



DRAGON
ENERGY

ACN 119 992 175

ANNUAL REPORT

for the year ended 30 June 2016



C O R P O R A T E D I R E C T O R Y

Directors	Mr Jie Chen Mr Jonathan King Mr Gang Xu Mr Keong Chan Mr. Joel Fishlock	Chairman Managing Director Non-Executive Director Non-Executive Director Non-Executive Director
Company Secretary	Mr. Keong Chan	
Principal Place of Business and Registered Office	Suite 8, 1297 Hay Street West Perth, Western Australia, 6005 Telephone: + 61 8 9322 6009 Facsimile: + 61 8 9322 6128	
Website Address	www.dragonenergyltd.com	
Auditor	RSM Australia Partners 8 St Georges Terrace Perth WA 6000	
Solicitor	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth, Western Australia, 6000	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000 Telephone: + 61 8 9323 2000 Facsimile: + 61 8 9323 2033	
Stock Exchange	ASX Limited Exchange Plaza 2 The Esplanade Perth, Western Australia, 6000 ASX Code: DLE	

CONTENTS

	PAGE
Corporate Directory	
Directors' Report	4
Auditor's Independence Declaration	11
Audited Remuneration Report	16
Corporate Governance Statement	22
Financial Statements	29
Directors' Declaration	54
Independent Auditor's Report	55
ASX Additional Information	57

DIRECTORS' REPORT

The Directors present their report together with the financial report of Dragon Energy Ltd (the **Company** or **Dragon Energy**) for the year ended 30 June 2016 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr Jie Chen

Executive Chairman

Special Responsibilities: Executive Chairman
Member of the Nomination and Remuneration Committee
Chair of the Audit and Risk Committee

Mr Chen has over 30 years of operational and management experience in the mining industry in the People's Republic of China (**PRC**). He started his mining and management career in 1979 with a large China state-owned coal mining enterprise in the PRC. Mr Chen was the former chairman of the Shandong Taishan Sunlight Group Company Limited (**Shandong Group**) since 2002. Under his leadership, the Shandong Group formed three vertically integrated businesses in coal, iron ore mining, processing and manufacturing with operations in Shandong, Guizhou, Ningxia and Xinjiang. The coal mine under his management holds a safety record of over 5,000 days with no fatality.

Mr Chen has a Masters degree in economics and is currently working on a doctorate degree in mine engineering with the China University of Mining and Technology. He has received numerous distinguished awards at provincial and national levels for his achievements in entrepreneurship and leadership including being one of the 10 excellent entrepreneurs in Shandong Province, top 20 best mine managers in the PRC and PRC's excellent entrepreneur.

Mr Jonathan King

Managing Director – Appointed 14 September 2016

Mr King is a mining executive with more than 25 years' experience in the mining industry in various exploration and technical roles with responsibility from project generation to project acquisition through to exploration, evaluation drilling and production, predominantly in iron ore, base metals and gold. Jonathan received an honours degree in Geology from Curtin University (WA) and has worked in research (CSIRO and UWA), and in exploration, operational, and consulting roles for companies, including Placer Dome, Barrick Gold, Rio Tinto, Robe River Mining and Associates, Homestake Mining, Gold Fields Australasia, St Ives Gold Mining Company, BC Iron, Dacian Gold Limited, Gondwana Resources, Harmony Gold, Emergent Resources, Troy Resources, Dampier Gold, and Great Central Mines. Jonathan was a founding director of Paringa Resources Limited and also served as Technical Director of Conto Resources Limited. Jonathan has worked in Korea, Fiji, China, Africa, Indonesia, USA, Mexico, Brazil, Colombia, Peru and Australia.

Mr Gang Xu

Non- Executive Director

Special Responsibilities: Managing Director till 13 September 2016
Member of the Audit and Risk Committee

Mr Xu is a geologist with over 20 years' experience in the mining and energy industry. He spent 9 years as a senior exploration geologist with the China National Nuclear Corporation (CNNC) which explored for uranium in eastern and northern China. Mr Xu was also the Finance and Marketing Manager for Sino Gold Limited which developed the first international standard mining operation in the PRC. In addition to his technical skills and experience in exploration and mining, he has significant diverse experience in business research, marketing and finance.

Mr Xu completed his Masters of Business Administration in the United States in 1997. He also completed his Masters of Geology in the PRC. He is a member of AusIMM.

DIRECTORS' REPORT (cont'd)

Mr Keong Chan

Non-Executive Director – appointed 1 December 2015

Special Responsibilities: Chairman of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee

Mr. Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards.

Mr. Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.

Mr Joel Fishlock

Non-Executive Director – appointed 15 August 2016

Special Responsibilities:

Joel Fishlock is an adviser at Morgans, Australia's largest national full-service retail stockbroking and wealth management firm. He has worked in investment banking both domestically and internationally for the past 9 years advising on capital raisings, corporate advice and portfolio management. Mr. Fishlock has advised and funded numerous ASX and international companies from early stage seed capital, through to IPO across a range of sectors including resources, energy and technology.

Joel is a registered ASIC compliant (RG 146) Securities Adviser. He also holds a Diploma of Financial Services (Financial Planning) - KAPLAN and is currently completing a Masters in Applied Finance and Investment.

Michael van Uffelen

Non-Executive Director – resigned 31 December 2015

Special Responsibilities: Chairman of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee

Mr van Uffelen holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He has more than 25 years accounting and finance experience gained with major accounting firms, investment banks and public companies, both in Australia and internationally. Since 2010, Michael has focused on providing CFO, company secretarial and corporate finance services to companies in Australia.

COMPANY SECRETARY

Mr Keong Chan

Appointed 1 December 2015

Mr. Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards. Mr. Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.

Ms Nancy Liang, resigned as Company Secretary on 1 December 2015

Ms Liang is a Certified Practising Accountant and a member of CPA Australia. She has over eighteen years of national and international experience in a variety of senior finance and commercial roles in mining, IT and telecommunication industries. Her recent roles were primarily within the resources sector including CFO and company secretary of a number of ASX listed companies.

D I R E C T O R S ' R E P O R T (c o n t ' d)

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship	
		From	To
Mr J Chen	Nil	-	-
Mr G Xu	Nil	-	-
Mr K Chan*	Soil Sub Technologies Ltd	07/01/2010	07/07/2016
	Augend Ltd	09/06/2016	Current
Mr J Fishlock***	Nil	-	-
Mr Jonathan King****	Nil	-	-
Mr Michael van Uffelen**	Nil	-	-

* Appointed 1 December 2015

** Resigned 31 December 2015

*** Appointed 15 August 2016

**** Appointed 14 September 2016

DIRECTORS' INTERESTS

The relevant interest of each director in the securities of the Company at the date of this report is as follows:

Director	Ordinary shares	Options
Mr J Chen	-	-
Mr G Xu	27,192,414	-
Mr K Chan*	-	-
Mr J Fishlock***	-	-
Mr Michael van Uffelen**	-	-
Mr Jonathan King****	-	-

* Appointed 1 December 2015

** Resigned 31 December 2015

*** Appointed 15 August 2016

**** Appointed 14 September 2016

DIRECTORS' REPORT (cont'd)

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr J Chen	2	1	-	-	-	-
Mr G Xu	2	2	-	-	-	-
Mr K Chan*	1	1	-	-	-	-
Mr J Fishlock***	-	-	-	-	-	-
Mr M van Uffelen**	1	1	-	-	-	-
Mr Jonathan King****	-	-	-	-	-	-

* Appointed 1 December 2015

** Resigned 31 December 2015

*** Appointed 15 August 2016

**** Appointed 14 September 2016

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors:

Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr M van Uffelen (Chairman) resigned 31 December 2015	Mr J Chen (Chairman)
Mr K Chan (Chairman) appointed 1 December 2015	Mr K Chan – appointed 1 December 2015
Mr J Chen	Mr Michael van Uffelen – resigned 31 December 2015
	Mr G Xu

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the development of interests in exploration projects in the resource industry in Australia.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company's net assets decreased by \$6,873,784 to \$574,573 during the financial year. The decrease in net assets principally relates to the losses incurred during the year.

RESULTS

The Company incurred a loss of \$6,873,784 for the financial year after income tax (2015: loss of \$11,626,308). This loss included the write-off of \$6,299,271 (2015: \$10,925,602) in capitalised exploration and evaluation assets and the incurrence of \$106,838 (2015: \$167,836) in exploration expenditure in accordance with the Company's accounting policies, and corporate and administrative costs of \$488,097 (2015: \$563,589).

REVIEW OF ACTIVITIES

During the year, the Company focused its activities in development of interests in exploration projects in the resource industry in Australia.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company will continue to pursue its main objective of developing interests in exploration projects. The Company also expects to pursue other acquisition and joint venture opportunities.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Company.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

ENVIRONMENTAL REGULATION

Dragon Energy's exploration and mining activities are governed by a range of environmental legislation and regulations. The National Greenhouse and Energy Reporting Act 2007 require the entity to report its annual greenhouse gas emissions and energy use.

As the Company is still in the development phase of its interests in exploration projects, Dragon Energy is not yet subject to the public reporting requirements of environmental legislation and regulations. To the best of the directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of the applicable environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

In August 2016, the Company issued 206,426,374 shares at \$0.005 per share to raise \$1,032,132 before issue costs under a non-renounceable pro rata offer to Eligible Shareholders. The Company will use the funds raised to pursue its corporate objective of advancing its portfolio of projects as well as reviewing value accretive opportunities in the resources industry.

In September 2016, the Company announced its agreement to acquire the Tabac Cobalt-Gold project, consisting of two exploration license applications, 53/1891 & 53/1895 (ELA's), covering a combined area of 111.5km² in the Northern Goldfields region of Western Australia. Drilling is expected to commence in Q3 of FY 2016-17.

Other than the above, there has no other events other than disclosed above arisen in the interval between the end of the 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.

DIRECTORS' REPORT (cont'd)

OPTIONS

Options granted

There were no options granted during or since the end of the year.

Options expired

No options expired during or since the end of the year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the current Directors and Company Secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium of \$6,980 during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

Details of amounts paid or payable to the Company's auditor, RSM Australia Partners (**RSM**), for audit and non-audit services provided during the year are set out in note 4.

The Board and the Audit and Risk Committee are satisfied that the provision of the non-audit services is compatible with general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- (a) all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- (b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT

The Remuneration Report sets out on pages 16 to 21 forms part of the Directors' Report and signed as part of it.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors' Report.

AUDITOR

RSM Australia Partners continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Dated at Perth, Western Australia this 28th day of September 2016.

Signed in accordance with a resolution of the directors:



Mr Gang Xu
Director

RSM Australia Partners

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GPO Box R1253 Perth WA 6844

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F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Dragon Energy Limited for the year ended 30 June 2016, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2016

REVIEW OF ACTIVITIES

Overview

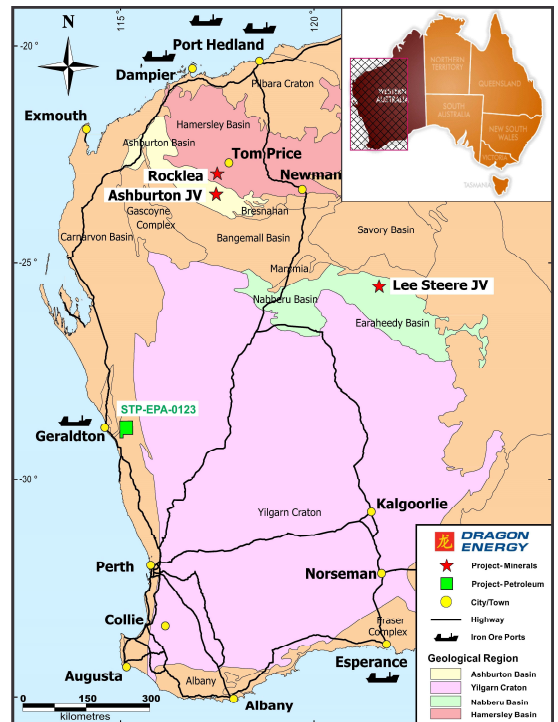
Dragon Energy is an exploration company controlling a portfolio of tenements in Western Australia.

Pilbara Iron Project- Rocklea Deposits (DLE: 100%)

The Pilbara Iron Project is Dragon Energy's most advanced project, comprising the Rocklea Channel Iron Deposit (CID) in the central Pilbara Iron Ore Province of Western Australia.

The Rocklea Deposit is located 33km SW of the mining town of Tom Price. It is situated on the eastern margin of the Rocklea Dome where Archaean age Fortescue Group Formations dip to the east and are overlain by Tertiary age CID and other Cainozoic deposits of sand and gravels. The CID comprises goethitic and hematitic detrital deposits of the Tertiary Robe Pisolites. Dragon Energy acquired the Rocklea Project in 2010, and its southern extension in 2012.

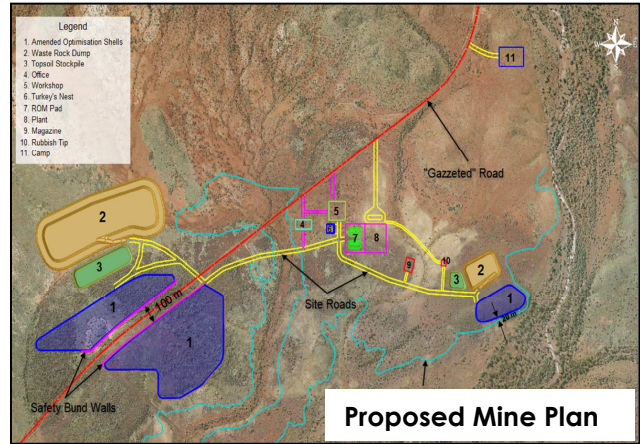
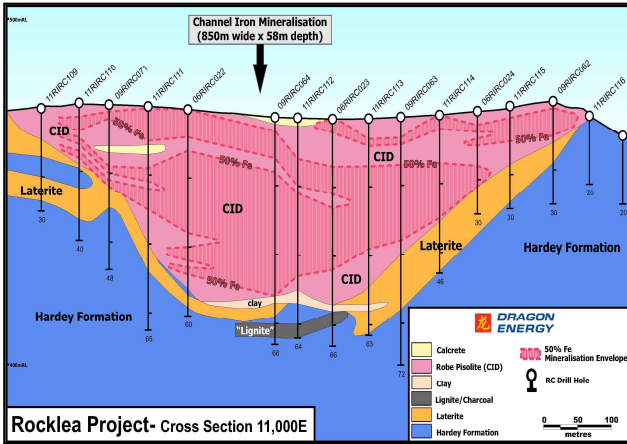
A number of studies have been completed and negotiations in process with regards to development of the Pilbara Iron Project. A Mining Proposal for a Rocklea Early Tonnes mining operation, incorporating a mine planning study, an environmental management plan and a mine closure plan was submitted to the Department of Mines & Petroleum in 2014. This proposal has been reviewed and Dragon Energy followed up a number of DMP queries for further information.



Following a review, the mining lease 47/1471 was reduced in size, and an application for a retention licence was submitted to the DMP.



REVIEW OF ACTIVITIES



Ashburton Project (DLE: 47.2%)

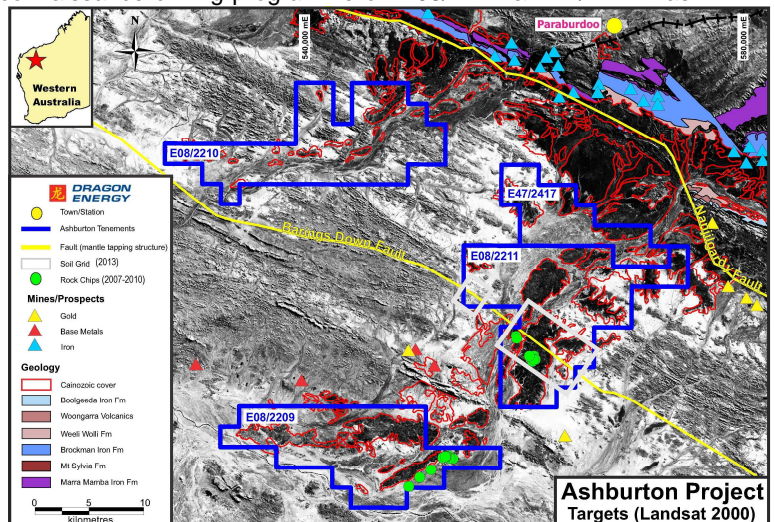
The Ashburton Project is located in the Ashburton Basin, and is 10 to 40km from rail and other infrastructure associated with the Paraburdoo iron ore operations of Rio Tinto Limited.

Field reconnaissance demonstrated a paucity of outcrop over E08/2211 and E08/2209. These tenements host the greatest thicknesses and areal extent of Cainozoic sediments, which potentially fill palaeochannels presently incised by Turee Creek as it flows south into Ashburton River. The braided drainages of Turee Creek and Seven Mile Creek drain the ranges of the Brockman Iron Formation near Paraburdoo, as such these palaeochannels may host detrital and/or CID mineralisation.

Elevated alluvial gravel beds are evident with the ground surface dominated in parts by iron (hematite) gravels. Small outcrops were rarely observed, the most interesting a foliated, ferruginised sediment and ironstones- possibly shear or gossan in the basement sediment. This outcrop returned up to 51% Fe, 555ppm Zn and 292ppm Ni (2007-2010 sampling) and may be associated with mantle tapping structures, namely the Barings Down Fault which transects E08/2211 (identified by a 2011 regional seismic survey).

Following a heritage survey in 2013 a planned reconnaissance drilling programme on E08/2211 & E47/2417 was delayed awaiting access via Rio Tinto's service road. Further exploration strategies have subsequently been developed to investigate potential base metal and gold targets, greatly enhanced by recent DMP releases of seismic data in 2012 and a regional EM survey over the project area in 2014.

In April 2013 Dragon Energy entered into a JV agreement with Shandong Energy Australia Pty Ltd and Shandong Lunan Geo-Engineering Exploration Institute. 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 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).

REVIEW OF ACTIVITIES

A supplementary agreement was signed with the JV partners on 28 October 2015. Under the supplementary agreement:

1. Shandong Energy & 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.

Petroleum Project (DLE: 100%)

Considering the current market condition and the Company's focus, Dragon Energy has submitted a written withdrawal notice to DMP on 25 June 2016 for the Application. On 4 July, DMP confirmed tha DLE's application STP-EPA-0123 has been withdrawn effective 25 June 2016.

REVIEW OF ACTIVITIES

Dragon Energy Tenement Schedule (Updated on 06/09/2016)

Project	Tenement	Area (km ²)	Status	Registered Holder	Ownership	Grant Date
MINERAL PROJECTS						
Pilbara Region						
Ashburton	E08/2211-I	167.0	Granted	Dragon Energy Ltd [^]	47.2%	28/07/2011
	E08/2210-I	145.1	Granted	Dragon Energy Ltd [^]	47.2%	02/03/2012
	E08/2209-I	132.2	Granted	Dragon Energy Ltd [^]	47.2%	02/03/2012
	E47/2417-I	63.1	Granted	Dragon Energy Ltd [^]	47.2%	02/12/2011
Rocklea	E47/952-I	78.7	Granted	Dragon Energy Ltd	100%	21/01/2008
	P47/1429-I	0.7	Granted	Dragon Energy Ltd	100%	10/09/2009
	R47/8-I	6.077	Granted	Dragon Energy Ltd	100%	06/11/2015

[^] Shandong Energy/Lunan JV

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* (the Act) and its Regulations. This information has been audited as required by Section 308 (3C) of the Act.

For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Company at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

Name	Position held
Mr J Chen	Executive Chairman
Mr G Xu	Managing Director
Mr Michael van Uffelen	Non-Executive Director – Resigned 31 December 2015
Mr Keong Chan	Non-Executive Director & Company Secretary – Appointed 1 December 2015
Ms Nancy Liang	Company Secretary / Chief Financial Officer – Resigned 1 December 2015

NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company. No advice was obtained during the year.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership is set out in the section entitled Corporate Governance Statement in this Annual Report.

PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Company's performance including:
 - the growth in share price; and
 - the amount of incentives within each key management person's compensation.

Given the evaluation and developmental nature of the Company's principal activity, the overall level of compensation does not have regard to the earnings of the Company.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed \$500,000 per annum. Directors' fees cover all main board activities and membership of committees.

There is currently no performance related compensation for non-executive directors in place.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION STRUCTURE (cont'd)

Non-executive director remuneration (cont'd)

Non-executive directors do not receive any retirement benefits, other than statutory superannuation.

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of these employment agreements are provided below.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the Company. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management.

Short-term and Long-term incentive

The Company does not have any short-term and long-term incentive plans.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION STRUCTURE (cont'd)

Consequences of performance on shareholder wealth (cont'd)

Due to the Company currently being in an evaluation and developmental phase, the Company's earnings is not considered to be a principle performance indicator. However, the overall level of key management personnel remuneration takes into account the achievement of strategic objectives, service criteria and growth in share price.

There were no performance related remuneration transactions during the financial year (2015: nil).

EMPLOYMENT AND CONSULTANCY AGREEMENTS

The Company has entered into an employment agreement with its executive directors. The employment agreements outline the components of remuneration paid to the executives and are reviewed on an annual basis.

During the financial year ended 30 June 2016, the following base salary applies:

Name	Base Salary/fees (p.a)	Term of Agreement	Notice Period
Mr G Xu	\$120,000	No fixed term	6 month
Mr J Chen	\$60,000	No fixed term	1 month
Mr M van Uffelen (i)	\$18,000	No fixed term	1 month
Mr K Chan (ii)	\$30,000	No fixed term	1 month
Ms N Liang (iii)	\$45,600	No fixed term	1 month

(i) Resigned 31 December 2015

(ii) Appointed 1 December 2015

(iii) Resigned 1 December 2015

Executives have no entitlement to termination payment in the event of removal for misconduct.

No remuneration consultant has been used during the year.

Refer to Note 17 for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services with Directors.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Company are:

		SHORT TERM		POST-EMPLOYMENT	SHARE-BASED PAYMENTS	Total
		Salary & fees \$	Non-Monetary \$	Superannuation \$	Options \$	
Directors						
<i>Non-executive</i>						
Mr M van Uffelen (i)	2016	7,500	-	-	-	7,500
	2015	6,000	-	-	-	6,000
Mr K Chan (ii)	2016	17,500	-	-	-	17,500
	2015	-	-	-	-	-
Mr Weifeng Li (iii)	2016	-	-	-	-	-
	2015	20,000	-	-	-	20,000
<i>Executive</i>						
Mr J Chen	2016	54,795	-	5,205	-	60,000
	2015	180,000	-	17,100	-	197,100
Mr G Xu	2016	120,000	-	11,400	-	131,400
	2015	210,000	-	19,950	-	229,950
Mr L Math (iv)	2016	-	-	-	-	-
	2015	17,125	-	-	-	17,125
Ms N Liang (v)	2016	28,000	-	-	-	28,000
	2015	37,800	-	-	-	37,800
Total, all directors and executive	2016	227,795	-	16,605	-	244,440
	2015	470,925	-	37,050	-	507,975

(i) Resigned 31 December 2015.

(ii) Appointed 1 December 2015.

(iii) Resigned 1 March 2015

(iv) Resigned 1 October 2014

(v) Resigned 1 December 2015

SHARE-BASED COMPENSATION

There were no share-based remuneration transactions during the year.

USE OF REMUNERATION CONSULTANTS

During the year, the Company did not use any remuneration consultants.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2015 ANNUAL GENERAL MEETING

Dragon Energy Ltd received 0.20% of "yes" votes and 99.80% abstained from voting on its remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

AUDITED REMUNERATION REPORT (cont'd)

OPTIONS HOLDINGS OF KEY MANAGEMENT PERSONNEL

2016	Held at 1 July 2015	Granted as compensation	Exercised	Other changes	Held at date of resignation	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
Mr J Chen	-	-	-	-	-	-	-	-
Mr G Xu	-	-	-	-	-	-	-	-
Mr M van Uffelen (ii)	-	-	-	-	-	-	-	-
Mr K Chan (iv)	-	-	-	-	-	-	-	-
Ms Nancy Liang (vi)	-	-	-	-	-	-	-	-
2015	Held at 1 July 2014	Granted as compensation	Exercised	Other changes	Held at date of resignation	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
Directors								
Mr J Chen	-	-	-	-	-	-	-	-
Mr G Xu (i)	4,532,069	-	-	(4,532,069)	-	-	-	-
Mr W Li(iii)	-	-	-	-	-	-	-	-
Mr L Math (v)	-	-	-	-	-	-	-	-

- (i) Listed options expired 18 November 2014.
(ii) Resigned 31 December 2015
(iii) Resigned 1 March 2015
(iv) Appointed 1 December 2015
(v) Resigned 1 October 2014
(vi) Resigned 1 December 2015

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

2016	Held at 1 July 2015	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2016
Mr J Chen	-	-	-	-	-	-	-
Mr G Xu	13,596,207	-	-	-	-	-	13,596,207
Mr M van Uffelen (i)	-	-	-	-	-	-	-
Mr K Chan (iii)	-	-	-	-	-	-	-
Ms Nancy Liang (v)	-	-	-	-	-	-	-
2015	Held at 1 July 2014	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2015
Mr J Chen	-	-	-	-	-	-	-
Mr G Xu	13,596,207	-	-	-	-	-	13,596,207
Mr W Li(ii)	-	-	-	-	-	-	-
Mr L Math (iv)	-	-	-	-	-	-	-

- (i) Resigned 31 December 2015
(ii) Resigned 1 March 2015
(iii) Appointed 1 December 2015
(iv) Resigned 1 October 2014
(v) Resigned 1 December 2015

No shares or options were granted to key management personnel during the year as compensation.

AUDITED REMUNERATION REPORT (cont'd)

Other key management personnel transactions with the Company

There were no related party transactions with key management personnel during the year.

Amounts owed to related parties

Amounts owed to key management personnel as of reporting date is \$950.

Remuneration commitments

The Company has entered into a consultancy agreement with Xu and Liu Pty Ltd with Mr Gang Xu to act as the Company's Managing Director. Under the agreement, Xu and Liu Pty Ltd was paid \$120,000 per annum (GST exclusive) plus 9.5% superannuation effective from 1 July 2015. Subsequent to a review of Mr Xu's contract in July 2016, his consultancy fee was reduced to \$5,000 per month (GST exclusive) plus 9.5% superannuation for the 3 months ending 31 October 2016, and further reduced to \$3,000 per month (GST exclusive) plus 9.5% superannuation effective from 1 November 2016. Mr Xu is a director and a beneficiary of Xu and Liu Pty Ltd. The consultancy agreement can be terminated with a 6 months' notice.

The Executive Chairman of the Company, Mr Jie Chen's annual base salary will be reduced from \$54,795 p.a. to \$21,918 plus 9.5% superannuation effective from 1 August 2016.

The Company has appointed Mr Jonathan King in the capacity of Managing Director, effective from 14 September 2016. Mr King will be paid a salary of \$210,000 per year plus superannuation.

There were no other key management personnel transactions other than disclosed above.

Additional Information

The earnings of the company for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Sales revenue	Nil	Nil	Nil	Nil	Nil
EBITDA	(6,847,799)	(11,600,310)	(813,828)	(1,230,292)	(365,731)
EBIT	(6,873,784)	(11,626,307)	(829,825)	(1,256,725)	(396,273)
Loss after Income Tax	(6,873,784)	(11,626,307)	(829,825)	(1,256,725)	(396,273)

The factors that are considered to affect total shareholders return are summarised below:

	2016	2015	2014	2013	2012
Dividends paid	Nil	Nil	Nil	Nil	Nil
Share price at end of the period	0.3 cents	0.7 cents	8 cents	6 cents	15.5 cents
Basis loss per share	3.33 cents	5.63 cents	0.40 cents	0.61 cents	0.19 cents

[This is the end of the audited remuneration report.]

C O R P O R A T E G O V E R N A N C E S T A T E M E N T

The Board and management of Dragon Energy Limited (**Dragon Energy** or the **Company**) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASXCGC Principles and Recommendations (ASXCGP) have been revised under Edition 3 and notes that as this Report outlines the Company's corporate governance framework in place for the year ended 30 June 2016, it is reporting against Edition 2. The Company is currently in the process of reviewing its corporate governance framework in light of Edition 3 additions and modifications.

The Company's corporate governance policies are available on the Company's website:
www.dragonenergyltd.com.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under a Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives has taken place in the reporting period and was carried out in accordance with the process disclosed.

The Board Charter and Performance Evaluation Process are available on the Dragon Energy website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board currently consists of an executive chairman, a managing director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The roles of Chairman and the Managing Director are not exercised by the same individual. The Board Charter summarises the roles and responsibilities of the Chairman, Mr Chen and the Managing Director, Mr Xu.

Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive directors and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

The Chairman, Mr Chen does not satisfy the tests of independence as detailed in the Recommendations. He is a shareholder of Shandong Taishan Sunlight Group Company Limited ("Shandong Group"). Shandong Group is the ultimate parent holding 70.25% of issued capital of Dragon Energy Ltd.

The Company is at variance with Recommendations 2.1 and 2.2 in that the majority of directors are not independent and the Chairman is not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.1 and 2.2, all directors bring an independent judgement to bear on Board decisions.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T (c o n t ' d)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members and is chaired by Mr van Uffelen (to 31 December 2015), Mr Chan (from 1 January 2016).

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

In accordance with Recommendation 2.4 the Nomination and Remuneration Committee consist of a majority of independent directors.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a managing director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the company secretary is a matter for the Board. Information on the skills, experience and qualifications of the company secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors have taken place in the reporting period and were carried out in accordance with the process disclosed.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Dragon Energy website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Code of Conduct applies to all directors and officers of the Company. It sets out Dragon Energy's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Diversity Policy

The Board has adopted a Diversity Policy which sets out the Company's aims and practices in relation to recognising and respecting diversity in employment. The Policy reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.

The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at the date of this report is as follows:

	%
Women employees in the whole organisation	0%
Women in Senior Executive positions	0%
Women on the Board of Directors	0%

The Board acknowledges the absence of female participation on the Board of Directors. However, as noted above, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company is at variance with Recommendation 3.3 in that it has not set or disclosed measurable objectives for achieving gender diversity in accordance with its Diversity Policy. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Code of Conduct and Diversity Policy are available on the Dragon Energy website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The Audit and Risk Committee consists of three members, and is chaired by Mr J Chen.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3. For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report. Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.2 in that the Audit and Risk Committee does not consist only of non-executive directors. The Board considers that this composition is appropriate given the current size of the Company. Furthermore, the Board considers that the Audit and Risk Committee is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

External auditor

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is RSM Australia Partners (RSM). The appointment of RSM was ratified by members at the Annual General Meeting held on 26 November 2015. The Audit and Risk Committee Charter is available on the Dragon Energy website.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T (c o n t ' d)

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Dragon Energy website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the Dragon Energy website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Dragon Energy recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Risk oversight

Dragon Energy's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguarding integrity in financial reporting.

Reporting and assurance

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer, that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

The Risk Management Policy is available on the Dragon Energy website.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed \$500,000 per annum.

There is currently no performance related compensation for non-executive directors in place.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	Lay solid foundations for management and oversight		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 22
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 22
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 22
Pr 2	Structure the board to add value		
Rec 2.1	A majority of the board should be independent directors.	No	Website & Page 22
Rec 2.2	The chairman should be an independent director.	No	Website & Page 22
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 22
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 23
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 23
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 23

CORPORATE GOVERNANCE STATEMENT (cont'd)

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 3	Promote ethical and responsible decision making		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Website & Page 23
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website & Page 24
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	No	Website & Page 24
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website & Page 24
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 24
Pr 4	Safeguard integrity in financial reporting		
Rec 4.1	The board should establish an audit committee.	Yes	Website & Page 24
Rec 4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members. 	No No No	Website & Page 24
Rec 4.3	The audit committee should have a formal charter.	Yes	Website & Page 24
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 24
Pr 5	Make timely and balanced disclosure		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 25
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 25
Pr 6	Respect the rights of shareholders		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 25
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 25

CORPORATE GOVERNANCE STATEMENT (cont'd)

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 7	Recognise and manage risk		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 25
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 25
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 25
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 25
Pr 8	Remunerate fairly and responsibly		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 26
Rec 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members. 	Yes	Website & Page 26
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 26
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 26

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue from continuing operations	3	12,306	30,640
Other income	3	8,114	-
Corporate and administrative expenses	3	(488,097)	(563,589)
Exploration and evaluation salary and general expenses		(106,838)	(167,836)
Exploration and evaluation assets written off	10	(6,299,271)	(10,925,602)
Net realised gain on foreign currency exchange		2	79
Loss before income tax		(6,873,784)	(11,626,308)
Income tax expense	5	-	-
Loss after income tax		(6,873,784)	(11,626,308)
Other Comprehensive Income			
Other Comprehensive Income for the year, net of tax		-	-
Total Comprehensive Loss for the year attributable to owners of Dragon Energy Ltd		(6,873,784)	(11,626,308)
Loss per share for the year attributable to the members of Dragon Energy Ltd			
Basic and diluted loss per share (cents)	18	(3.33)	(5.63)

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 30 June 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	6	262,985	709,082
Trade and other receivables	7	10,462	9,553
Other assets	8	9,914	8,212
Total Current Assets		283,361	726,847
NON CURRENT ASSETS			
Plant and equipment	9	45,391	69,241
Exploration and evaluation assets	10	437,042	6,680,851
Total Non Current Assets		482,433	6,750,092
TOTAL ASSETS		765,794	7,476,939
CURRENT LIABILITIES			
Trade and other payables	11	191,221	28,582
Provisions	12	-	-
Total Current Liabilities		191,221	28,582
TOTAL LIABILITIES		191,221	28,582
NET ASSETS		574,573	7,448,357
EQUITY			
Contributed equity	13	25,728,920	25,728,920
Reserves	14	93,500	93,500
Accumulated losses	15	(25,247,847)	(18,374,063)
TOTAL EQUITY		574,573	7,448,357

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

2016	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2015	25,728,920	46,040	47,460	(18,374,063)	7,448,357
<i>Other Comprehensive Income and losses for the year</i>					
Loss for the year	-	-	-	(6,873,784)	(6,873,784)
Total comprehensive loss for the year	-	-	-	(6,873,784)	(6,873,784)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 30 June 2016	25,728,920	46,040	47,460	(25,247,847)	574,573

2015	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2014	25,728,920	46,040	47,460	(6,747,755)	19,074,665
<i>Other Comprehensive Income and losses for the year</i>					
Loss for the year	-	-	-	(11,626,308)	(11,626,308)
Total comprehensive loss for the year	-	-	-	(11,626,308)	(11,626,308)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 30 June 2015	25,728,920	46,040	47,460	(18,374,063)	7,448,357

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Interest received		10,104	36,117
Payments to suppliers and employees		(398,606)	(937,710)
Net cash outflow from operating activities	21	(388,502)	(901,593)
Cash flows from investing activities			
Payments for plant and equipment		(2,135)	-
Payments for exploration expenditure – capitalised costs		(55,462)	(131,505)
Net cash inflow/(outflow) from investing activities		(57,597)	(131,505)
Net increase/(decrease) in cash held		(446,099)	(1,033,098)
Cash and cash equivalents at the beginning of the financial year	6	709,082	1,742,101
Effect of exchange rate changes on cash and cash equivalents		2	79
Cash and cash equivalents at the end of the year	6	262,985	709,082

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

Exploration expenditure

Exploration and evaluation costs have been capitalised on the basis that the Company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of Dragon Energy Ltd is Australian Dollars (\$).

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as 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 Board of Directors.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less any impairment losses recognised. Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due.

Revenue recognition

Revenue represents interest received and reimbursements of exploration expenditures. Interest income is recognised as it accrues.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Earnings per share

Basic earnings per share is calculated by dividing the net earnings attributable to members of the company for the reporting period by the weighted average number of ordinary shares of the Company.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits greater than 3 months are classified as held to maturity investments and valued at amortised costs.

Share capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives of each part of an item of plant and equipment. The depreciation rates used for each class of asset for the current period are as follows:

▪ Plant and Equipment	33%
▪ Fixtures and Fittings	25%
▪ Motor Vehicles	25%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the non-financial 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. 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 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Income tax

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:

- (a) 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 profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 that it is probable that 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:

- (a) except where the deferred income tax asset relating to the deductible temporary difference 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 profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

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.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Dragon Energy Ltd has unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the Australian Tax Office (**ATO**). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Trade and other payables

Liabilities are initially recognised at fair value and subsequently measured at cost for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

Loans and borrowings

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

Contributed equity

Ordinary shares are classified as equity. 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.

Share-based payment transactions

The grant date fair value of options granted to employees (including key management personnel) is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (**OCI**). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (**ECL**) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

New accounting standards and interpretations (cont'd)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Company.

2. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. There has been no change from prior year in relation to all of the exposures. Further quantitative disclosures are included in Note 16.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. FINANCIAL RISK MANAGEMENT (cont'd)

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents. For the Company it arises from receivables due from subsidiaries.

The Company does not hold any credit derivatives to offset its credit exposure.

Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign currency risk

The company is not materially exposed to foreign currency risk.

Interest rate risk

The Company's exposure to interest rates primarily relates to the Company's cash and cash equivalents and held to maturity investments. The Company manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Other market price risk

The Company is involved in the exploration and development of mining tenements for minerals. Should the Company successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices.

Fair value measurements

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

	2016 \$	2015 \$
3. REVENUE, INCOME AND EXPENSES		
(a) Revenue		
Interest income	12,306	30,640
(b) Other income		
Other	8,114	-
(c) Employee benefits expense		
Wages and salaries	79,647	186,625
Superannuation	12,126	27,704
Other employee benefits expense	-	327
	91,773	214,656
(d) Depreciation included in statement of profit or loss and other comprehensive income		
Furniture and fixtures	532	613
Motor vehicles	25,453	25,384
	25,985	25,997
(e) Minimum lease payment		
Rent and outgoings	84,946	90,099
	84,946	90,099
4. AUDITOR'S REMUNERATION		
The following amounts were paid or payable for services provided by the auditors of the Company and its related practices.		
Audit services:		
RSM Australia Partners		
- audit and review of financial reports	17,000	-
BDO Audit (WA) Pty Ltd		
- audit and review of financial reports	-	31,760
	17,000	31,760
5. TAXATION		
(a) Income tax expense	-	-
(b) Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(6,873,784)	(11,626,308)
Income tax benefit calculated at rates noted in (d) below	(1,959,028)	(3,487,892)
Tax effect on amounts which are not tax deductible:		
Section 40-880 deduction	-	(3,958)
Non-deductible expenses	1,796,509	3,279,167
Deferred tax asset not brought to account	162,519	212,683

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. TAXATION (cont'd)

Income tax expense

	-	-
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	2016	2015
	\$	\$

(c) Deferred tax assets not brought to account

Unused tax losses	7,332,408	7,371,832
Timing differences	2,507	4,500
Capital raising costs in equity	-	3,958
Exploration expenditure	(124,557)	(2,004,255)
Deferred tax assets not brought to account	7,210,358	5,376,035

(d) Tax Rates

The potential tax benefit in respect of tax losses not brought into account has been calculated at 28.5%.

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	147,897	193,994
Term deposits*	115,088	515,088
	262,985	709,082

* \$95,000 (2015: \$95,000) is secured over the bank guarantee given by the bank.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 16.

7. TRADE AND OTHER RECEIVABLES

Sundry receivables	10,462	9,553
	10,462	9,553

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 16.

As at 30 June 2016, trade and other receivables do not contain impaired assets and are not past due.

Due to their short-term nature, the carrying amounts of trade and other receivables is assumed to approximate their fair value.

8. OTHER ASSETS

Current

Prepaid expenses	7,712	8,212
Accrued income	2,202	-
	9,914	8,212

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. PLANT AND EQUIPMENT	Furniture & Fixtures	Plant & Equipment	Motor Vehicles	Total \$
At 30 June 2016				
Cost	66,011	9,354	127,536	202,901
Accumulated depreciation	(64,295)	(9,354)	(83,861)	(157,510)
Net carrying amount	1,716	-	43,675	45,391
Year ended 30 June 2016				
At 1 July 2015, net of accumulated depreciation	113	-	69,128	69,241
Additions	2,135	-	-	2,135
Disposals	-	-	-	-
Depreciation charge for the year	(532)	-	(25,453)	(25,985)
At 30 June 2016, net of accumulated depreciation	1,716	-	43,675	45,391
At 30 June 2015				
Cost	63,876	9,354	127,536	200,766
Accumulated depreciation	(63,763)	(9,354)	(58,408)	(131,525)
Net carrying amount	113	-	69,128	69,241
Year ended 30 June 2015				
At 1 July 2014, net of accumulated depreciation	726	-	94,512	95,238
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charge for the year	(613)	-	(25,384)	(25,997)
At 30 June 2015, net of accumulated depreciation	113	-	69,128	69,241

10. EXPLORATION AND EVALUATION ASSETS	2016 \$	2015 \$
Exploration, evaluation and development expenditure carried forward in respect of areas of interest (net of amounts written off)	437,042	6,680,851
Reconciliation		
Carrying amount at the beginning of the year	6,680,851	18,148,182
Exploration and evaluation expenditure	149,261	131,505
Offset JV Partner contribution	(93,799)	(673,234)
Capitalised expenditure written off (i)	(6,299,271)	(10,925,602)
Carrying amount at the end of the year	437,042	6,680,851

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Exploration and evaluation expenditure immediately expensed in profit or loss for the financial year amounted to \$106,838 (2015: \$167,836).

- (i) The basis for impairment is that the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

**NOTES TO THE FINANCIAL STATEMENTS
(c o n t ' d)**

11. TRADE AND OTHER PAYABLES	2016	2015
	\$	\$
Trade creditors	175,354	2,710
Other creditors and accruals	15,867	25,872
	<u>191,221</u>	<u>28,582</u>

The Company's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 16.

Due to their short-term nature, the carrying amounts of trade and other payables is assumed to approximate their fair value

12. PROVISIONS

Employee benefits	-	-
Movements in provisions		
At 1 July	-	19,621
Arising during the year	-	4,715
Utilised	-	(24,336)
Unused amounts reversed	-	-
At 30 June	<u>-</u>	<u>-</u>

13. ISSUED CAPITAL

Fully paid ordinary shares	<u>25,728,920</u>	<u>25,728,920</u>
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	2016	2015	2016	2015
	Number of	Number of	\$	\$
	Shares	Shares		
<i>Movements during the year:</i>				
Opening balance	206,426,374	206,426,374	25,728,920	25,728,920
Share issue costs	-	-	-	-
Closing balance	<u>206,426,374</u>	<u>206,426,374</u>	<u>25,728,920</u>	<u>25,728,920</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Options

Options granted

There were no options granted during or since the end of the year.

Option expired

No options expired during or since the end of the year.

**NOTES TO THE FINANCIAL STATEMENTS
(cont'd)**

14. RESERVES	2016 \$	2015 \$
Share based payments reserve		
Balance at beginning of the year	46,040	46,040
Share based payments	-	-
Balance at end of the year	46,040	46,040
Option premium reserve		
Balance at beginning of the year	47,460	47,460
Options issued	-	-
Balance at end of the year	47,460	47,460
TOTAL RESERVES	93,500	93,500

Share- based payments reserve

This reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration.

Option premium reserve

This reserve comprises of monies raised from issue of 47,460,245 options at \$0.001 per option during the share and option entitlement issue in February 2011.

15. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(18,374,063)	(6,747,755)
Loss for the year	(6,873,784)	(11,626,308)
Accumulated losses at the end of the year	(25,247,847)	(18,374,063)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. FINANCIAL INSTRUMENTS DISCLOSURE

For financial risk exposure and management objectives please refer to note 2.

Credit risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2016	2015
	\$	\$
Cash and cash equivalents	262,985	709,082
Trade and other receivables	10,462	9,553
	273,447	718,635

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P Rating ¹		Internally Rated ²		Total
	AA- and above	BBB and Below	No Default		
At 30 June 2016					
Cash and cash equivalents	262,985	-	-	-	262,985
Trade and other receivables – current	-	-	10,462	-	10,462
	262,985	-	10,462	-	273,447
At 30 June 2015					
Cash and cash equivalents	709,082	-	-	-	709,082
Trade and other receivables – current	-	-	9,553	-	9,553
	709,082	-	9,553	-	718,635

1. The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

2. Trade and other receivables consist of security bonds and deposits.

Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Balance within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments. Cash flows for assets and liabilities without fixed amount or timing are based on conditions existing at year end.

30 June 2016	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	191,221	(191,221)	(191,221)	-	-
	<u>191,221</u>	<u>(191,221)</u>	<u>(191,221)</u>	<u>-</u>	<u>-</u>
30 June 2015					
	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	28,582	(28,582)	(28,582)	-	-
	<u>28,582</u>	<u>(28,582)</u>	<u>(28,582)</u>	<u>-</u>	<u>-</u>

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Amount	
	2016	2015
	\$	\$
Variable rate instruments		
Financial assets	262,985	709,082
Financial liabilities	-	-
	<u>262,985</u>	<u>709,082</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The Board assessed a 100 basis point movement as being reasonably possible based on short term historical movements. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	2016			
	+100 basis points		-100 basis points	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Financial instruments with interest rate				
Financial assets	2,630	2,630	(2,630)	(2,630)
Financial liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2015			
	+100 basis points		-100 basis points	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Financial instruments with interest rate				
Financial assets	7,091	7,091	(7,091)	(7,091)
Financial liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average effective interest rate on variable rate instruments was 1.37% (2015:2.25%).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. COMMITMENTS

Remuneration commitments

The Company has entered into a consultancy agreement with Xu and Liu Pty Ltd with Mr Gang Xu to act as the Company's Managing Director. Under the agreement, Xu and Liu Pty Ltd was paid \$120,000 per annum (GST exclusive) plus 9.5% superannuation effective from 1 July 2015. Subsequent to a review of Mr Xu's contract in July 2016, his consultancy fee was reduced to \$5,000 per month (GST exclusive) plus 9.5% superannuation for the 3 months ending 31 October 2016, and further reduced to \$3,000 per month (GST exclusive) plus 9.5% superannuation effective from 1 November 2016. Mr Xu is a director and a beneficiary of Xu and Liu Pty Ltd. The consultancy agreement can be terminated with a 6 months' notice.

The Executive Chairman of the Company, Mr Jie Chen's annual base salary will be reduced from \$54,795 p.a. to \$21,918 plus 9.5% superannuation effective from 1 August 2016.

The Company has appointed Mr Jonathan King in the capacity of Managing Director, effective from 14 September 2016. Mr King will be paid a salary of \$210,000 per year plus superannuation.

Bank Guarantee

The Company has given bank guarantee of \$95,000 (2015:\$95,000) to landlord and department of mine and petroleum tenement bond.

Operating lease commitment

The Company leases its offices in West Perth, Western Australia. The lease is for 2 year period from December 2014.

Future minimum rentals payable under the non-cancellable operating lease as at 30 June are as follows:

	2016	2015
	\$	\$
Not longer than 1 year	25,967	62,320
Longer than 1 year and not longer than 5 years	-	26,123
Longer than 5 years	-	-
	25,967	88,443
	25,967	88,443

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. COMMITMENTS (cont'd)

Exploration Project commitments

Dragon Energy currently holds 2 projects comprising 7 tenements including; the Rocklea and Ashburton projects in the Pilbara region.

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. The total exploration minimum expenditure commitments of the Company amounts to \$211,500 per annum, these commitments are not reflected in the financial statements.

18. EARNINGS PER SHARE

	2016	2015
	\$	\$
a. Reconciliation of earnings to profit or loss:		
Loss	(6,873,784)	(11,626,308)
Loss used to calculate basic EPS	<u>(6,873,784)</u>	<u>(11,626,308)</u>
Loss used in the calculation of dilutive EPS	<u>(6,873,784)</u>	<u>(11,626,308)</u>
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	206,426,374	206,426,374
Weighted average number of dilutive options outstanding	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>206,426,374</u>	<u>206,426,374</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. SEGMENT REPORTING

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

The operating segments are identified by the Board of Directors based on the phase of operation within the mining industry. For management purposes, the Company has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets; and
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board of Directors as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year ended 30 June 2016 and 2015, the Company had no development assets. The Board of Directors considers that it has only operated in one segment, being mineral exploration within Australia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Company basis.

The Company is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located

Revenues of approximately Nil (2015: Nil) are derived from a single external customer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. RELATED PARTY DISCLOSURES

(a) Ultimate parent

Dragon Energy Ltd is the ultimate Australian entity. The Company notes that it has a controlling shareholder being Shandong Taishan Sunlight Group Company Limited, which was incorporated in the People's Republic of China and owns 70.25% of Dragon Energy Ltd.

(b) Key management personnel compensation

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	2016 \$	2015 \$
Short-term employee benefits	227,795	470,925
Post-employment benefits	16,605	37,050
	244,440	507,975

(c) Loans to related parties

No loans were advanced to related parties during the reporting period.

(d) Amounts owed to related parties

Amounts owed to key management personnel as of reporting date is \$950 (2015: \$4,200).

21. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2016 \$	2015 \$
Cash flows from operating activities		
Loss for the year	(6,873,784)	(11,626,308)
Adjustments for:		
Depreciation	25,985	25,997
Capitalised expenditure written off	6,299,271	10,925,602
Foreign exchange gain/loss	(2)	(79)
Operating loss before changes in working capital and provisions	(548,530)	(674,788)
Change in trade and other receivables	(2,202)	14,953
Change in trade and other payables	161,731	(228,122)
Change in prepayments	499	5,985
Change in provisions	-	(19,621)
Net cash used in operating activities	(388,502)	(901,593)

22. CONTINGENT LIABILITIES

The Company has no contingent liabilities at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. EVENTS OCCURRING AFTER THE REPORTING DATE

In August 2016, the Company issued 206,426,374 shares at \$0.005 per share to raise \$1,032,132 before issue costs under a non-renounceable pro rata offer to Eligible Shareholders. The Company will use the funds raised to pursue its corporate objective of advancing its portfolio of projects as well as reviewing value accretive opportunities in the resources industry.

In September 2016, the Company announced its agreement to acquire the Tabac Cobalt-Gold project, consisting of two exploration license applications, 53/1891 & 53/1895 (ELA's), covering a combined area of 111.5km² in the Northern Goldfields region of Western Australia. Drilling is expected to commence in Q3 of FY 2016-17.

Other than the above, there has no other events other than disclosed above arisen in the interval between the end of the 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as stated in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Gang Xu
Director

Dated at Perth, Western Australia this 28th day of September 2016.



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

Report on the Financial Report

We have audited the accompanying financial report of Dragon Energy Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Dragon Energy Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

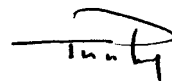
We have audited the Remuneration Report for the year ended 30 June 2016 as set out on pages 16 to 21. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Dragon Energy Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 September 2016

ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 September 2016.

(a) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

Rank	Name	Units	% of Units
1.	SHANDONG TAISHAN SUNLIGHT GROUP COMPANY LIMITED	145,020,384	35.13
2.	SILKTREE INVESTMENTS PTY LTD <PETER VASSILEFF S/F A/C>	58,500,000	14.17
3.	MR GANG XU + MRS QIONG LIU <XU & LIU FAMILY A/C>	16,020,000	3.88
4.	DINHEIRO INVESTMENTS PTY LTD	15,000,000	3.63
5.	CHEN & XING PTY LTD <SUPER FUND A/C>	11,172,411	2.71
6.	MS DEBRA MARIE HARRIS	6,184,124	1.50
7.	PUNTERO PTY LTD	6,000,000	1.45
8.	SCHAMMER PTY LTD <SCHAMMER FAMILY A/C>	6,000,000	1.45
9.	RENFENG ZHANG	5,000,000	1.21
10.	SERNG YEE LIEW	4,400,000	1.07
11.	CHATENOIS PTY LTD	4,000,000	0.97
12.	MR JOHN GARY GOLD	4,000,000	0.97
13.	JIANGXI ZHONGHE MINING DEVELOPMENT CO LTD	4,000,000	0.97
14.	MR STEPHEN TOMSIC	4,000,000	0.97
15.	MR NICK TSAGARIS <THE TSAGARIS A/C>	4,000,000	0.97
16.	MR DOMINIC VIRGARA	4,000,000	0.97
17.	MR GUANGSHENG WANG	4,000,000	0.97
18.	WHEAD PTY LTD <CJ HOLDINGS A/C>	4,000,000	0.97
19.	MR STEVEN ANDREW MARTIN	3,750,000	0.91
20.	FUTURE LAND LIMITED	3,500,000	0.85
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		312,546,919	75.70
Total Remaining Holders Balance		100,305,829	24.30

(b) Distribution of equity security holders

Analysis of numbers of equity security holders by size of holding:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	6	735	0.00
1,001 - 5,000	13	39,326	0.01
5,001 - 10,000	425	4,239,565	1.03
10,001 - 100,000	85	3,732,151	0.90
100,001 - 9,999,999,999	129	404,840,971	98.06
Rounding			0.00
Total	658	412,852,748	100.00

ASX ADDITIONAL INFORMATION

(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	Percentage
SHANDONG TAISHAN SUNLIGHT GROUP COMPANY LIMITED	145,020,384	70.25%
SILKTREE INVESTMENTS PTY LTD <PETER VASSILEFF S/F A/C>	58,500,000	14.17%

(d) Restricted Securities

There are no restricted securities as at 30 September 2016

(e) Unmarketable Parcels

There were no holdings of less than a marketable parcel of ordinary shares.

(f) Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

(g) On Market Buy Back

There is no current on market buy-back.

(h) Interest in Mining Tenements

As at the date of this report, there is no change to the tenement schedule listed on page 16 of the review of operations.