



DRAGON
ENERGY

ABN 38 119 992 175

INTERIM FINANCIAL REPORT
31 DECEMBER 2015

DRAGON ENERGY LTD
ABN 38 119 992 175

Interim Financial Report 31 December 2015

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DIRECTORS' REPORT

The directors present their financial statements of Dragon Energy Ltd ("Dragon Energy") for the six months ended 31 December 2015 and the auditor's review report thereon:

Directors

The directors of the Company at any time during or since the end of the half-year and until the date of this report are:

Name	Period of directorship
Mr Jie Chen <i>Chairman</i>	Director since 18 December 2008
Mr Gang Xu <i>Managing Director</i>	Director since 1 June 2006
Mr Keong Chan <i>Non-Executive Director</i>	Director since 1 December 2015
Mr Michael van Uffelen <i>Non-Executive Director</i>	From 1 March 2015 to 31 December 2015

Review of Operations

Dragon Energy Limited (the "Company") is a Perth based exploration company which listed on the Australian Securities Exchange in February 2009 (ASX: DLE). Dragon's portfolio of tenements has numerous multi-commodity targets, including Fe, Mn, Au and U in Western Australia.

The Company has gone through a process of rationalization of its projects leading to a number of cost cutting strategies; including tenement reduction and project relinquishments. ML47/1471 was reduced in size and converted to retention license R47/8 on 6 November 2015.

In April 2013 Dragon Energy Ltd (Dragon Energy) entered into a Farm-in/Farm-out Agreement for its Ashburton Project (JV) with Shandong Energy Australia Pty Ltd (Shandong Energy) and Shandong Lunan Geo-Engineering Exploration Institute (Lunan) (JV Partners). The JV Partners are required to spend \$300,000 on exploration on the Ashburton Project to acquire 30% participating interest in the tenements (Stage One Expenditure) and have the option to acquire an additional 20% participating interest in the JV by spending an additional amount of \$700,000 on exploration on the Ashburton Project (Stage Two Expenditure). The JV Partners have fulfilled the Stage One and Stage Two Expenditure commitments to earn a 50% participating interest in the JV.

Further, the JV Partners have the option to spend an additional \$1,000,000 on exploration on the Ashburton Project to acquire an additional 15% participating interest in the JV (Stage Three Expenditure).

A supplementary agreement was signed with the JV Partners (Supplementary Agreement) on 28 October 2015. Under the Supplementary Agreement:

1. Shandong Energy and Lunan will fund an additional \$187,598 expenditure on the Ashburton Project to earn an additional 2.8% participating interest.
2. Stage Three Expenditure is removed.

For more details on the Company's activities over the half-year period, please refer to the Quarterly Reports and the ASX announcements made during the half-year.

DIRECTORS' REPORT (cont'd)

Results

The Company made a loss of \$6,497,533 after income tax for the half-year (2014: loss of \$691,077).

Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's independence declaration under Section 307C of the Corporations Act 2001

Section 307C of the Corporations Act 2001 requires our auditor, RSM Australia Partners, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this director's report for the six months ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



Gang Xu
Managing Director

Dated at Perth, Western Australia, this 14th day of March 2016



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Dragon Energy Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2016

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**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the half-year ended 31 December 2015

	Note	31 December 2015 \$	Half-Year 31 December 2014 \$
Revenue from continuing operations		15,464	17,579
Exploration and evaluation expenses		(6,303,600)	(375,324)
Corporate and administrative expenses		(209,397)	(333,332)
(Loss) before income tax		(6,497,533)	(691,077)
Income tax		-	-
(Loss) for the half year		(6,497,533)	(691,077)
Other Comprehensive Income		-	-
Total Comprehensive (loss) for the half year attributable to owners of Dragon Energy Limited		(6,497,533)	(691,077)
Earnings per share:			
Basic and diluted (loss) per ordinary share (cents)		(3.15)	(0.33)

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		394,516	709,082
Trade and other receivables		40,342	9,553
Other financial assets		-	8,212
Total Current Assets		434,858	726,847
NON-CURRENT ASSETS			
Property, plant and equipment		58,399	69,241
Exploration and evaluation assets	3	462,308	6,680,851
Total Non-Current Assets		520,707	6,750,092
TOTAL ASSETS		955,565	7,476,939
CURRENT LIABILITIES			
Trade and other payables		4,741	28,582
Total Current Liabilities		4,741	28,582
TOTAL LIABILITIES		4,741	28,582
NET ASSETS		950,824	7,448,357
EQUITY			
Contributed equity	4	25,728,920	25,728,920
Reserves		93,500	93,500
Accumulated losses		(24,871,596)	(18,374,063)
TOTAL EQUITY		950,824	7,448,357

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

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

	Contributed equity \$	Share based payment reserve \$	Options premium reserve \$	Accumulated losses \$	Total Equity \$
2015					
At 1 July 2015	25,728,920	46,040	47,460	(18,374,063)	7,448,357
(Loss) for the period	-	-	-	(6,497,533)	(6,497,533)
Total Comprehensive (loss) for the half-year	-	-	-	(6,497,533)	(6,497,533)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
At 31 December 2015	25,728,920	46,040	47,460	(24,871,596)	950,824
	Contributed Equity \$	Share based payment reserve \$	Options premium reserve \$	Accumulated Losses \$	Total Equity \$
2014					
At 1 July 2014	25,728,920	46,040	47,460	(6,747,755)	19,074,665
(Loss) for the period	-	-	-	(691,077)	(691,077)
Total Comprehensive (loss) for the half-year	-	-	-	(691,077)	(691,077)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
At 31 December 2014	25,728,920	46,040	47,460	(7,438,832)	18,383,588

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

S T A T E M E N T O F C A S H F L O W S
For the half-year ended 31 December 2015

	31 December 2015 \$	Half-Year 31 December 2014 \$
Cash flows from operating activities		
Cash payments in the course of operations	(239,598)	(396,054)
Interest received	7,350	23,056
Net cash outflow from operating activities	(232,248)	(372,998)
Cash flows from investing activities		
Payments for exploration expenditure – capitalised costs	(80,185)	(196,210)
Payments for property, plant & equipment	(2,135)	-
Net cash outflow in investing activities	(82,320)	(196,210)
Net (decrease) in cash held	(314,568)	(569,208)
Cash and cash equivalents at the beginning of the period	709,082	1,742,101
Effects of exchange rate changes on cash and cash equivalents	2	52
Cash and cash equivalents at the end of the period	394,516	1,172,945

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

1. BASIS OF PREPARATION

This general purpose financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Dragon Energy Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period.

New and Revised Accounting Standards

The company has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the company's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
2. SEGMENT REPORTING

The company has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and the following are the reportable segments under AASB 8.

	Mineral Exploration \$	Corporate \$	Total \$
31 December 2015			
Segment revenue			
Other unallocated revenue	-	15,464	<u>15,464</u>
Total revenue			<u>15,464</u>
Segment result	(6,303,600)	(193,933)	(6,497,533)
Unallocated revenues and expenses	-	-	<u>-</u>
Loss before related income tax expense			<u>(6,497,533)</u>
Segment assets as at 31 December 2015	462,308	493,257	<u>955,565</u>
Segment liabilities as at 31 December 2015	-	4,741	<u>4,741</u>
31 December 2014			
Segment revenue			
Other unallocated revenue	-	17,579	<u>17,579</u>
Total revenue			<u>17,579</u>
Segment result	(375,324)	(333,332)	(708,656)
Unallocated revenues and expenses	-	-	<u>17,579</u>
Loss before related income tax expense			<u>(691,077)</u>
Segment assets as at 31 December 2014	17,919,022	1,267,456	<u>19,186,478</u>
Segment liabilities as at 31 December 2014	757,286	45,604	<u>802,890</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	31 December 2015 \$	30 June 2015 \$
3. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>462,308</u>	<u>6,680,851</u>
Reconciliation		
Carrying amount at beginning of period	6,680,851	18,148,182
Exploration and evaluation expenditure	80,728	131,505
Offset JV contribution	-	(673,234)
Capitalised expenditure written off	<u>(6,299,271)</u>	<u>(10,925,602)</u>
Carrying amount at end of period	<u>462,308</u>	<u>6,680,851</u>

The company has entered into a farm in/farm out joint venture agreement for its Ashburton project at reporting date. In accordance with the joint venture agreement, future exploration expenditures on this project will be funded by the joint venture partner.

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

	31 December 2015 \$	30 June 2015 \$
4. CONTRIBUTED EQUITY		
206,426,374 (30 June 2015: 206,426,374) fully paid ordinary shares	<u>25,728,920</u>	<u>25,728,920</u>

There were no movements in issued capital during the six months ended 31 December 2015.

Options

There were no options to subscribe for ordinary fully paid shares granted or exercised during the six months ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

6. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

7. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

Directors' declaration

In the opinion of the directors of Dragon Energy Ltd:

1. the financial statements and notes thereto of the company, as set out within this financial report, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the six months ended on that date; and
 - (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Gang Xu
Managing Director

Dated at Perth, Western Australia this 14th day of March 2016.



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
DRAGON ENERGY LIMITED**

We have reviewed the accompanying half-year financial report of Dragon Energy Limited which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Dragon Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

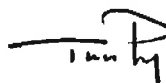
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dragon Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2016