economic environment in which that entity operates. The Consolidated Financial Statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss.

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

Group Companies

The results and financial position of all the subsidiaries of the Company (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that reporting date;

- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction date, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any monetary items that form part of the net investment in a foreign entity are taken to Shareholders' Equity. When a foreign operation is sold, or borrowings are repaid the proportionate share of such exchange differences are recognised in the Consolidated Statement of Profit or Loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

i) 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. The 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 the 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.

j) 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.

k) 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.

l) 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(o).

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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

m) 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.

n) 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.

o) 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.

p) Trade and Other Payables

Trade and other payables are carried at amortised cost due to their short-term nature and they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

q) 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.

r) 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.

s) 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.

t) 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.

u) 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.

v) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. There were no borrowing costs eligible for capitalisation during the year (2020: no borrowing costs eligible for capitalisation).

w) 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".

x) 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.

y) Fair Value

The Group measures financial instruments, such as derivatives at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are disclosed in note 24.

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

z) Significant Accounting Judgements

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

Concentrate sales

With respect to concentrate sales, a receivable is recognised when the concentrate is delivered to the customer's facility as this is the point in time that control is transferred, and the Group's performance obligations have been met in accordance with the sales agreements. Adjustments are made to the receivables for variations in assay and weight between the time of dispatch of the concentrate and time of final settlement to reflect the change in fair value of the receivables.

Determining the lease term of contracts with renewal and termination options

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

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

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

Production start date

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

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

- level of capital expenditure incurred compared with the original construction cost estimate;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form (within specifications); and
- ability to sustain ongoing production of metal.

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

aa) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next reporting period are:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The ore reserves, mineral resources or mineralisation are reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves" ("**the Code**").

The information has been prepared by or under supervision of competent persons as identified by the Code. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. As at 31 December 2021, the Group had an increase in its Resources and Reserves. Changes in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment through depreciation, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the statement of comprehensive income. However, quantification of the future impact is not considered practicable.

Mine rehabilitation provisions

The Group assesses its mine rehabilitation provision half-yearly in accordance with the accounting policy stated in note 1(t). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site.

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

Contingent liabilities

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

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

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

(b) the amount cannot be measured reliably.

Contingent liabilities are not recognised, but are disclosed, unless the possibility of an outflow is remote. The Group has disclosed the contingent liabilities identified at year end in note 22.

Impairment of non-financial assets

In accordance with accounting policy note 1(o) 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.

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(f) 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.

bb) 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 2021 and are outlined below:

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The Group has considered the impact on its Consolidated Financial Statements and assessed that the new standard will have no effect.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). The Group has considered the impact on its Consolidated Financial Statements and assessed that the new standard will have no effect.

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

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

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Group has considered the impact on its Consolidated Financial Statements and assessed that the new standard will have no effect.

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The Group has considered the impact on its Consolidated Financial Statements and assessed that the new standard will have no effect.

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

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The Group has considered the impact on its Consolidated Financial Statements and assessed that the new standard will have no effect.

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

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. This standard is not applicable to the Company.

IFRS 17 – Insurance Contracts (effective 1 January 2023)

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

IAS 1 – Classification of Liabilities as Current and Non-Current (effective 1 January 2023)

On 23 January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements (the amendments) to specify the requirements for classifying liabilities as current or non-current. The Group has considered the impact on its Consolidated Financial Statements and assessed that the new standard will have no effect.

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.

Definition of Accounting Estimates – Amendments to IAS 8 (effective 1 January 2023)

The amendments clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective 1 January 2023)

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective 1 January 2023)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and

- adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

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

The Group has adopted all new and amended Accounting Standards and Interpretations issued by the International Accounting Standards Board that are relevant to the Group and effective as at 1 January 2021.

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

2. OTHER REVENUE, INCOME AND EXPENSES

		2021 *AU$'000*	2020 *AU$'000*
(a)	**Cost of sales**		
	Cost of production net of inventory movements	**34,420**	42,696
	Depreciation of mine properties, plant, and equipment	**5,301**	7,882
	Rehabilitation costs	**2,032**	1,021
		41,753	51,599
	Cost of production net of inventory movements		
	Mining	**22,252**	19,706
	Processing	**15,242**	21,240
	Other production activities	**1,007**	1,243
	Gold inventory movements	**(4,081)**	507
	Cost of production net of inventory movements	**34,420**	42,696
(b)	**Other revenue**		
	Finance revenue and interest	**3**	6
	Rent and sundry revenue	**6**	6
		9	12
(c)	**Other income**		
	Sale of property, plant, and equipment	**374**	2
	Service income	**313**	127
	Other	**118**	185
		805	314
(d)	**Operating expenses**		
	Management and administration expenses	**4,356**	4,269
	Exploration and evaluation assets written off	**561**	2,381
	Depreciation of non-mine site assets	**220**	175
		5,137	6,825
(e)	**Finance costs**		
	Interest	**15**	116
	Other	**14**	17
		29	133
(f)	**Total employee benefits including Directors' remuneration**		
	Wages and salaries	**6,907**	7,530
	Defined contribution superannuation expense	**1,500**	1,002
	Other employee benefits	**–**	734
		8,407	9,266
	Wages and salaries included in:		
	Cost of sales	**6,072**	7,138
	Management and administration expenses	**2,335**	2,128
		8,407	9,266

3. INCOME TAX

	2021	2020
	AU$'000	*AU$'000*
(a) Income Tax Expense		
The major components of income tax expense are:		
Current income tax		
Current income tax expense	**3,689**	534
Adjustments in respect of current income tax of previous year	**–**	–
Deferred income tax		
Income tax benefit arising from previously unrecognised tax loss	**–**	(218)
Relating to origination and reversal of temporary differences	**–**	–
Income tax expense reported in the statement of comprehensive income	**3,689**	316
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged/(credited) directly to equity	**–**	–

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2021	2020
	AU$'000	*AU$'000*
Accounting profit before income tax	**292**	10,509
At the Group's statutory income tax rate of 30% in Australia (2020: 30%)	**88**	3,153
Adjustments in respect of current income tax in foreign jurisdiction	**1,053**	–
Effect of different rates of tax on overseas income	**(42)**	(1,698)
Other	**–**	(843)
Previously unrecognised tax losses utilised/recognised	**–**	(1,009)
Tax losses and other temporary differences not recognised as benefit not probable	**2,590**	713
Aggregate income tax expense	**3,689**	316

		2021	2020
		AU$'000	*AU$'000*
(d)	**Recognised deferred tax assets and liabilities**		
	Consolidated deferred income tax at reporting date relates to the following:		
	Deferred tax assets (excluding tax losses)		
	Leave entitlements	**86**	92
	Rehabilitation provision	**2,621**	2,165
	Share issue and listing costs	**270**	728
	Mine properties, property, plant, and equipment	**701**	733
	Exploration costs	**–**	188
	Accruals	**36**	33
	Temporary differences not recognised	**(3,509)**	(3,078)
	Set off deferred tax liabilities pursuant to set off provisions	**(205)**	(861)
	Deferred income tax assets	**–**	–
	Deferred tax liabilities		
	Accelerated deduction		
	Mine properties, property, plant and equipment	**(205)**	(140)
	Set off deferred tax liabilities pursuant to set off provisions	**205**	140
	Deferred income tax liabilities	**–**	–

(e) Tax Losses

The group has tax losses of approximately AU$18.2 million in Australia (2020: AU$16.9 million) and approximately AU$26.0 million in Sweden (2020: AU$26.8 million) that are available indefinitely for offsetting against future taxable profits of the jurisdictions in which the losses arose. The Australian tax consolidated group has available capital losses amounting to AU$2.6 million (2020: AU$2.6 million). The Group utilised its tax losses in Finland during the year (2020: the Group utilised its tax losses in Finland during the year).

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

- they continue to comply with the provisions of the Income Tax Legislation relating to the deduction of losses of prior periods;

- they earn sufficient assessable income to enable the benefits of the deductions to be realised; and

- there are no changes in Income Tax Legislation adversely affecting the Company's ability to realise the benefits.

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

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 2021, there are no tax consolidation adjustments (2020: nil). The nature of the tax funding arrangement for the Tax Group is such that no tax consolidation adjustments (contributions by or distributions to equity participants) would be expected to arise. The head entity of the Tax Group is Dragon Mining Limited. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

4. CASH AND CASH EQUIVALENTS

	2021	2020
	AU$'000	*AU$'000*
Cash at bank and on hand	**7,737**	14,352
Restricted use cash	**6,633**	–
	14,370	14,352

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

	2021	2020
Net profit after tax	**292**	10,193
Adjustments for:		
Depreciation and amortisation	**5,521**	8,057
Exploration write-off	**561**	2,381
Net foreign exchange (gain)/loss	**(506)**	658
Changes in operating assets and liabilities		
Increase in receivables	**(1,053)**	(1,030)
Decrease/(increase) in other assets	**616**	(48)
Decrease in inventories	**3,565**	909
Decrease in trade creditors	**(1,063)**	(1,181)
Increase in provisions	**763**	835
Net operating cash flows	**8,696**	20,774

	2021	2020
	AU$'000	*AU$'000*
(b) Reconciliation of liabilities from financing activities		
Opening balance – 1 January	**3,364**	6,600
Cash flow:		
Repayment of borrowings	**(3,000)**	(3,000)
Repayment of lease liabilities	**(1,484)**	(101)
Non-cash changes:		
Additions to lease liabilities	**3,150**	461
Foreign exchange adjustments on borrowings and lease liabilities	**(17)**	(596)
Balance at period end	**2,013**	3,364

5. TRADE AND OTHER RECEIVABLES

	2021	2020
	AU$'000	*AU$'000*
Trade receivables – fair value through profit or loss (i)	**–**	4,153
Trade receivables – amortised cost (ii)	**3,150**	866
Other receivables (iii)	**2,075**	1,259
	5,225	6,278

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

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

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

The Group's exposure to credit risk and interest rate risk are disclosed in note 24(d) and 24(e).

Ageing Analysis

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

	2021	2020
	AU$'000	*AU$'000*
Amounts not yet due	**–**	4,153
Within 1 month	**3,150**	856
1 to 2 months	**–**	7
2 to 3 months	**–**	–
Over 3 months	**–**	3
Trade receivables	**3,150**	5,019

6. INVENTORIES

	2021	2020
	AU$'000	*AU$'000*
Ore and concentrate stockpiles – at cost	**11,720**	7,261
Gold in circuit valued – at cost	**7,271**	8,003
Raw materials and stores – at cost	**688**	850
	19,679	16,114

7. OTHER ASSETS

	2021	2020
	AU$'000	*AU$'000*
Current		
Prepayments	**825**	209
Non-current		
Environmental and other bonds at amortised cost	**5,287**	5,544

The environmental bonds relate to cash that has been deposited with Swedish and Finnish government authorities. The bonds are held in an interest-bearing account and can only be drawn down when rehabilitation programs have been completed and authorised by the relevant government authority. The Consolidated Entity's exposure to credit risk and interest rate risk is disclosed in note 24(d) and 24(e).

8. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	AU$'000	*AU$'000*
Land		
Gross carrying amount – at cost	**1,338**	1,377
Buildings		
Gross carrying amount – at cost	**2,669**	2,580
Less accumulated depreciation and impairment	**2,295**	(2,185)
Net carrying amount	**374**	395
Property, plant, and equipment		
Gross carrying amount – at cost	**38,928**	36,083
Less accumulated depreciation and impairment	**(34,718)**	(33,448)
Net carrying amount	**4,210**	2,635
Mine properties		
Gross carrying amount – at cost	**146,444**	136,247
Less accumulated amortisation and impairment	**(106,120)**	(102,120)
Net carrying amount	**40,324**	34,127
Total property, plant, and equipment		
Gross carrying amount – at cost	**189,379**	176,287
Less accumulated amortisation and impairment	**143,133**	(137,753)
Net carrying amount	**46,246**	38,534

Included within Mine Properties is AU$9.9 million (31 December 2020: AU$8.4 million) relating to Fäboliden.

At the end of each reporting period, the Group is required to review whether there is any indication that an asset may be impaired, in accordance with International Accounting Standards. If any such indication exists, the Group shall estimate each asset or cash generating unit ("**CGU**") recoverable amount. The recoverable amount is determined as the higher of a CGU's value in use ("**VIU**") and its fair value less costs of disposal ("**FVLCD**").

In assessing the CGUs, management of the Company has determined that the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets is the Vammala CGU. As the Svartliden Plant has an interdependency on the Vammala CGU, the impairment assessment of the Vammala CGU includes the Svartliden Plant. Expenditure relating to the development of Fäboliden has been capitalised as mine development and assessed as a separate asset to the Vammala CGU. The Group has determined that there is no active market for intermediate components.

The Company has reviewed the Vammala CGU and Fäboliden mine properties for indications of impairment using both external and internal sources of information which included current performance, changes in exchange rates, gold price, market capitalisation and environmental permitting delays. The Company identified impairment indicators resulting in impairment testing being performed:

Vammala CGU

The Vammala CGU impairment assessment utilises a life of mine discounted cash flow ("**DCF**") model. The recoverable amount of AU$38.0 million has been determined using the VIU methodology.

The key assumptions utilised in the impairment modelling included a gold price of US$1,730/ounce, a USD:SEK exchange rate of 8.7, a USD:EUR exchange rate of 0.88 and a post-tax real discount rate of 10%.

Sensitivity to changes in assumptions

The calculation of the recoverable value is most sensitive to the gold price and foreign exchange rates specifically EUR:USD.

A fall in the gold price to US$1,687/ounce (i.e., –2.5%) in the Vammala CGU would decrease the recoverable value by AU$4.7 million and would not result in impairment.

A decrease in the foreign exchange forecast rate of –5% in the Vammala CGU would decrease the recoverable value by AU$9.4 million and would not result in impairment.

Fäboliden Mine Properties

Fäboliden comprises the open cut mining operation, the underground resources, and exploration assets. The key assumptions utilised in the impairment modelling have been provided by an Independent Experts Valuation conducted in accordance with the requirements set out by the Accounting Professional and Ethical Standards Board professional standard APES225 Valuation Services.

Fäboliden open cut mine operations

The fair value of the open cut mining operation was determined using a DCF analysis with support from comparable transactions. The fair value measurement is categorised as Level 3 in the fair value hierarchy utilising inputs that are not based on observable market data. The DCF valuation deals with recently estimated Ore Reserves from 31 December 2020 based on a life of mine plan, up-to-date operating and capital costs, full mine closure costs, and other technical parameters.

The key assumptions utilised in the financial model included a Swedish corporate tax 20.6%, exchange rates based on the following currencies; USD:EUR 0.82, USD:SEK 8.30 and USD:AUD 0.77, inflation rate between 2.0% and 2.4%, forecast gold prices ranging from US$1,423/ounce to US$1,732/ounce and post-tax discount rate of 8.5%.

The production profile in the financial model has been adjusted by a one-year extension to account for the potential delay in commencement of mining due to the granting of the environmental permit. The project is now forecasted to commence in late 2022. The processing of ore within the financial model is treated essentially as a toll-treatment operation to allow a stand-alone valuation.

Sensitivity to changes in assumptions

Sensitivity analyses performed indicated that a 500-basis point decrease in the gold price per ounce or an increase in the post-tax discount rate by 100 basis points would change the valuation by ($3.4) million and ($0.85) million respectively and did not result in impairment.

Fäboliden underground resources

The underground resource at Fäboliden is valued using the comparable transactions methodology using resource multiples.

Fäboliden exploration assets

The value of the exploration assets related to Fäboliden nr 11, are valued using area multiples and geoscientific approaches.

No impairment has been recognised for the year ended 31 December 2021 (31 December 2020: nil).

	2021	2020
Reconciliations:	***AU$'000***	*AU$'000*
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period:		
Land		
Carrying amount at beginning of period	**1,377**	1,362
Net foreign exchange movement	**(39)**	15
Carrying amount at end of period	**1,338**	1,377
Buildings		
Carrying amount at beginning of period	**395**	519
Additions	**87**	7
Depreciation	**(110)**	(133)
Net foreign exchange movement	**2**	2
Carrying amount at end of period	**374**	395
Property, plant, and equipment		
Carrying amount at beginning of period	**2,635**	2,844
Additions	**2,948**	1,391
Disposal	**1**	–
Reclassification of right-of-use assets	**–**	(64)
Transfer to other asset classes	**(199)**	–
Depreciation	**(1,270)**	(1,586)
Net foreign exchange movement	**95**	50
Carrying amount at end of period	**4,210**	2,635
Mine properties		
Carrying amount at beginning of period	**34,127**	29,649
Additions	**4,445**	1,060
Reclassification of evaluation costs	**5,742**	11,037
Depreciation	**(4,000)**	(7,262)
Net foreign exchange movement	**10**	(357)
Carrying amount at end of period	**40,324**	34,127

9. EXPLORATION AND EVALUATION COSTS

	2021	2020
	AU$'000	*AU$'000*
Balance at beginning of financial period	**3,989**	8,699
Additions	**4,004**	8,713
Exploration write-off	**(561)**	(2,381)
Reclassification to mine properties	**(5,742)**	(11,037)
Net foreign exchange movement	**(65)**	(5)
Total mineral exploration and evaluation expenditure	**1,625**	3,989

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

10. RIGHT-OF-USE ASSETS

	2021	2020
	AU$'000	*AU$'000*
Gross carrying amount – at cost	**2,435**	504
Less accumulated depreciation and impairment	**(392)**	(127)
Net carrying amount	**2,043**	377

Reconciliations

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

	2021	2020
	AU$'000	*AU$'000*
Right-of-use assets – property		
Carrying amount at beginning of period	**222**	202
Additions	**93**	81
Depreciation	**(92)**	(62)
Net foreign exchange movement	**–**	1
Carrying amount at end of period	**223**	222
Right-of-use assets – plant and equipment		
Carrying amount at beginning of period	**155**	118
Additions	**1,838**	74
Depreciation	**(173)**	(41)
Net foreign exchange movement	**–**	4
Carrying amount at end of period	**1,820**	155

The Group's lease liabilities are included in interest-bearing liabilities at note 13.

11. TRADE AND OTHER PAYABLES

	2021	2020
	AU$'000	*AU$'000*
Trade payables and accruals	**5,496**	6,548

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:

	2021	2020
	AU$'000	*AU$'000*
Within 1 month	**4,878**	6,544
1 to 2 months	**618**	1
2 to 3 months	**–**	3
Over 3 months	**–**	–
Trade payables and accruals	**5,496**	6,548

12. PROVISIONS

	2021	2020
	AU$'000	*AU$'000*
Current		
Employee entitlements	**1,769**	1,839
Rehabilitation	**1,149**	313
Other	**196**	199
	3,114	2,351
Non-current		
Employee entitlements	**10**	149
Rehabilitation	**22,879**	18,876
	22,889	19,025
Rehabilitation movement		
Balance at 1 January	**19,189**	18,992
Additions	**5,363**	26
Net foreign exchange movement	**(524)**	171
Balance at 31 December	**24,028**	19,189

The provisions for rehabilitation are recorded in relation to the gold mining operations for the rehabilitation of the disturbed mining area to a state acceptable to various Swedish and Finnish authorities. While rehabilitation is performed progressively where possible, final rehabilitation of the disturbed mining area is not expected until the cessation of production. Accordingly, the provisions are expected to be settled primarily at the end of the mine life, although some amounts will be settled during the mine life. Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted based on rates that reflect current market assessments of the time value of money and the risks specific to that liability. The discount rate utilised for Finland in 2021 was 0% (2020: 0%) and in Sweden was 0% (2020: 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.

On 3 June 2021, the Pirkanmaa Centre for Economic Development, Transport, and the Environment ("**PIR ELY**") issued a letter to Dragon Mining and the previous owners of the Orivesi mine, Outokumpu Mining Oy ("**Outokumpu**") advising of their shared responsibility in the removal of the litter located between the 66m and 85m underground levels. The Group's provision for rehabilitation includes an additional AU$2.0 million associated with the removal of litter stored between the 66m and 85m underground levels. The addition cost represents 50% of the total cost agreed with Outokumpu. The bulk material was deposited before the Company purchased the mine in 2003 and recommenced mining in 2007. As at the date of this report, there have been no changes to the acid forming characteristics of the non-acid forming waste rock area included in the Group's Svartliden Closure Plan. On 18 November 2019, the Company submitted its appeal to the Environmental Court of Appeal challenging, amongst other things, the additional security required by the Land and Environmental Court for an engineered cover to the entire waste rock area. On 25 February 2022, the Court of Appeal determined further studies are required to reduce the level of uncertainty in the investigations before it can consider the EPA request for additional collateral security. A contingent liability in relation to the Group's Svartliden rehabilitation provision has been disclosed at note 22.

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

13. INTEREST BEARING LIABILITIES

	2021	2020
	AU$'000	*AU$'000*
Current		
Lease liabilities	**622**	147
Non-current		
Loan principal	**–**	3,000
Lease liabilities	**1,391**	217
	1,391	3,217

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year.

	2021	2020
	AU$'000	*AU$'000*
As at 1 January	**364**	307
Additions	**3,150**	158
Accretion of interest	**(5)**	(5)
Payments	**(1,496)**	(96)
As at 31 December	**2,013**	364

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

The Group has an unsecured AU$12.0 million loan facility with AP Finance Limited ("**Loan Facility**"). On 1 March 2022, the Company extended the expiry date of its AU$12.0 million loan facility with AP Finance Limited from 31 December 2022 to 30 June 2023. All other terms and conditions remain unchanged.

14. CONTRIBUTED EQUITY

	2021	2020	**2021**	2020
Share capital	***Number of Shares***		***AU$'000***	*AU$'000*
Ordinary shares fully paid	**158,280,613[1]**	138,840,613	**140,454**	133,991

Movements in issued capital

	AU$'000	*No. of Shares*
At 1 January 2021	**133,991**	138,840,613
Issue of new shares net of transaction costs[2]	**6,862**	20,000,000
Transaction costs for issued share capital[2]	**(229)**	–
Share buy-back and cancellation[1]	**(170)**	(560,000)
Balance at 31 December 2021	**140,454**	158,280,613

(1) As at 31 December 2021, the Company had repurchased 667,000 shares in the share buy-back of which 560,000 shares had been cancelled at that date. The remaining 107,000 repurchased shares were cancelled in January 2022.

(2) On 22 January 2021, the issued share capital was increased by net AU$6,632,371 by the issue of 20,000,000 ordinary shares of AU$0.33 each after transaction costs (31 December 2020: nil).

15. DIVIDENDS

No dividend has been paid or declared since the commencement of the year and no dividend has been recommended by the Directors for the year ended 31 December 2021 (2020: nil).

16. RESERVES

	2021	2020
	AU$'000	*AU$'000*
Foreign currency translation reserve	**(3,863)**	(3,633)
Convertible note premium reserve	**2,068**	2,068
Equity reserve purchase of non-controlling interest	**1,069**	1,069
Treasury share reserve	**(34)**	–
	(760)	(496)

Foreign currency translation reserve summary

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Convertible note premium reserve summary

This reserve is used to record the equity component of any convertible notes on issue. This is a historical reserve and no convertible notes are currently on issue.

Equity reserve – purchase of non-controlling interest

This reserve is used to record differences between the consideration paid for acquiring the remaining non-controlling interest and the carrying value of net assets attributed to the non-controlling interest. This is a historical reserve and all subsidiaries are now wholly owned.

Treasury shares reserve

This reserve comprises the cost of the Company's shares purchased but not yet issued. As at 31 December 2021, this reserve comprises 107,000 uncancelled shares in the Company and represents the amount paid to acquire the treasury shares.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Key Management Personnel

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

Directors

Mr Arthur G Dew	Non-Executive Director and Chairman of the Board (appointed 7 February 2014)
Mr Wong Tai Chun Mark	Alternate Director to Mr Arthur G Dew (appointed 19 May 2015)
Mr Brett R Smith	Executive Director and Chief Executive Officer (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	
	2021	2020
	AU$	*AU$*
Short-term	**1,253,169**	1,216,249
Long-term	**78,481**	74,444
Post-employment	**109,173**	105,133
Total	**1,440,823**	1,395,826

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 2021 and 2020 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	
	2021	2020
	AU$	*AU$*
Salaries, allowances, and benefits in kind	**964,853**	969,162
Performance related bonuses	**54,412**	–
Pension scheme contributions	**185,155**	173,472
Total	**1,204,420**	1,142,634

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	
	2021	2020
Nil to HK$1,000,000	**–**	–
HK$1,000,001-HK$1,500,000	**1**	1
HK$1,500,001-HK$2,000,000	**3**	3
HK$2,000,001-HK$2,500,000	**–**	–
HK$2,500,001-HK$3,000,000	**–**	–
HK$3,000,001-HK$3,500,000	**–**	–
Total	**4**	4

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

In dollars		Short-Term		Other Long-Term Benefits		Post-Employment		
Directors		Salary & Fees *AUD*	Bonuses *AUD*	Annual Leave Accrued *AUD*	Long Service Leave Accrued *AUD*	Superannuation Benefits *AUD*	Total Emoluments *AUD*	Proportion of Remuneration Performance Related *%*
Mr Arthur G Dew[(1)]	2021	90,000	–	–	–	8,775	98,775	–
(Non-Executive Chairman)	2020	90,000	–	–	–	8,550	98,550	–
Mr Brett R Smith[(2)]	2021	320,700	200,000	20,406	6,950	50,268	598,324	33%
(Executive Director)	2020	320,700	200,000	23,015	11,262	49,467	604,444	33%
Ms Lam Lai	2021	63,263	–	–	–	–	63,263	–
(Non-Executive Director)	2020	71,589	–	–	–	–	71,589	–
Mr Carlisle C Procter	2021	40,000	–	–	–	3,900	43,900	–
(Independent Non-Executive Director)	2020	40,000	–	–	–	3,800	43,800	–
Mr Poon Yan Wai	2021	30,000	–	–	–	–	30,000	–
(Independent Non-Executive Director)	2020	30,000	–	–	–	–	30,000	–
Mr Pak Wai Keung Martin	2021	30,000	–	–	–	–	30,000	–
(Independent Non-Executive Director)	2020	30,000	–	–	–	–	30,000	–
Mr Mark Wong	2021	–	–	–	–	–	–	–
(Alternate Director)	2020	–	–	–	–	–	–	–
Total all specified Directors	**2021**	**573,963**	**200,000**	**20,406**	**6,950**	**62,943**	**864,262**	**23%**
	2020	**582,289**	**200,000**	**23,015**	**11,262**	**61,817**	**878,383**	**24%**
Specified Executives								
Mr Neale M Edwards	2021	214,698	–	7,357	3,211	20,396	245,662	–
(Chief Geologist)	2020	214,698	–	13,333	4,090	20,396	252,517	–
Mr Daniel K Broughton	2021	264,508	–	25,190	15,367	25,834	330,899	–
(Chief Financial Officer)	2020	219,262	–	13,327	9,467	22,920	264,926	–
Total all named Executives	**2021**	**479,206**	**–**	**32,547**	**18,578**	**46,230**	**576,561**	**–**
	2020	**433,960**	**–**	**26,610**	**13,557**	**43,316**	**517,443**	**–**
Total all specified Directors and Executives	**2021**	**1,053,169**	**200,000**	**52,953**	**25,528**	**109,173**	**1,440,823**	**14%**
	2020	**1,016,249**	**200,000**	**49,625**	**24,819**	**105,133**	**1,395,826**	**14%**

Notes:

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

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

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

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

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

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

18. REMUNERATION OF AUDITORS

	2021	2020
	AU$	*AU$*
The Auditor of Dragon Mining Limited is Ernst & Young.		
Remuneration of Ernst & Young (Australia) for:		
– auditing or reviewing accounts	**182,500**	158,500
– tax consulting	**63,500**	42,500
– other non-audit services	**58,500**	–
	304,500	201,000
Remuneration of Ernst & Young (other than Australia) for:		
– auditing or reviewing accounts	**123,500**	84,697
	123,500	84,697

19. 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:

	2021	2020
Basic and diluted earnings per share		
Profit used in calculation of basic and diluted earnings per share (AU$'000)	**292**	10,193
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted earnings per share	**157,654,640**	138,840,613
Basic and diluted earnings per share (cents)	**0.19**	7.34

20. 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 2021 %	2020 %
Dragon Mining Investments Pty Ltd[1]	Australia	Ordinary	**–**	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)[2]	Hong Kong	Ordinary	**100**	100

1 *Deregistered on 9 May 2021*

2 *For translation purposes.*

b) Transactions with related parties

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

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

(ii) In addition to his role as the Company's Chief Financial Officer, Mr Daniel Broughton provides Chief Financial Officer services ("**CFO Services**") and the Company also provides administrative services ("**Administrative Services**") to ASX listed gold explorer, Tanami Gold NL ("**Tanami**") and ASX listed base metals mining and exploration company Metals X Limited ("**Metals X**"). The Company also provides the use of certain space in the Company office premises located in Perth, Australia as its registered office to Tanami. Tanami is an associate of APAC Resources Limited, a substantial shareholder of the Company, and hence a connected person of Dragon Mining pursuant to Rule 14A.07 of Appendix 14 of the Listing Rules. Tanami is a Company of which Messrs Dew, Smith and Procter, the Company's Non-Executive Chairman, Executive Director, and Independent Non-Executive Director are also Non-Executive Directors. Metals X is a Company of which Mr. Brett Smith is also Executive Director.

The provision of services to Tanami commenced from 8 September 2014. During the year, the Company charged Tanami AU$100,000 (2020: AU$100,000) for CFO Services of which nil was outstanding at 31 December 2021 (2020: nil) and AU$39,814 (2020: nil) for Administration Services of which nil was outstanding at 31 December 2021 (2020: nil).

The provision of services to Metals X commenced from 1 December 2020. During the year, the Company charged Metals X AU$100,000 (2020: AU$10,000) for CFO Services of which nil was outstanding at 31 December 2021 (2020: $8,333) and AU$31,026 (2020: nil) for Administration Services of which AU nil was outstanding at 31 December 2021 (2020: nil).

Entity with significant influence over the Group

As at 31 December 2021, the following entities have significant influence over the Group:

(i) Allied Properties Resources Limited ("**APRL**"), a wholly owned subsidiary of APAC Resources Limited ("**APAC**"), owns 41,032,727 ordinary shares of the Company for an interest of 25.92% (2020: 22.96%).

(ii) Sincere View International Limited owns 31,111,899 (2020: 40,475,899) ordinary shares of the Company for an interest of 19.59% (2020: 29.15%).

21. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified its operating segments to be Sweden and Finland, based on geographical location, different national regulatory environments, and different end products. Dragon Mining (Sweden) AB, the primary entity operating in Sweden, produces gold bullion from the Svartliden Production Centre and processed ore from test-mining activities at the Fäboliden Gold Mine. Dragon Mining Oy in Finland produces gold concentrate from the Vammala Production Centre and, processed ore from the Jokisivu, Kaapelinkulma and Orivesi Gold Mines.

Discrete financial information about each of these operating segments is reported to the Board and executive management team (the chief operating decision makers) on at least a monthly basis.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the Consolidated Financial Statements.

Segment results include management fees and interest charged on intercompany loans, both of which are eliminated in the Group result. They also include foreign exchange movements on intercompany loans denominated in AUD, and external finance costs that relate directly to segment operations. This segment results also include intercompany sales of concentrate which occur at rates that reflect market value.

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

Disaggregation of revenue and major customers

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

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

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

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

	Sweden 2021 *AU$'000*	Finland 2021 *AU$'000*	Unallocated 2021 *AU$'000*	Total 2021 *AU$'000*
Segment revenue				
Gold sales to external customers	**42,729**	**7,274**	**–**	**50,003**
Inter-segment sales	**–**	**41,074**	**–**	**41,074**
Elimination of inter-segment revenue	**–**	**–**	**(41,074)**	**(41,074)**
Total revenue	**42,729**	**48,348**	**(41,074)**	**50,003**
Other revenue				
Interest revenue	**–**	**2**	**–**	**2**
Sundry revenue	**2**	**5**	**–**	**7**
Total other revenue	**2**	**7**	**–**	**9**
Segment interest expense	**2**	**1**	**–**	**3**
Unallocated interest expense	**–**	**–**	**12**	**12**
Total interest expense	**2**	**1**	**12**	**15**
Depreciation and amortisation	**456**	**5,017**	**–**	**5,473**
Unallocated depreciation and amortisation	**–**	**–**	**48**	**48**
Exploration expenditure written off	**–**	**561**	**–**	**561**
	456	**5,578**	**48**	**6,082**
Segment result				
Pre-tax segment result	**(10,357)**	**12,897**	**–**	**2,540**
Income tax expense	**–**	**(3,689)**	**–**	**(3,689)**
Post-tax segment result	**(10,357)**	**9,208**	**–**	**(1,149)**
Unallocated items:				
Corporate services revenue				**312**
Corporate costs				**(1,792)**
Finance costs				**2,195**
Elimination of inter-company interest, expense, and management fees in segment results				**726**
Profit after tax as per the Consolidated Statement of Profit or Loss				**292**

	Sweden 2021 *AU$'000*	Finland 2021 *AU$'000*	Australia 2021 *AU$'000*	Total 2021 *AU$'000*
Non-current assets by geographic location	**28,487**	**26,389**	**325**	**55,201**

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

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

22. CONTINGENT ASSETS AND LIABILITIES

(i) Hanhimaa Royalty

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

The Hanhimaa Gold Project is an early-stage exploration project as at 31 December 2021 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 ("**NSR**") up to €1.5 million from Endomines Oy with respect to the Mining Properties in the Hattu Schist Belt in eastern Finland ("**Mining Properties**") as described in the Purchase Agreement dated 12 October 2006. The NSR is only payable from the Mining Properties, after the Mineral Resource as defined at the Pampalo Gold Mine, at the date of sale has been mined.

(iii) Aurion Royalty

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

(iv) Svartliden Rehabilitation Provision

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

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

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

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

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

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

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

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

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

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

On 16 December 2019, the Court of Appeal, having read the Company's appeal document and grounds for appeal, granted the Company leave to appeal the Court's rulings. On 25 February 2022, the Court of Appeal determined further studies are required to reduce the level of uncertainty in the investigations before it can consider the EPA request for additional collateral security.

As at 31 December 2021, the Group has not provided the additional security required by the Court for an engineered cover to the entire waste rock area. The current approved Closure Plan complies with the known characteristics of the tailings, waste rock and operations at Svartliden, the value of the bond proposed by the Company reflects this scope of work and is supported by calculations using the rates of local contractors. The Closure Plan reflects the conditions on the site and the necessary activities to be undertaken upon closure based on independent advice of the most likely outcome. In the event of a fundamental change to the acid forming characteristics of the NAF waste rock, the Company may need to provide for an engineered cover of the entire waste rock area and the additional provision will be significant.

23. EXPENDITURE COMMITMENTS

a) Exploration commitments

Due to the nature of the Consolidated Entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the Consolidated Entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate minimum level of exploration requirements to retain current tenements in good standing is detailed below.

	2021	2020
	AU$'000	*AU$'000*
Within one year	**37**	34
One year or later and no later than five years	**136**	129
	173	163

b) Capital commitments

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

	2021	2020
	AU$'000	*AU$'000*
Within one year	**412**	–
One year or later and no later than five years	**1,177**	–
	1,589	–

c) Short-term lease expense commitments

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

	2021	2020
	AU$'000	*AU$'000*
Within one year	**10**	9
	10	9

d) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:

	2021	2020
	AU$'000	*AU$'000*
Within one year	**572**	321
One year or later and no later than five years	**1,200**	–
	1,772	321

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Directors and Executives referred to in note 17 Directors and Executive Officers Remuneration that are not recognised as liabilities and are not included in the Directors' or Executives' remuneration.

24. FINANCIAL INSTRUMENTS

a) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and commodity price risk), credit risk, liquidity risk, and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks, where considered appropriate, to minimise potential adverse effects on financial performance without limiting the Group's potential upside.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign currency and gold price risk and assessments of market forecasts for foreign exchange and gold prices. Liquidity risk is measured through the development of rolling future cash flow forecasts at various gold prices and foreign exchange rates.

Risk management is carried out by executive management with guidance from the Audit and Risk Management Committee under policies approved by the Board. The Board also provides regular guidance for overall risk management, including guidance on specific areas, such as mitigating commodity price, foreign exchange, interest rate and credit risks, by using derivative financial instruments.

The Consolidated Entity also has a risk management program to manage its financial exposures that includes, but is not limited to, the use of derivative products, principally forward gold sales and foreign currency contracts. The Company does not enter financial instruments, including derivative financial instruments, for trade or speculative purposes.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in economic derivatives, hedging coverage of foreign currency and gold, credit allowances, future cash flow forecast projections and financial instruments if considered necessary.

b) Instruments recognised at amounts other than fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements at amortised cost represents their respective net fair values.

c) Fair values for instruments recognised at fair value

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

	As at 31 December 2021				As at 31 December 2020			
	Quoted market price (level 1)	**Valuation technique- market observable inputs (level 2)**	**Valuation technique non-market observable inputs (level 3)**	**Total**	Quoted market price (level 1)	Valuation technique- market observable inputs (level 2)	Valuation technique non-market observable inputs (level 3)	Total
	AU$'000	***AU$'000***	***AU$'000***	***AU$'000***	*AU$'000*	*AU$'000*	*AU$'000*	*AU$'000*
Trade receivables at fair value through profit or loss	–	–	–	–	–	4,153	–	4,153

For financial instruments not quoted in active markets, the Group uses a valuation technique such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs (Level 2).

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

There were no transfers between Level 1 and Level 2 during the year.

d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposures to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

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

While the Group has policies in place to ensure that sales of its products are made to customers with an appropriate credit history, the Group does have a concentration of credit risk in relation to its gold concentrate sales in Finland due to dependence for a significant volume of its sales revenues on one buyer. There is generally a six-week turnaround between shipment of gold concentrate and payment from a gold concentrate customer. The Company reduces its credit risk in relation to gold concentrate receivables in Finland by insuring 90% of the nominal value of an assigned or internal invoice with a reputable high credit quality Nordic financial institution.

However, as invoices are raised at the end of each month and shipments occur frequently throughout the month, there is credit exposure to the smelting company for the value of one month of shipments as insurance coverage commences when an invoice is raised. Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to Board approval.

In relation to managing other potential credit risk exposures, the Group has in place policies that aim to ensure that derivative counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to any one financial institution is limited as far as is considered commercially appropriate. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2021	2020
	AU$'000	*AU$'000*
Cash and cash equivalents		
Counterparties with external credit ratings		
AA-	**14,370**	14,352
A	**–**	–
Total cash and cash equivalents	**14,370**	14,352

	2021	2020
	AU$'000	*AU$'000*
Trade and other receivables		
Counterparties with external credit ratings		
AAA	**1,124**	782
AA-	**12**	–
A+	**–**	–
A-	**–**	–
Counterparties without external credit ratings		
Counterparties with no defaults in the past	**4,089**	5,496
Total trade and other receivables	**5,225**	6,278

For the purposes of determining credit exposures on receivables, receivable amounts that have been factored are evaluated against the credit rating of the factoring bank, where the factored amount is insured.

	2021	2020
	AU$'000	*AU$'000*
Environmental and other bonds		
Counterparties with external credit ratings		
AAA	**5,288**	5,544
Counterparties without external credit ratings		
Counterparties with no defaults in the past	**–**	–
Total trade and other receivables	**5,288**	5,544

e) **Interest Rate Risk**

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

	2021				2020			
	Floating interest rate	Fixed interest rate	Total	Average int. rate	Floating interest rate	Fixed interest rate	Total	Average int. rate
Financial assets								
Cash and cash equivalents[1]	**14,370**	**–**	**14,370**	**–%**	14,352	–	14,352	–%
Trade receivables – fair value through profit or loss	**–**	**–**	**–**	**–**	4,153	–	4,153	–
Environmental bonds	**5,288**	**–**	**5,288**	**–%**	5,544	–	5,544	–%
	19,658	**–**	**19,658**	**–%**	24,049	–	24,049	–
Financial liabilities								
Interest bearing liabilities	**–**	**–**	**–**	**–**	–	3,000	3,000	4.00%
Lease liabilities	**–**	**423**	**423**	**–%**	–	364	364	–%
	–	**423**	**423**	**–%**	–	3,364	3,364	–%

(1) Includes AU$6.6 million restricted use net proceeds from the Company's Placement of Shares issued on 22 January 2021.

The Group's policy is to manage its exposure to interest rate risk by holding cash in short term, fixed and variable rate deposits with reputable high credit quality financial institutions.

The Group constantly analyses its interest rate exposure. Consideration is given to potential renewals of existing positions, alternative financing and/or the mix of fixed and variable interest rates.

f) **Foreign exchange risk**

As the Group sells its bullion and gold concentrate in USD and the majority of costs are denominated in Swedish Krona (SEK) and Euro (EUR), an appreciating EUR and SEK, or a weakening USD exposes the Group to risks related to movements in the USD:SEK and USD:EUR exchange rates.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

As part of the risk management policy of the Group, financial instruments (foreign exchange forwards) may be used from time to time to reduce exposure to unpredictable fluctuations in the USD:SEK and USD:EUR exchange rates. Within this context, programs undertaken are structured with the objective of minimising the Group's exposure to these fluctuations.

The value of any financial instruments at any point in time will, in times of volatile market conditions, show substantial variation over the short-term. The facilities provided by the Group's various counterparties do not contain margin calls.

The Company and Group's financial performance is also affected by movements in AUD:SEK and AUD:EUR. In accordance with the requirements of International Financial Reporting Standards, exchange gains and losses on intercompany loans that do not form part of the Company's net investment in foreign operations are recognised in the Consolidated Statement of Profit or Loss.

For the year ended 31 December 2021, the Company did not enter or hold any foreign exchange derivatives. At balance date, the Group had the following significant exposure to foreign currencies:

	2021	2020
	AU$'000	*AU$'000*
USD exposure		
Entity with Euro functional currency		
Cash and cash equivalents	**6,330**	9,991
Trade receivables	**13,822**	12,480
Entity with AUD functional currency		
Trade payables	**–**	(9)
Entity with SEK functional currency		
Cash and cash equivalents	**26**	74
Trade receivables	**1,192**	58
Trade payables	**(9,244)**	(7,571)
Net USD Exposure	**12,126**	15,023
EUR exposure		
Entity with AUD functional currency		
Cash and cash equivalents	**36**	10
Trade payables	**–**	95
Intercompany loan	**–**	13,714
Entity with SEK functional currency		
Cash and cash equivalents	**8**	2
Trade payables	**(89)**	(6)
Net EUR Exposure	**(45)**	13,815
AUD exposure		
Entity with EUR functional currency		
Cash and cash equivalents	**364**	1
Trade receivables	**–**	359
Intercompany loan	**(5,934)**	–
Entity with SEK functional currency		
Trade payables	**(31)**	–
Net AUD Exposures	**(5,601)**	360
HKD exposure		
Entities with AUD functional currency		
Cash and cash equivalents	**6,217**	–
Other receivables	**684**	–
Trade payables	**(6)**	(2)
Net HKD Exposure	**6,895**	(2)

g) Commodity price risk

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group, a variety of financial instruments (such as gold forwards and gold call options) may be used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. For the year ended 31 December 2021, the Company did not enter or hold any commodity derivatives (31 December 2020: nil).

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

h) Sensitivity analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk and foreign exchange risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post-tax profit and equity would have been affected as shown. The analysis has been performed on the same basis for the prior year.

31 December 2021		**Interest rate risk –0.25%**		**Interest rate risk +0.25%**	
		Profit	**Equity**	**Profit**	**Equity**
	Note	***AU$'000***	***AU$'000***	***AU$'000***	***AU$'000***
Financial assets					
Cash and cash equivalents	*1*	**(36)**	**(36)**	**36**	**36**
Trade receivables – fair value through profit or loss	*2*	**–**	**–**	**–**	**–**
Government bonds	*4*	**(13)**	**(13)**	**13**	**13**
Total (decrease)/increase		**(49)**	**(49)**	**49**	**49**

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

31 December 2021		**Foreign exchange –10%**		**Foreign exchange +10%**	
		Profit	**Equity**	**Profit**	**Equity**
	Note	***AU$'000***	***AU$'000***	***AU$'000***	***AU$'000***
Financial assets					
Cash and cash equivalents	*1*	**(640)**	**(640)**	**640**	**640**
Trade and other receivables	*2*	**(1,501)**	**(1,501)**	**1,501**	**1,501**
Intercompany loans	*3*	**–**	**–**	**–**	**–**
Financial liabilities					
Trade payables		**933**	**933**	**(933)**	**(933)**
Total (decrease)/increase		**(1,208)**	**(1,208)**	**1,208**	**1,208**

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

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

2. Trade receivables include AU$3.1 million (2020: AU$5.0 million) of gold in concentrate and gold doré receivables denominated in USD. After year end, the Company received payment for all USD denominated gold concentrate and doré trade receivables.

3. Intercompany loans are denominated in AUD and SEK. Though these loans are eliminated upon consolidation, changes in the value of the loans due to movements in exchange rates will influence the consolidated result, since exchange gains or losses on intercompany loans that do not form part of a reporting entity's net investment in a foreign operation are recognised in the Consolidated Statement of Profit or Loss.

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

i) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and equity raisings.

The contractual maturities of the Group's financial liabilities are as follows:

	2021	2020
	AU$'000	*AU$'000*
Within one year	**7,937**	7,319
Within a period of more than one year but not exceeding two years	**1,391**	3,217
	9,328	10,536

Management and the Board monitor the Group's liquidity reserve on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the Board includes:

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

25. SIGNIFICANT EVENTS AFTER YEAR END

On 18 November 2019, the Company lodged an appeal in the Swedish Environmental Court of Appeal ("**Court of Appeal**") against the U1, U2 and U3 rulings by the Swedish Environmental Court. On 25 February 2022, the Court of Appeal provided its rulings including a determination that further studies are required to reduce the level of uncertainty in the investigations before it can consider the Swedish Environmental Protection Agency's request for additional collateral security (U3). The Company is in the process of obtaining further legal advice on the rulings to determine the appropriate course of action.

On 1 March 2022, the Company extended the expiry date of its AU$12.0 million loan facility with AP Finance Limited from 31 December 2022 to 30 June 2023. All other terms and conditions remain unchanged.

26. PARENT ENTITY DISCLOSURE

	2021	2020
	AU$'000	*AU$'000*
CURRENT ASSETS		
Cash and cash equivalents	**6,369**	2,189
Trade and other receivables	**758**	90
Other assets	**121**	75
TOTAL CURRENT ASSETS	**7,248**	2,354
NON-CURRENT ASSETS		
Property, plant, and equipment	**148**	146
Right-of-use assets	**177**	161
Investment in subsidiaries	**4,479**	26,842
Intercompany loans	**31,069**	18,874
TOTAL NON-CURRENT ASSETS	**35,873**	46,023
TOTAL ASSETS	**43,121**	48,337
CURRENT LIABILITIES		
Trade and other payables	**10,870**	1,293
Provisions	**214**	158
Interest bearing liabilities	**71**	39
TOTAL CURRENT LIABILITIES	**11,155**	1,490
NON-CURRENT LIABILITIES		
Provisions	**71**	149
Interest bearing liabilities	**111**	3,124
TOTAL NON-CURRENT LIABILITIES	**182**	3,273
TOTAL LIABILITIES	**11,337**	4,763
NET ASSETS	**31,784**	43,614
EQUITY		
Contributed equity	**140,458**	133,991
Reserves	**(583)**	434
Accumulated losses	**(108,091)**	(90,811)
TOTAL EQUITY	**31,784**	43,614

	Contributed Equity *AU$'000*	Accumulated Losses *AU$'000*	Convertible Note Premium Reserve *AU$'000*	Other Reserves *AU$'000*	Total Equity *AU$'000*
At 1 January 2020	133,991	(99,576)	2,068	(2,373)	34,110
Profit for the year	–	8,765	–	–	8,765
Other comprehensive income	–	–	–	739	739
Total comprehensive profit for the period	–	8,765	–	739	9,504
At 31 December 2020	133,991	(90,811)	2,068	(1,634)	43,614
At 1 January 2021	**133,991**	**(90,811)**	**2,068**	**(1,634)**	**43,614**
Loss for the year	**–**	**(17,280)**	**–**	**–**	**(17,280)**
Other comprehensive loss	**–**	**–**	**–**	**(983)**	**(983)**
Total comprehensive loss for the year	**–**	**(17,280)**	**–**	**(983)**	**(18,263)**
Issue of share net of transaction costs	**6,637**	**–**	**–**	**–**	**6,637**
Share buy-back and cancellation	**(170)**	**–**	**–**	**(34)**	**(204)**
At 31 December 2021	**140,458**	**(108,091)**	**2,068**	**(2,651)**	**31,784**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Nature of Operations and Principal Activities

The Group comprises Dragon Mining Limited ("**Dragon Mining**" or the "**Company**"), the parent entity, and its subsidiaries (together referred to as the "**Group**"). Of these subsidiaries, the operating entities are Dragon Mining (Sweden) AB in Sweden and Dragon Mining Oy in Finland. Dragon Mining is an Australian company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group operates gold mines and processing facilities in Finland and Sweden. In Finland, the Vammala Production Centre ("**Vammala**") consists of a conventional 300,000 tonnes per annum ("**TPA**") crushing, milling and flotation plant ("**Vammala Plant**"), the Jokisivu Gold Mine ("**Jokisivu**"), the Orivesi Gold Mine ("**Orivesi**") which ceased production in June 2019, and the Kaapelinkulma Gold Mine ("**Kaapelinkulma**") which ceased production in April 2021. 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 TPA carbon-in-leach processing plant ("**Svartliden Plant**") together with the closed Svartliden Gold Mine (mining completed in 2013), and the Fäboliden Gold Mine ("**Fäboliden**") where a campaign of test mining was completed in September 2020.

The principal activities of the Group during the period were:

- Gold mining, and processing ore in Finland;
- Gold mining, and processing gold concentrate in Sweden; and
- Exploration, evaluation, and development of gold projects in the Nordic region.

There have been no significant changes in those activities during the period.

Health and Safety

Safety is one of the Group's main priorities, and every effort to safeguard the health and well-being of the Group's employees and contractors, together with the people in the communities in which the Group operates. The Group aims to go beyond what is expected to meet local health and safety legislation. This is not just because the Group cares for the people who work for it, but also because a safe business is operationally sound. The Group's Code of Conduct clearly communicates its commitment towards protecting employee health and safety including conflict resolution and fair dealing.

The Group strives to maintain its safety culture through its leadership team, which delivers a clear safety message to all employees. The Group has well documented safety procedures and visible safety boards located at its operations. Safety inductions to new employees and service agreements for suppliers of goods and services promote the Group's safety culture.

The Group maintains a significant number of health and safety measures, which are implemented upon commissioning of new equipment and monitored by way of periodic inspections. Prior to commissioning, each piece of equipment and machinery is subjected to a start-up check to ensure it meets the safety standards.

The Group reports the Lost Time Injury Frequency Rate ("**LTIFR**") to measure workplace safety and track the Group's newly implemented safety scheme. Lost Time Injuries ("**LTI**") are injuries that have occurred in the workplace and where an employee requires time off to recover. Calculating the frequency provides a key metric to track over time and compare against peers within the mining industry.

During the year, two LTI's occurred at the Group's Finnish operations. At Jokisivu, a diamond driller sustained an eye injury while using an angle grinder and at Vammala, a worker sustained a hand injury. Vammala and Jokisivu recorded 304 and 297 LTI free days, respectively. In Sweden, Svartliden recorded 2,100 days LTI free and Fäboliden 1,146 days LTI free.

	2021	2020
Lost Time Injury Frequency Rate	**9.9**	12.81

The LTIFR calculation is based on the number of injuries resulting in one lost shift sustained over a specific period per 1,000,000 work hours worked by all employees including sub-contractors over that period.

The Group has not sustained any work-related fatalities at any of its operations since its incorporation.

COVID-19 Pandemic

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

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

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

The COVID-19 pandemic, and the various Government measures so far introduced have not, to date, significantly disrupted the Group's operations and no adjustments have been made to the Group's financial results. However, the scale and duration of possible future Government measures, vaccine rollout, and their impact on the Group's operations and financial situation, necessarily remains highly uncertain.

OPERATIONS OVERVIEW

Finland Operations

Vammala Plant

Gold production in Finland decreased 2.2% when compared to the year ending 31 December 2020. The decrease was due to throughput restraints in the crushing and milling circuit and lower head grade. Higher gold recovery helped to compensate for the difference.

The Vammala Plant treated 305,933 tonnes of ore with an average grade of 2.7 g/t gold and achieved a process recovery of 86.6% to produce 23,411 ounces of gold in concentrate. During the year, 100% of the Vammala floatation concentrate was processed at the Svartliden Plant. A small amount of gravity gold was also delivered to Argor-Heraeus refinery in Switzerland.

During the year, Vammala mill feed was sourced from Jokisivu and Kaapelinkulma.

- 273,450 tonnes of ore from Jokisivu at an average grade of 2.7 g/t gold; and
- 32,483 tonnes of ore from Kaapelinkulma at an average grade of 3.4 g/t gold.

	Vammala Production Centre	
	2021	2020
Ore mined (tonnes)	**359,945**	341,270
Mined grade (g/t gold)	**2.6**	2.8
Ore milled (tonnes)	**305,933**	316,237
Head grade (g/t gold)	**2.7**	2.8
Process recovery (%)	**86.6%**	85.2%
Gold production (oz)	**23,411**	23,934

Jokisivu Gold Mine

Production tonnes from Jokisivu were sourced from the Main Zone in the Kujankallio area and from the Arpola area. Total ore mined from Jokisivu was 337,150 tonnes at 2.5 g/t gold; 136,279 tonnes of ore came from ore stopes (2020: 152,040 tonnes) and the remaining 200,871 tonnes of ore came from ore development (2020: 136,601 tonnes).

	Jokisivu Gold Mine	
	2021	2020
Ore mined (tonnes)	**337,150**	288,641
Mined grade (g/t gold)	**2.5**	2.7
Ore milled (tonnes)	**273,450**	261,002

During the March 2021 quarter, mining at Jokisivu was developing ore drives simultaneously at Arpola and Kujankallio. Arpola ore zones were better than initially estimated and produced more than estimated. Development of the Jokisivu decline progressed 136 metres from the 570m level to the 588m level.

Kaapelinkulma Gold Mine

Production at Kaapelinkulma came from open-pit mining with 22,795 tonnes of ore (2020: 52,629 tonnes) grading 3.6 g/t gold mined and the removal of 29,495 tonnes of waste rock (2020: 456,385 tonnes). Mining activities ceased in April 2021, and all stripping costs incurred during the development phase as part of the depreciable cost of building, developing, and constructing the mine have been fully amortised.

	Kaapelinkulma Gold Mine	
	2021	2020
Ore mined (tonnes)	**22,795**	52,629
Waste rock (tonnes)	**29,495**	456,385
Strip ratio	**1.3:1**	9:1
Mined grade (g/t gold)	**3.6**	3.1

The Group maintains valid exploration tenure at Kaapelinkulma with exploration and evaluation activities in the area continuing. Further details are provided in the Exploration Review on page 77.

Orivesi Gold Mine

The Company is awaiting approval of its Orivesi Closure Plan since the cessation of mining activities in June 2019. Further details are provided later in the Environmental Review on page 82. The Group maintains valid exploration tenure at Orivesi with exploration and evaluation activities in the area continuing.

Sweden Operations

Svartliden Production Centre

Svartliden is located in northern Sweden, approximately 750 kilometres by road north of Stockholm. It was established as part of an integrated operation comprising the Svartliden Plant and the Svartliden open-pit and underground gold mining operation ("**Svartliden Gold Mine**"). Brought into production in March 2005, Svartliden produced a total of 398,416 ounces of gold from Svartliden Gold Mine ore, ore from the test mining campaign at Fäboliden, and external concentrates up to the end of 2016.

During the year, 100% of the Vammala flotation concentrate was processed at the Svartliden Plant which has continued to operate at below break-even to ensure the retention of staff and operational facilities in readiness for the resumption of ore processing when full-scale mining at Fäboliden is achieved. In August 2021, the CAB approved the transport and process of up to 29,000 tonnes of low-grade stockpiled material remaining on the surface at Fäboliden from test-mining. The low-grade material was blended with Vammala concentrate and fed into the plant during November and December 2021.

	Svartliden Production Centre	
	2021	2020
Ore milled (tonnes)	**26,264**	39,581
Head grade (g/t gold)	**1.9**	2.7
Ore process recovery (%)	**80.8%**	80.0%
Gold production from ore (oz)	**1,260**	2,712
Vammala flotation concentrate milled (tonnes)	**4,642**	3,825
Head grade (g/t gold)	**125.9**	143.5
Concentrate process recovery (%)	**94.4%**	94.9%
Gold production concentrate (oz)	**17,732**	16,743
Total gold production (oz)	**18,992**	19,455

Fäboliden Gold Mine

The Fäboliden Gold Mine is located in northern Sweden, approximately 30 kilometres southeast of the Svartliden Plant. The Company conducted test-mining activities at the Fäboliden mine from May to September 2019 and June to September 2020. The Svartliden Plant processed 99,974 tonnes of ore from Fäboliden with an average grade of 2.6 g/t gold and process recovery of 78.4% to produce 6,806 ounces of gold. The processing of Fäboliden ore at the Svartliden Plant was completed in November 2020.

In August 2021, the CAB approved the transport and process of up to 29,000 tonnes of low-grade stockpiled material remaining on the surface at Fäboliden from test-mining. During October and November 2021, a total of 26,264 tonnes at 1.8 g/t gold was processed at the Svartliden Plant.

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

The Company has continued to advance its application for an environmental permit to commence full scale mining activities at Fäboliden. The Environmental Court of Appeal has preliminarily booked the main hearing to commence 14 March 2022. Refer to the Environmental Review on page 82 for further information.

Employees

The total number of employees and contractors of the Group as at 31 December 2021 was 69 (2020: 79). Total staff costs including Directors' emoluments amounted to AU$8.4 million (2020: AU$9.3 million). The Group periodically reviews remuneration packages from time to time. The stipends of Directors were reviewed and approved by the Remuneration Committee on 23 November 2021. 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 Group, and prior to each exploration or operational activity. The Group's responses to the COVID-19 pandemic are set out on page 62 of this announcement.

Environment, and Social and Governance

At Dragon Mining we value responsible environmental management, seek to continually improve environmental performance, and aspire to be effective environmental stewards. 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 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:

(i) operate within the legal permitting framework and in accordance within the Company's carefully designed environmental management systems;

(ii) identify, monitor, measure, evaluate and minimise the Company's impact on the surrounding environment;

(iii) give environmental aspects due consideration in all phases of the Groups mining projects, from exploration through to development, operation, production, and final closure; and

(iv) act systematically to improve the planning, execution, and monitoring, of its environmental performance.

The Board retains the overall responsibility for the Group's Environmental, Social and Governance ("**ESG**") management and is committed to operating in a manner that contributes to the sustainable development of mineral resources through efficient, balanced, long-term management, while showing due consideration for the well-being of people; protection of the environment; and development of the local and national economies in the countries in which the Group operates. The Group is very clear on the need to work closely with the local communities in each jurisdiction in which it operates, and places great importance on earning the respect and support of those communities.

The Group's performance is reported annually and reviewed by the Audit and Risk Management Committee and Board, details of which are outlined in our "Risk Management and Internal Control" section contained in the Corporate Governance Report included in the Company's 2021 Annual Report.

For further information on the Company's corporate governance please refer to the Corporate Governance Report in the Company's 2021 Annual Report or by accessing the Company's website at www.dragonmining.com/governance. The Company's 2021 ESG Report will be available on the Company's website at www.dragonmining.com and www.irasia.com/listco/hk/dragonmining/index.htm.

Operational Risks

The Group's response to the COVID-19 pandemic is included under the Business Review on page 62.

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

Safety

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

Dragon Mining continues to work closely with all stakeholders to promote continuous safety improvements and Occupational Health and Safety ("**OH&S**") considering evolving scientific knowledge and technology, management practices and community expectations.

Dragon Mining ensures it maintains compliance with the applicable laws, regulations, and standards of the countries, it operates in by:

(i) improving and monitoring OH&S performance;

(ii) training and ensuring its employees and contractors understand their obligations and are held accountable for their responsibilities;

(iii) communicating and openly consulting with employees, contractors, government, and community on OH&S issues; and

(iv) developing risk management systems to appropriately identify, assess, monitor, and control hazards in the workplace.

Production

During the year, most of the Group's ore production came from Jokisivu with some ore production from Kaapelinkulma before the completion of open-pit mining activities in April 2021. Further delays in the Company's application for an environmental permit to commence full scale mining activities at Fäboliden may adversely impact the Company's full year results for 2022.

The process recovery rate and production costs are dependent on many technical assumptions and factors, including the 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 geology, mining practices, grade variability, mining dilution, and mining recovery.

Plant breakdown or availability and throughput restraints may also affect the operation.

Permitting

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

The application for a full-scale mining Permit for Fäboliden was submitted to the Land and Environmental Court in July 2018. If the Company faces significant delay in obtaining environmental approval for full-scale mining, it could materially and adversely affect the Company's profitability. Such delays would likely require the Company to re-evaluate the continued operation of Svartliden. At the date of this announcement, the Company is not aware of any reason for any delay caused, as a result of the COVID-19 pandemic. The Environmental Review on page 82 provides updates on rehabilitation and status of permitting at the Company's Finnish and Swedish operations.

Social and Political

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

The Group is exposed to other risks that include, but are not limited to, cyber-attack and natural disasters, that could have varying degrees of impact on the Group and its operating activities. Where available and appropriate to do so, the Board will seek to minimise exposure using insurance, while actively monitoring the Group's ongoing exposure. The Group's awareness of the risks from political and economic instability have been heightened by recent geo-political developments in Ukraine.

FINANCIAL REVIEW

The Group's operations for the year ended 31 December 2021 returned a profit before tax of AU$4.0 million (2020: profit before tax AU$10.5 million) and a net profit after tax of AU$0.3 million (2020: net profit after tax AU$10.2 million). In addition to the previous year including production from test-mining activities at Fäboliden, such net profit was impacted adversely by lower head grade and recoveries resulting in a decrease in the quantity of gold concentrate produced at the Vammala Plant and the Group's Finnish operations incurring an AU$3.7 million income tax expense after having utilised all of its carry forward losses. The Group's operations in Sweden continued to be carried at below break-even to maintain operational readiness for the anticipated commencement of full-scale mining activities at Fäboliden upon approval of the Company's environmental permit application.

No adjustments have been made to the Group's result as at 31 December 2021 for the impacts of COVID-19.

Revenue from Customers

The Group sold 20,711 ounces of gold (2020: 28,035 ounces of gold) to deliver revenue from operations of AU$50.0 million (2020: AU$69.3 million). The 27.8% decrease in revenue is driven by a 26.1% decrease in actual gold sold during the period. Stronger USD gold prices during the period provided some offset to the decreases in gold sales.

The Group sold gold at an average spot price of US$1,800 per ounce during the period compared to US$1,769 per ounce for the year ending 31 December 2020.

Cost of Sales

Cost of sales for the year were AU$41.8 million for the year and represents a 19.1% decrease compared to the prior year (2020: AU$51.6 million). Cost of sales includes mining, processing, other production activities, changes in inventory, and depreciation as follows:

	2021	2020	**% change**
Total gold sold (oz)	**20,711**	28,035	(26.1%)
Total gold produced (oz)	**25,694**	26,645	(3.6%)

Cost of sales	**2021** ***AU$'000***	2020 *AU$'000*	**% change**
Mining costs (a)	**22,252**	19,706	12.9%
Processing costs (b)	**15,242**	21,240	(28.2%)
Other production costs	**1,007**	1,243	(19.0%)
Gold inventory movements (c)	**(4,081)**	507	(904.9%)
Depreciation (d)	**5,301**	7,882	(32.7%)
Rehabilitation costs (e)	**2,032**	1,021	99.0%
Total	**41,753**	51,599	(19.1%)

a) Mining costs increased by 12.9% with total ore tonnes mined increasing by 5.5%. Ore was mined from Jokisivu and Kaapelinkulma, until mining at Kaapelinkulma ceased in April 2021. The Group's Finnish operations mined 359,945 ore tonnes (2020: 341,270 ore tonnes) at an average cost per ore tonne of AU$60.87 (2020: AU$63.07 per ore tonne) representing a decrease of 3.5% per ore tonne mined. An increase in the Jokisivu ore stockpile resulted in the associated mining costs being capitalised to inventory. These costs will be expensed during the period in which the related revenue is recognised.

b) The Group's processing costs decreased by 28.2% despite carrying the operations in Sweden at below break-even. Ore tonnes milled at Vammala of 305,933 represents a 3.3% decrease against the prior year of 316,237 ore tonnes. Vammala processing costs of $23.94 per tonne represents a 2.0% decrease (2020: AU$24.44 per tonne). In Sweden, the Svartliden Plant processed 4,642 tonnes of concentrate from Vammala (2020: 3,825 tonnes) representing an increase of 21.4%. An increase in concentrate and gold-in-circuit inventory in Sweden resulted in additional processing costs being transferred to inventory at year end.

c) When inventories are sold the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. During the year, the net inventory movement resulted in costs of $4.1 million being transferred to inventory. Fluctuations in inventory levels and value are a normal part of the Group's business operations which stem from the timing of gold pours, shipments, grade, and ore source impacting leaching and residence times, and inventory valuations.

d) Depreciation is incurred on a unit of production basis and is aligned to mined or milled tonnes dependent on the class of asset. The asset carrying values for the operations that have ceased mining at Kaapelinkulma and at Fäboliden (test-mining) and increases in reserves reduced depreciation included in cost of sales for the year by 32.7%.

e) Changes in the Orivesi rehabilitation provision are recognised directly in profit or loss. The Group has recognised an additional AU$2.0 million associated with the removal of litter stored between the 66m and 85m underground levels. The addition cost represents 50% of the total cost agreed with Outokumpu. The bulk material was deposited before the Company purchased the mine in 2003 and recommenced mining in 2007.

Gross Profit

The 27.8% decrease in revenue compared to the 19.1% decrease in cost of sales delivered a lower gross profit for the year of AU$8.3 million (2020: AU$17.7 million) and gross profit ratio of 16.5% (2020: 25.5%).

Management and Administration and Other Expenses

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

Working Capital, Liquidity and Gearing Ratio

At 31 December 2021, the Group had net assets of AU$60.0 million (2020: AU$53.5 million); a working capital surplus of AU$29.048 million (2020: surplus AU$27.283 million); and a closing market capitalisation of AU$49.0 million or HK$277.0 million (2020: AU$56.3 million or HK$336.0 million). A market capitalisation deficiency compared to net assets is an indication of possible impairment. At the end of each period, the Group performs impairment testing which did not result in any asset impairment write downs for the year.

As at 31 December 2021, the Group had AU$14.4 million in cash and cash equivalents (2020: AU$14.4 million), including AU$6.6 million restricted use net proceeds from the Company's Placement of Shares on 22 January 2021. During the year, the Group has funded its activities with positive cash inflows from its Finnish operations.

As at 31 December 2021, the Company's gearing ratio was 3.4% (2020: 6.3%), calculated by dividing total borrowings by total equity.

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

The Company has an unsecured AU$12.0 million Loan Facility with AP Finance Limited ("**Loan Facility**").

On 6 January 2021, the Company made a voluntary repayment of the outstanding balance of its Loan Facility of AU$3.0 million (including interest payable to that date). There have been no drawdowns from the Loan Facility since this date.

After year end, the Company extended the Loan Facility availability period from 31 December 2022 to 30 June 2023.

Placement of Shares

On 22 January 2021, the Company issued a total of 20,000,000 ordinary shares ("**Placing Shares**") in the share capital of the Company at HK$2.05 per share ("**Placing Price**") pursuant to the placing agreement ("**Placing Agreement**") entered into between the Company and Morton Securities Limited ("**Placing Agent**") dated 7 January 2021 ("**Placement**"). Pursuant to the Australian Corporations Act, the shares do not have a nominal or par value, and as such, there is no maximum aggregate nominal value of the Placing Shares.

The Placing Shares have been successfully placed to not less than six independent placees who are individuals, professionals, institutional or other investors whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to its obligations under the Placing Agreement who (including its ultimate beneficial owners) are (i) third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) and regarded as public (as defined in the Listing Rules); and (ii) not regarded as a related party (as defined under section 228 of the Australian Corporations Act) of the Company.

The Placing Price represented a premium of approximately 2.50% over the closing price of HK$2.00 per share as quoted on the Stock Exchange on 7 January 2021; being the date on which the terms of the Placement was fixed.

On 7 January 2021, the Company announced that it expected the relevant Finnish and Swedish authorities to require significant additional environmental bonds for its mines in Finland and Sweden and payable in 2021. Having considered the existing financial resources available to the Group, the Directors are of the view that the Group requires additional funding for such payments, and that the Placement will strengthen the financial position and liquidity of the Group and provide financial resources to the Group without incurring interest costs. The Directors also believe that the Placement represents an opportunity to raise capital for the Company while broadening its Shareholder and capital base.

The net proceeds of the Placement were AU$6.6 million (or approximately HK$39.6 million), the entire amount will be used to contribute to the funding of a part of the various environmental bonds relating to the Company's operations in Finland and Sweden.

The net placing price, after deducting such fees, costs, and expenses, is approximately AU$0.33 per share (HK$1.99 per share) under the Placement.

Use of Net Proceeds from the Company's Placement

Purpose	**Proposed use of proceeds**	**Purpose of proceeds expressed as % of net proceeds**	**Actual amount utilised from 22 Jan 2021 to 31 Dec 2021**	**Unutilised as at 31 Dec 2021**	**Revised expected timeline for the unutilised amount**
	AU$ million	*%*	*AU$ million*	*AU$ million*	
Fund environmental bond obligations	$6.6	100%	–	$6.6	To be utilised by end of 2022

As at 31 December 2021, 100% of the net proceeds remain available to fund the Group's environmental bond obligations for its operations in Finland and Sweden.

The Company operates a number of assets in both Finland and Sweden each with its own requirement for environmental bonds.

The net proceeds were initially expected to be used within 12-months from the Placement completion date. The reason for revising the expected timeline for the unutilised amount is that the Company has appealed each of the bonding requirements for the reduction of the quantum of the environmental bonds, while certain third parties have also appealed some of the bonding requirements but arguing the quantum should be increased instead. As at 31 December 2021, the various appeal proceedings were on-going and therefore the net proceeds were not yet utilised to fund the Group's environmental bond obligations.

To the best estimates of the Company based on its experience with the time to process appeals in the environmental courts in Finland and Sweden, it expects the majority of the appeals would have proceeded with at least a first hearing by such courts in the first half of 2022. Based on the above and subject to any subsequent further appeals to be made by the Company and/or third parties, it is anticipated that the net proceeds of AU$6.6 million will be utilised by the end of 2022.

The revised expected timeline for the unutilised amount is subject to the actual time taken for the appeals to be processed, as well as the final adjudication by the courts on the deadline for the Group to settle the payment for the environmental bonds. On receipt of confirmation from the relevant environmental courts in Finland and Sweden, the Company will update its shareholders as and when appropriate if there are material developments on the usage of the proceeds of the Placement.

Financial Risks

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

Foreign Exchange

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

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

Commodity Price

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

Liquidity

The Company is exposed to liquidity risk through its financial liabilities and its obligations to make payment on its financial liabilities as and when they fall due. The Company maintains a balance in its approach to funding using debt and or equity raisings.

Credit

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company's maximum exposures to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the Consolidated 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 2021 and 31 December 2020.

Contingent Liabilities

As at 31 December 2021, the Group has disclosed two contingent liabilities at note 22 of the Consolidated Financial Statements.

Company Strategy and Future Developments

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

The Company anticipates its application for a full-scale mining Permit for Fäboliden will be determined following the Main Court Hearing commencing on 14 March 2022.

Dividends

No dividend has been paid or declared since the commencement of the year and no dividend has been recommended by the Directors for the year ended 31 December 2021 (2020: nil).

Annual General Meeting

The forthcoming Annual General Meeting ("**AGM**") will be held on 23 May 2022. A notice convening the AGM and all other relevant documents will be published and dispatched to shareholders of the Company.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 23 May 2022, the registers of members of the Company will be closed from Wednesday, 18 May 2022 to Monday, 23 May 2022, 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 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 Tuesday, 17 May 2022 (Hong Kong time).

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates or Joint Ventures 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, associates or joint ventures during the year. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

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

During the year ended 31 December 2021, the Company undertook an On-Market Share Buy-Back under General Mandate ("**Mandate**") to buy back shares of the Company ("**Shares**") as approved by shareholders of the Company at the Annual General Meeting held on 21 May 2021. Under the Mandate, 15,884,061 Shares, being 10% of the total number of issued Shares as at 21 May 2021 could be purchased on-market by the Company. During the year ended 31 December 2021 the Company had purchased 667,000 Shares at an aggregate consideration (before expenses) for a total cost of HK$1,123,470. The 667,000 Shares were subsequently cancelled, of which 560,000 Shares had been cancelled by 31 December 2021 and the remaining 107,000 Shares were cancelled after the year end, thus reducing the issued capital of the Company. Particulars of the Buy-Back of Shares during the year ended 31 December 2021 is as follows:

Month	Number of Shares repurchased	Purchase price per Share Highest *(HK$)*	Purchase price per Share Lowest *(HK$)*	Aggregate consideration (before expenses) *(HK$)*
December	667,000	1.70	1.53	1,123,470
Total	667,000			1,123,470

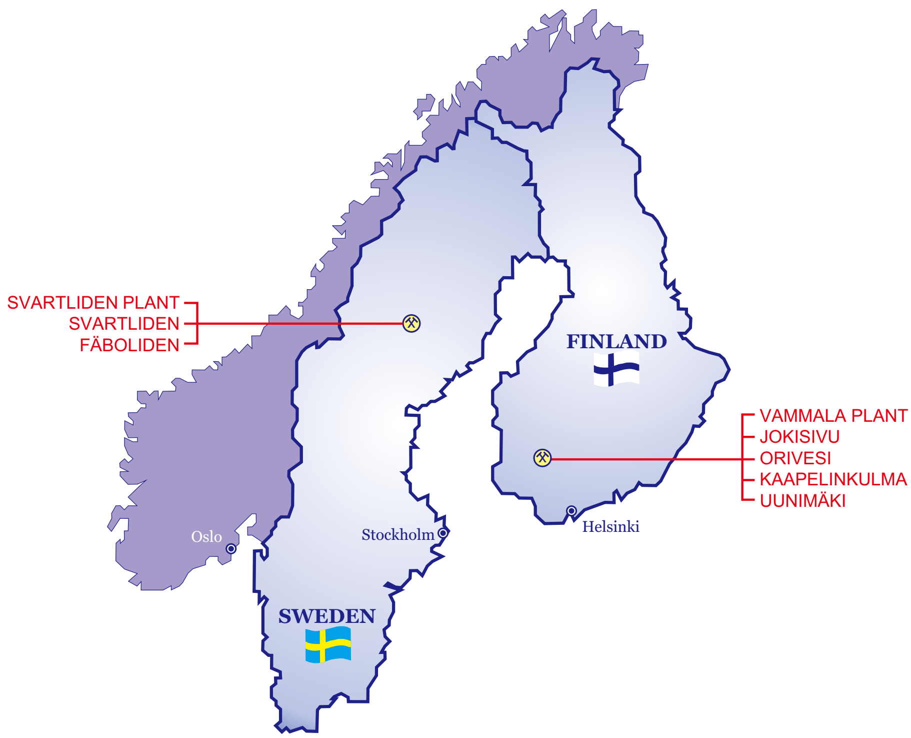
Significant Events After Year End

On 18 November 2019, the Company lodged an appeal in the Swedish Environmental Court of Appeal ("**Court of Appeal**") against the U1, U2 and U3 rulings by the Swedish Environmental Court. On 25 February 2022, the Court of Appeal provided its rulings including a determination that further studies are required to reduce the level of uncertainty in the investigations before it can consider the Swedish Environmental Protection Agency's request for additional collateral security (U3). The Company is the process of obtaining further legal advice on the rulings to determine the appropriate course of action.

On 1 March 2022, the Company extended the expiry date of its AU$12.0 million loan facility with AP Finance Limited from 31 December 2022 to 30 June 2023. All other terms and conditions remain unchanged.

ADVANCED PROJECTS AND EXPLORATION REVIEW

Dragon Mining is an established gold producer that holds a portfolio of highly prospective projects in Sweden and Finland. Since first entering the Nordic Region in 2000, the Company has successfully brought into operation a series of open-cut and underground gold mines that have produced close to 800,000 ounces of gold over the past sixteen years. This has been achieved through the Company's ongoing commitment to actively explore its project holding to preserve and grow the Company's annual production profile for now and the foreseeable future.



Project Location

During 2021, the Company continued to advance exploration activities on its key projects with drilling campaigns completed at the Jokisivu Gold Mine ("**Jokisivu**"), the site of the closed Orivesi Gold Mine ("**Orivesi**") and the Fäboliden Gold Mine ("**Fäboliden**").

In Finland, 69 diamond core drill holes were completed during the year totalling 10,075 metres (2020 – 167 diamond core holes for 20,083 metres), whilst in Sweden, 13 holes, 1,368 metres were completed (2020 – 19 holes, 2,037 metres).

In addition to drilling, the Company also received the final results for a drilling program completed in 2020 at the Kaapelinkulma Gold Mine ("**Kaapelinkulma**") and commenced an integrated review and targeting exercise of available historical geophysical datasets that cover Dragon Mining's project area at Fäboliden.

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

- 6 January 2021 – Drilling Campaigns Advance on Dragon Mining's Finnish and Swedish Projects;

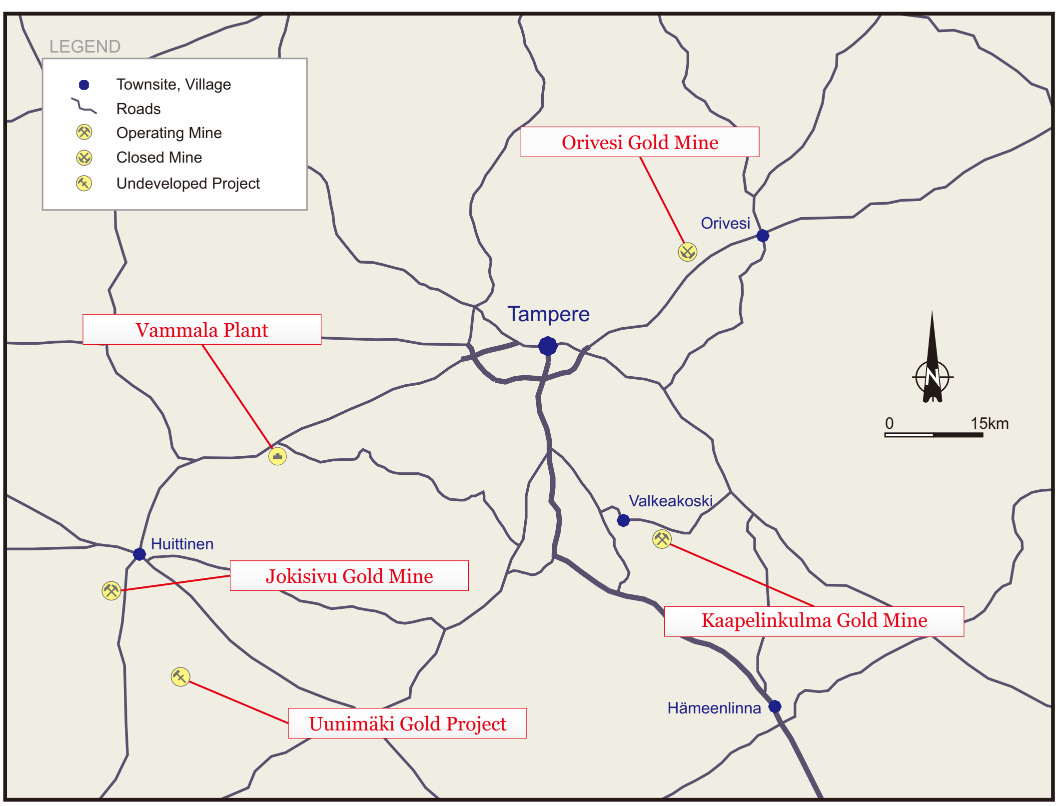
- 29 June 2021 – Drilling Returns Encouraging Intercepts from the Company's Key Nordic Projects; and

- 24 August 2021 – High Grade Intercepts Returned from Drilling at Jokisivu.

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

Finland

In southern Finland, approximately 165 kilometres northwest of the Finnish capital Helsinki, the Company holds a series of projects that collectively encompass a total area of 8,644.78 hectares and which form the Vammala Production Centre. This Centre includes the centrally located Vammala Plant, a 300,000 tonnes per annum conventional crushing, milling and flotation facility, the operational Jokisivu gold mine, Kaapelinkulma where mining ceased in April 2021, Orivesi where mining ceased in 2019 and the Uunimäki Gold Project ("**Uunimäki**").



Vammala Production Centre

Jokisivu Gold Mine

At Jokisivu, 56 underground diamond core drill holes were completed over seven campaigns during 2021 for an advance of 9,396.00 metres (2020 – 129 holes, 14,942.75 metres). These campaigns included:

- a 10 hole, 1,207.35 metre campaign drilled from the 550m level targeting the Kujankallio Hinge Zone below the 560m level ("**Campaign 1**");
- a 7 hole, 1,307.15 campaign drilled from the 560m and 570m level targeting the Kujankallio Main Zone below the 560m level ("**Campaign 2**");
- a 16 hole, 2,707.20 metre campaign drilled from the 570m level targeting the Kujankallio Main Zone and the Kujankallio Hinge Zone below the 560m level ("**Campaign 3**");
- a 6 hole, 656.00 metre campaign drilled from the 560m level targeting the Kujankallio Hinge Zone ("**Campaign 4**");
- a 7 hole, 1,185.00 metre campaign drilled from the 560m level directed at the depth extensions of the Kujankallio Main Zone ("**Campaign 5**");
- a 9 hole, 2,151.80 metre campaign drilled from the 350m level targeting the Arpola lode system between the 300m and 350m levels ("**Campaign 6**"); and
- 1 hole, 181.50 metre targeting the Arpola lode system between the 400m and 450m levels from the 350m level.

Campaigns 1 to 4 yielded a series of significant intercepts above 1 g/t gold, including the high-grade highlights 2.40 metres @ 16.54 g/t gold, 2.00 metres @ 10.45 g/t gold 4.85 metres @ 44.31 g/t gold and 1.00 metre @ 27.60 g/t gold. Results aligned well with expectations, extending known mineralisation associated with the Kujankallio Main Zone and the Kujankallio Hinge Zone to approximately the 650m level. Final results for Campaigns 5 to 7 remain pending.

Results were also received during 2021 for two drilling campaigns completed in 2020, a 12 hole campaign that targeted the Arpola Footwall Zone from the 205m level, spanning from the Flying Squirrel area to, and including the Osmo Zone ("**Campaign 9-2020**") and a 12 hole campaign that targeted the Arpola Footwall Zone in the flying squirrel area between the 100m and 145m levels ("**Campaign 10-2020**"). These campaigns returned a series of significant intercepts greater than 1 g/t gold including 1.00 metre @ 32.90 g/t gold from Campaign 9-2020 and from Campaign 10-2020, 9.30 metres @ 21.31 g/t gold, 2.90 metres @ 28.65 g/t gold, 4.10 metres @ 14.61 g/t gold, and 1.00 metre @ 46.10 g/t gold.

Drilling has now recommenced at Jokisivu on the first of a series of campaigns for 2022. The initial campaigns will be directed at the extensions of known mineralisation in the Arpola area.

Kaapelinkulma Gold Mine

During the year, the Company received the results for an 8 hole, diamond core campaign that was drilled at Kaapelinkulma during November and December 2020. The campaign was directed at the down plunge extensions of the Southern and Northern gold deposits at Kaapelinkulma and the lateral extensions of the recently identified lower diorite unit, which is located approximately 200 metres below the Southern deposit.

Results from the campaign were below expectations, with a best intercept of 0.80 metres @ 11.65 g/t gold received.

Orivesi Gold Mine

The Company completed drilling at the site of the former Orivesi Gold Mine during the year. The 15 hole reconnaissance diamond core drilling campaign targeted an area of geochemical anomalism at the western end of the Orivesi Mining Concession and a zone of geophysical anomalism at the eastern end of the Orivesi Mining Concession. Results were generally below expectations with only one, narrow significant intercept returned above 1 g/t gold.

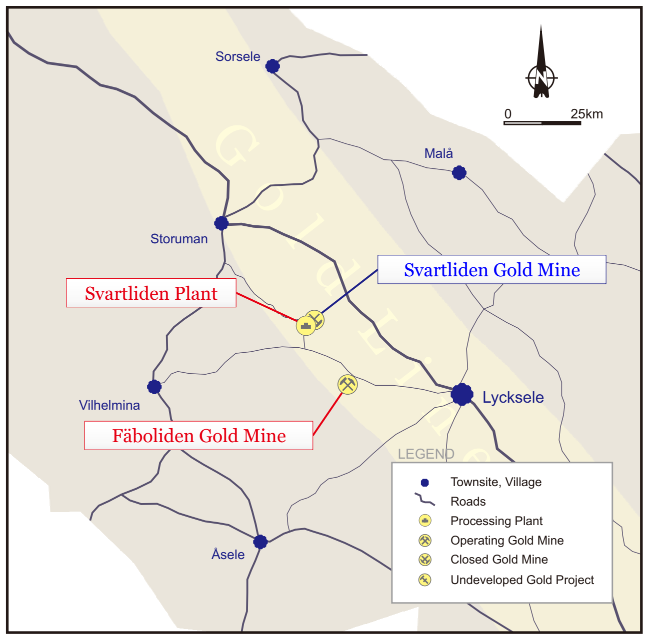
Uunimäki Gold Project

Dragon Mining applied for a new Exploration Licence covering 89.22 hectares and encompassing the Uunimäki gold occurrence in southern Finland during 2020. Subsequent to the end of 2021, the Company was advised by the Finnish Safety and Chemicals Agency ("**Tukes**") that the Exploration Licence had been granted on the 11 January 2022 and was now subject to a 37 day period, during which third parties may lodge appeals against the Tukes decision to grant.

Uunimäki represents an advanced gold opportunity that has previously been subjected to diamond core drilling (36 holes, 3,424 metres) and other exploratory activities including ground geophysical surveys and geochemical till surveys by the Geological Survey of Finland. Upon the Exploration Licence becoming legally valid, the Company will look to determine if the identified zones of higher-grade gold mineralisation within the Uunimäki mineralised system occurs at tonnage levels that could potentially be amenable to mining, and processing at the Company's Vammala Plant.

Sweden

In northern Sweden, the Company holds 1,045.80 hectares of tenure that collectively is known as the Svartliden Production Centre. Located 750 kilometres north of Stockholm, this Centre includes the Svartliden Plant, a 300,000 tonne per annum conventional comminution and carbon in leach ("**CIL**") plant, the Fäboliden Gold Mine ("**Fäboliden**") and the closed Svartliden Gold Mine ("**Svartliden**").



Svartliden Production Centre

Fäboliden Gold Mine

The Company resumed drilling at Fäboliden in late 2020 with the undertaking of a diamond core drilling campaign. This campaign was designed to improve the drill density in the northern part of the deposit in readiness for the next iteration of resource estimation and mining studies. Drilling of the 32-hole campaign was completed in early 2021.

Analytical results from the drilling campaign generated a series of significant intercepts above 1 g/t gold including, 1.00 metre @ 35.20 g/t gold, 6.00 metres @ 21.07 g/t gold, 26.00 metres @ 2.46 g/t gold, 10.00 metres @ 3.38 g/t gold, 14.00 metres @ 2.19 g/t gold, 12.00 metres @ 3.78 g/t gold, 23.00 metres @ 2.19 g/t gold, 16.00 metres @ 2.34 g/t gold, 1.00 metre @ 64.00 g/t gold, 15.00 metres @ 2.56 g/t gold, 10.20 metres @ 2.39 g/t gold, 7.00 metres @ 4.39 g/t gold and 9.00 metres @ 5.83 g/t gold.

The drilling campaign successfully generated required geological information that enabled the extent and geometry of mineralisation in the northern part of the Fäboliden deposit to be more accurately defined. Results received have now been incorporated into an update of the Fäboliden Mineral Resource estimate that commenced in late 2021.

Independent consultants Resource Potentials Pty. Ltd. ("**ResPot**") in Western Australia commenced an integrated review and targeting exercise of available historical geophysical datasets that cover the Fäboliden project area during the latter part of 2021. This exercise represents the first of this nature to be undertaken incorporating data from detailed airborne magnetic, radiometric and frequency-domain electromagnetics surveys and IP and Slingram ground surveys over Fäboliden. It is the objective of the exercise to identify and prioritise additional targets on the existing Dragon Mining holding for future exploration activities.

ENVIRONMENTAL REVIEW

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

The Company's operations are subject to environmental regulations under statutory legislation in relation to its exploration and mining activities. The Company believes that it has adequate systems in place for the management of its requirements under those regulations and is not aware of any breach of such requirements as they apply to the Company, except where indicated below.

Finland

Vammala Production Centre

The Company has previously advised that the Regional State Administration Agencies ("**AVI**") had issued a new environmental permit to process 300,000 tpa ore at Vammala. The new permit contains new crushing conditions, which the Company appealed to the Administrative Court of Vaasa on 20 April 2020. During the first half of the year 2021, the Company provided the Court with additional crusher noise measurements and noise reduction actions. The Company has agreed to the inclusion of new noise measurements in the permit order and commenced planning the construction of noise barriers. The Company can continue to operate under its existing permit conditions until a final decision is handed down. During September 2021, the Company installed a new Crusher which has helped to reduce noise levels further and plans to install rubber linings for the feeder. On 3 November 2021, the Vaasa Administrative Court inspected the Vammala Plant and additional noise measurements will be carried in early 2022. The Company anticipates a ruling on its appeals from Vaasa Administrative Court during 2022.

Dust protection measures to minimise the effects of tailings dust continued during the year. On 15 June 2021, an assessment of the health effects of tailings area dust was received from the Finnish Institute of Occupational Health. The report contains dust monitoring and composition data taken over a one-year period and was distributed to local area neighbours most exposed to the tailings dust. Based on the tailings dust composition data and particle measurements taken from the area, the report indicates the tailing dust does not pose any health risks to surrounding residents.

On 28 May 2021, the Company and the of the Centre for Economic Development, Transport, and the Environment (the "**ELY Centre**") met to discuss environmental issues at Vammala including noise and tailings dust. The Company plans to pipe mill water from the pumping station to the Horvelo area, included in its environmental permit application, which reduces the need for run-off of Mill drainage waters.

The Horvelo-oja ditch project is focussed on preventing the mixing of process waters with natural waters and thus reduce emissions from the operations and was included in the Company's Vammala Environmental Permit application. In December 2021, the final inspection of the Horvelo-oja ditch project was completed with the pipeline inspected by remote camera.

On 9 September 2020, the 5-yearly inspection of the Vammala tailings dam was conducted by external consultant Ramboll Oy in the presence of the ELY Centre. On 4 November 2021, the Company with the help of Ramboll Oy, completed the process of updating its environmental health and risk assessment to include the tailings dam.

On 13 August 2021, an announcement regarding the processing of 300,000 tpa during 2021 was submitted to and accepted by the Pirkanmaa Centre for Economic Development, Transport, and the Environment ("**PIR ELY**").

On 25 February 2021, the annual water monitoring report for 2020 was finished by the consultant KVVY Tutkimus Oy and delivered to PIR ELY and the City of Sastamala.

Orivesi Gold Mine

The Company has previously advised that its Closure Plan for the Orivesi mine was submitted to AVI for approval. In January 2021, requested supplementary information was provided to AVI. On 11 October 2021, several statements and opinions received by AVI have requested further clarifications and additional new studies. In January 2022, AVI granted the Company additional time to provide its responses to these statements and opinions.

As part of the Closure Plan, Finnish consultants, Envineer Oy ("**Envineer**"), were engaged to prepare a research plan to clean and remediate any soil contaminated areas including maintenance and storage areas, fuel tank storage locations, settling ponds and any roads previously exposed to sulphide containing waste rock. On 9 August 2021, the final soil contamination studies report and remediation plan was received from Envineer. Hydrocarbons were found in service and storage areas and concentrations exceeds the lower reference values. This final report suggests that elevated levels of hydrocarbon containing soils and road areas with sulphide containing waste rocks could be transported in the waste rock stockpile area and that material could be left below the cover structures of the waste rock pile. In one area the concentrations of oil hydrocarbons were high, and this material is suggested to be transported to the waste handling facility. The report was sent to PIR ELY on 13 August 2021.

In October 2018, PIR ELY requested further information from the Company on the presence of litter stored between the 66m and 85m levels. The bulk of the material was deposited before the Company purchased the mine in late 2003 and recommenced mining in 2007. On 9 April 2021 and 16 April 2021, the Company sent a geo-mechanical assessment of the conditions of the stope area to PIR ELY and AVI. A supplementary risk assessment confirmed there is no need to remove the material due to its non-hazardous environmental impact. Additionally, the risk assessment confirmed the safe removal of the material is also not possible. Considering these factors, the Company applied for a retrospective environmental permit which was announced by AVI on 21 May 2021. An official request for a response to statements and opinions for the retrospective environmental permit application were received from AVI on 11 October 2021. The Company provided its responses on 3 December 2021.

On 3 June 2021, PIR ELY issued a letter to Dragon Mining and the previous owners, Outokumpu Mining Oy ("**Outokumpu**") advising of their shared responsibility in the removal of the litter. A workplan has been compiled with Outokumpu and sent to PIR ELY during November 2021. The workplan is expected to last two years commencing in 2022.

There has been no discharge water from the mine site since mid-2019 resulting in a measurable decrease in nitrogen concentration in nearby lake Ala-Jalkajärvi. The Ala-Jalkajärvi Lake water has a pH of approximately 7, which reduces the harmful effects of metals. The metal concentrations in Lake Ala-Jalkajärvi have decreased significantly in recent years and the effect is also gradually being reflected in the metal concentrations in the downstream Lake Peräjärvi.

The Benthic Animal Report (small organisms living on the bottom of the lakes/stream) was completed by consultants, KVVY Tutkimus Oy ("**KVVY**") during May 2021 and sent to authorities (PIR ELY, City of Orivesi, City of Tampere, Lake Näsijärvi fishing area association). No major changes have occurred in the benthic fauna of the waters compared to previous years observations. The benthic fauna in both lakes Ala-Jalkajärvi and Peräjärvi are very small. As benthic fauna was not studied before the start of mining, the effects of mining cannot be verified with certainty.

A Sediment Sampling Report was received from KVVY on 12 May 2021. Sediment samples were taken from two sampling points at lake Ala-Jalkajärvi to provide information in relation to lime treatments carried out during 2018 and 2019. The report was sent to authorities (PIR ELY, City of Orivesi, City of Tampere) and shows a decrease in cobalt and manganese concentrations from one sampling point and no change at from the other sampling point compared to earlier year sampling report.

Jokisivu Gold Mine

On 15 February 2021, the Company received the new Environmental Permit from AVI. The permit includes a significant but not unexpected bond increase of 3.4 million EUR (approximately AU$5.4 million) and a few new conditions, which will be difficult to achieve. On 26 March 2021, the Company submitted an appeal of permit order 16, which requires the waste rock area to be partially landscaped before the completion of mining operations, to the Vaasa Administrative Court. On 1 December 2021, the Vaasa Administrative Court sent a response request to an appeal made by NGO about the new Environmental Permit. The Company responded to the Vaasa Administrative Court on 28 January 2022 and expects a decision during late 2022.

On 29 April 2021, the Water Monitoring Plan was updated by KVVY and sent to PIR ELY. The plan includes an increase in sampling frequency and analysis of some additional substances required by the new permit conditions.

On 27 May 2021, the final plan for the settling ponds and water management was received from Envineer and approved by PIR ELY. Construction activities commenced in September 2021 with the removal and excavation of topsoil from the construction area, which was trucked to the east of the Arpola open pit. The construction work of the new settling ponds was completed by mid-December 2021. Envineer will conduct a final report of that will be sent to PIR ELY in early 2022. Once approved by PIR ELY, the ponds can be taken in use.

Noise measurements were taken on 19 October 2021 and coincided with same waste rock crushing. Based on the results; the noise level caused by the crushing activities at the site are below the permissible limit value of 55 dB at all measuring points. The final report was sent to PIR ELY.

During May 2021, samples were taken from the waste rock stockpile area and sent for metal solubility and acid base testing to investigate whether the waste rock might be suitable for use outside of mining area. Results of samples were received on 15 July 2021. According to these results at least part of the waste rocks can possibly be utilised outside the mine site, but this issue needs to be examined more.

Kaapelinkulma Gold Mine

On 28 January 2021, the Kaapelinkulma Closure Plan was submitted to PIR ELY. On 4 March 2021, the Company received a statement from PIR ELY requesting supplementary information, which was provided by KVVY and Envineer, and included in the Company's response to PIR ELY on 28 April 2021.

The Company is continuing exploration activities in the area with a view to recommence mining operations and is investigating the possibility of utilising the waste rock outside the mine area. Changes to the current Environmental Permit are required before the continuation of mining activities. Both would need changes to the current environmental permit. If exploration results are unsuccessful, rehabilitation works are expected to commence in 2024. PIR ELY have confirmed the supplemented Closure Plan is now in compliance with the environmental permit and no further supplements are needed. PIR ELY also confirmed the research plan for contaminated soils that was prepared by Envineer has been accepted. Planned activities would also commence in 2024 in line with the Closure Plan.

PIR ELY and Tukes inspections were held at Kaapelinkulma on 3 June 2021. There were no follow up activities required.

Sediment sampling report from Kaapelinkulma ditch monitoring points and lake Vallonjärvi bottom sediment point for 2021 was received from KVVY on 7 October 2021. Metal concentrations in the sediments of the ditch points were mainly low and corresponded to the natural level, except for the ditch point below the mine (OP2), where the arsenic content of the sediment had increased from the natural level. Also, at the downstream ditch point of the Vallonoja (OP3), the concentrations of zinc and lead in the surface sediment were higher than the level estimated to be natural. Preliminary sediment monitoring was carried out before the start of mining operations in 2017. Compared to 2017, the mercury and uranium content of the sediment had increased in the area below the mine at ditch OP2, but concentrations were still at the level estimated to be natural at all observation sites, except at ditch point OP3. As a rule, elemental concentrations were higher in Lake Vallonjärvi than in ditch points. In Lake Vallonjärvi chromium, copper, nickel, and zinc were found to be higher than the background level and the levels were higher than in year 2017. Lake Vallonjärvi sediment reflects the load flowing from the entire catchment area. The next sediment survey will be conducted in three years in 2024.

Year 2021 butterfly counting was completed late June 2021 and the final report was received from Ramboll Oy on 14 October 2021. According to calculation the Woodland Brown butterfly individuals was observed slightly more in 2021 than in the 2018-2020 calculations. During the four-year follow-up, there have been no clear changes in the abundance or occurrence of the butterflies in the monitoring areas. Both Kaapelinkulma and Koivussuo Woodland Brown butterfly populations are viable based on summer 2018-2021 calculations. The next butterfly counting is in three years. The final report was sent to PIR ELY.

Some interest towards stockpiled Kaapelinkulma waste rocks to reprocess as building aggregate. This matter will be examined more during year 2022.

Sweden

Svartliden Rehabilitation Plan (U3)

The Company has previously announced that work to update the Svartliden Rehabilitation Plan ("**Closure Plan**") was submitted to the Swedish Land and Environmental Court ("**Environmental Court**") in April 2017. In May 2018, the Company updated the Closure Plan cost assessment and provided its responses to comments received from the Environmental Protection Agency ("**EPA**") and the County Administrative Board ("**CAB**"), both of whom considered the Closure Plan and the proposed closure bond as insufficient. From 24 to 26 April 2019, the Closure Plan, U1 and U2 investigations were heard by the Environmental Court. On 3 September 2019, delivered its rulings on each of the matters. On 18 November 2019, the Company lodged an appeal in the Environmental Court of Appeal ("**Court of Appeal**") against the following rulings by the Environmental Court:

- the 41.0 million SEK (approximately AU$6.4 million) additional collateral security being requested by the Environmental Court;
- the permit conditions during the closure phase; and
- restrictions that would prevent the CAB from incrementally returning the Company's security bond as rehabilitation work is progressed.

On 21 February 2021, the Company submitted its responses to statements issued by the CAB, EPA and Vapsten Sami village to the Court of Appeal. The main hearing in the Court of Appeal was held on 21-22 September 2021. On 25 February 2022, the Court of Appeal determined further studies are required to reduce the level of uncertainty in the investigations before it can consider the EPA request for additional collateral security.

Svartliden Conditions of Tailings Depositions (U1)

On 3 September 2019, the Environmental Court approved the Company's permit application to deposit tailings into the Svartliden open-pit to +441 meters above sea level subject to the Company's other permit conditions, which excludes the deposition of tailings from full-scale mining at Fäboliden. As a result, the Company is applying to change the permit conditions to include the deposition of tailings from full-scale mining at Fäboliden. The Company submitted its Environmental Impact Assessment with the change permit to the Environmental Court on 30 June 2021. The Environmental Court has thereafter requested supplementary information which was submitted on 1 November 2021. A contingent liability in relation to the Group's Svartliden rehabilitation provision has been disclosed in note 22 of this announcement.

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 proposing changes to the final permit conditions for the clarification pond discharge limits to the Environmental Court. In July 2018, the CAB provided its comments which disagreed with the Company's proposals.

In October 2018, the Company responded with investigations and calculations that showed the proposed changes did not pose any further risk to the environment.

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

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

On 21 February 2021, the Company submitted its responses to statements issued by the CAB, EPA and Vapsten Sami village to the Environmental Court of Appeal. The main hearing in the Court of Appeal was held 21-22 September 2021. The Court of Appeal ruling was postponed from 22 November 2021 to 25 February 2022. On 25 February 2022, the Court of Appeal determined further studies are required to reduce the level of uncertainty in the investigations before it can consider the EPA request for additional collateral security.

Fäboliden Environmental Permit

On 1 December 2017, the Company was granted an Environmental Permit to conduct test mining activities at Fäboliden. The Company's test mining operations were completed during September 2020 whereby all test-mining activities ceased as per the Environmental Permit. The company submitted a request to the CAB 19 August 2021 to transport and process up to 29,000 tonnes of marginal low grade waste rock from the test mining stockpiles in Fäboliden. The CAB confirmed the request 3 September 2021. Transport and processing was successfully carried out during October to December 2021. As a result, the environmental impact associated with the waste rock dump in Fäboliden has reduced.

The Company is actively pursuing environmental approval of its application for full-scale mining activities at Fäboliden which was submitted to the Swedish Land and Environmental Court in July 2018. On 4 April 2020, the application was publicly announced, and the Company submitted its responses to statements issued by the CAB and other stakeholders on 5 March 2021. Following this, additional information was deemed necessary by the CAB and as a result further field work and investigations were conducted during the remainder of year and submitted 8 December 2021. The Court has preliminarily booked the main hearing for week 11, commencing 14 March 2022. The Company anticipates the Court decision in approximately 2–3 months after the hearing date.

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 applied the principals of, and complied with, the applicable code provisions of the Corporate Governance Code (formerly known as the Corporate Governance Code and Corporate Governance Report) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**HKEx Listing Rules**") on The Stock Exchange of Hong Kong Limited.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the HKEx Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

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 2021, including the accounting principles and practices adopted by the Company. The figures in respect of the Group's Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's Auditors, Ernst & Young, to the amounts set out in the Group's draft Consolidated Financial Statements. The work performed by the Company's Auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Audit and Assurance Standards Board and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the designated website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company www.dragonmining.com and www.irasia.com/listco/hk/dragonmining/. The Company's Annual Report for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 9 March 2022

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 purposes only*