**SUGAR DRAGON LIMITED**
**(Formerly Vesuvius Minerals Limited)**

# ACN 157 789 761

# Annual Financial Report
# 30 June 2015

## Contents

# CORPORATE INFORMATION

**ACN 157 789 761**

**Directors**
Mr Matthew Sheldrick
Mr James Robinson
Mr Andrew Chapman

**Company secretary**
Mr Sonu Cheema

**Registered office**
Suite 9, 330 Churchill Avenue
Subiaco WA 6008
Telephone: (08) 6489 1600
Fax: (08) 6489 1601

**Principal place of business**
Suite 9, 330 Churchill Avenue
Subiaco WA 6008
Telephone: (08) 6489 1600
Fax: (08) 6489 1601

**Solicitors**
Eaton Hall
Suite 3, 43 Oxford Close
West Leederville
Perth WA 6007

**Bankers**
National Australia Bank
1232 Hay Street
West Perth WA 6005

**Auditors**
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

**Website** www.sugardragon.com.au

# DIRECTORS' REPORT

Your directors submit the annual financial report of Sugar Dragon Limited (formerly Vesuvius Minerals Limited) and the entities it controlled for the financial period ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Directors**

The names of directors who held office during or since the end of the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| Matthew Sheldrick | Non-executive Chairman |
| James Robinson | Non-executive Director |
| Andrew Chapman | Non-executive Director (appointed 3 July 2014) |
| Timothy Johnston | Non-executive Director (resigned 3 July 2014) |

**Names, qualifications, experience and special responsibilities**

**Mr Matthew Sheldrick**

**Non-executive Chairman**

Mr Sheldrick holds a Bachelor of Commerce Degree from the University of Western Australia and is a qualified Chartered Accountant. He has over 25 years' experience in the securities, finance and corporate advisory industries, with particular emphasis in the resources and energy sectors. He has founded a number of ASX listed companies, and has been involved in the growth of these companies by way of mergers and acquisitions. He has also previously acted for a number of public and ASX listed companies in a variety of executive and non-executive roles.

**Mr James Robinson**

**Non-executive Director**

Mr Robinson gained extensive capital markets experience during 10 years with one of Western Australia's leading corporate advisory and stockbroking firms. He currently serves as a Director of VTX Holdings Limited (ASX: VTX) and Jacka Resources Limited (ASX: JKA). He is also a Director of corporate advisory firm Cicero Advisory Services. He is a member of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Western Australia.

**Mr Andrew Chapman**

**Non-executive Director**

Andrew is one of Perth's leading private wealth managers. Joining the industry in 1999, Andrew has been exposed to numerous market cycles and has adapted his personal views on active portfolio management combined with an awareness of risk to offer a specialized investment management service to a select group of high net worth clients. With graduate and post graduate qualifications in Business, Finance and Hospitality; he is well versed to provide customized investment solutions with a direct and transparent investment slant.

**Mr Sonu Cheema**

**Company Secretary**

Mr Cheema holds the position of Accountant and Company Secretary for Cicero Corporate Services Pty Ltd with over 8 years' experience working with public and private companies in Australia and abroad. Currently Mr Cheema is Company Secretary for West Peak Iron Limited (ASX: WPI), Resource Star Limited (ASX: RSL) and Sena Resources Limited. Mr Cheema has completed a Bachelor of Commerce majoring in Accounting at Curtin University in Western Australia and is a Certified Practising Accountant (CPA) member.

**DIRECTORS' REPORT (continued)**

**Interests in the shares and options of the Company and related bodies corporate**

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at 30 June 2015:

| Directors | Number of options over ordinary shares | Number of fully paid ordinary shares |
|---|---|---|
| Matthew Sheldrick | 1,000,000 | - |
| James Robinson | - | - |
| Andrew Chapman | - | - |
| Timothy Johnston | - | - |
| **Totals** | **1,000,000** | **-** |

**Dividends**

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

**Principal Activities**

The principal activity of the company during the period involved the acquisition of the Okmno Asia Limited. Please refer to the review of operations for further details.

**Review of Operations**

The Company is pleased to advise that following the review of numerous projects across various industry sectors and an extensive due diligence process, it has acquired a 72.5% interest in Okmno Asia Limited - the holder of a four year exclusive licensing deal (plus rights to extend) with King.com Limited for the manufacture, branding and distribution of Candy Crush Candies in Greater China (China, Hong Kong, Taiwan and Macau). Candy Crush Saga is the immensely popular game developed by King that has taken the online world by storm and thrust King to a circa $6 Billion market capitalisation (NYSE: KING).

Under the Agreement, Sugar Dragon has acquired 72.5% interest in Okmno Asia via the provision of loans totalling US$650,000 (and other share purchases) to fund product launch and royalty pre-payments. Sugar Dragon Limited also holds a first right of refusal over the remaining 27.5% interest in Okmno Asia. The Company also completed a capital raising of $675,000 during the year ending 30 June 2015.


During the period, Resource Star Limited (ASX: RSL) had conditionally agreed to acquire a 60% interest in Sugar Dragon Limited. Following consultation and feedback from the investment community and from existing shareholders, the RSL Board made a decision not to pursue the investment in Sugar Dragon Limited, as previously announced on 23 April 2015. As such, it terminated its agreement to acquire the 60% interest in Sugar Dragon on 30 June 2015.

**DIRECTORS' REPORT (continued)**

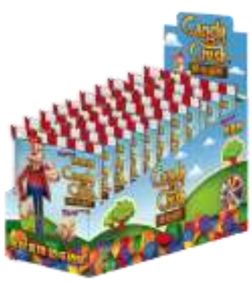
The $300,000 refundable deposit and $200,000 convertible loan paid by RSL to Sugar Dragon were converted into fully paid ordinary shares at the conversion price of $0.065 per share, providing RSL with a 15% equity position in Sugar Dragon, which it intends to retain.

Sugar Dragon subsequently advised of its intention to list on the Australian Stock Exchange via an Initial Public Offering later this year (Q3/Q4 2015) and appointed Merchant Capital Markets as lead manager for the offering.

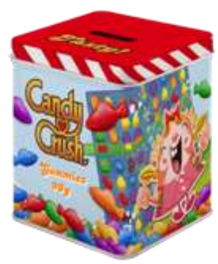
Okmno Asia is managed by an expert team with extensive marketing and distribution experience in the fast moving consumer goods (FMCG) market. Okmno Asia has successfully trialed and launched 333,000 mini packs of Candy Crush gummies (30g) products in China and 80,000 clear gummies (100g) in Taiwan, and is looking to expand this further across new territories such as South Korea. As a result, during the period the Okmno Asia gained solid traction achieved from Candy Crush confectionery sales in Greater China. Over 33 tonnes have been sold to date, throughout China and Taiwan which resulted in an increase in average margins of across all product offerings. Monthly growth in revenues and margins demonstrates positive uptake of product offering and validation of the growth opportunity for the business model. Further plans to expand into new regions and increase distribution of the Candy Crush confectionery is advancing well.

Products currently available for sale:

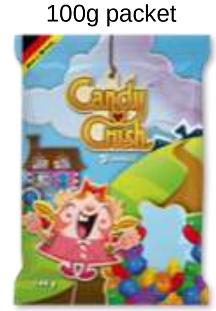
30g packet



90g packet




100g packet




**Significant events after the end of the period**

The Company held a General Meeting of Shareholders on 31 July 2015 to resolve the consolidation of existing shareholders In accordance with section 254H of the Corporations Act and the Constitution. Existing shareholders have been consolidated on a 4 to 1 basis.

On 31 July, the Company received all executed deeds for the cancellation of options from each option holder. The Company no longer has any options on issue.

**Operating results for the period**

The comprehensive loss of the Group for the financial period, after providing for income tax amounted to $326,687.

**Review of financial conditions**

The Company currently has $317,240 in cash assets. The Directors are of the opinion that the Company is a going concern.

**Likely developments and expected results**

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

**Environmental legislation**

The Company is not subject to any environmental legislation requirements.

**DIRECTORS' REPORT (continued)**

**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director was as follows:

| | Board Meetings | |
|---|---|---|
| **Director** | **Attended** | **Eligible to Attend** |
| James Robinson | - | - |
| Matthew Sheldrick | - | - |
| Andrew Chapman | - | - |
| Timothy Johnston | - | - |

In addition, there were 7 circulating resolutions executed by the Board.

**Remuneration report (Audited)**

This report outlines the remuneration arrangements in place for directors and senior management of Sugar Dragon Limited (formerly Vesuvius Minerals Limited) ("Sugar Dragon" or the "Company") for the financial period ended 30 June 2015.

*Key Management Personnel*

The KMP of the Company during or since the end of the financial year were as follows:

Directors

| | |
|---|---|
| Matthew Sheldrick | Non-executive Chairman |
| James Robinson | Non-executive Director |
| Andrew Chapman | Non-executive Director (appointed 3 July 2014) |
| Timothy Johnston | Non-executive Director (resigned 3 July 2014) |

*Remuneration philosophy*

The remuneration policy of Sugar Dragon Limited has been designed to align Director's objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Sugar Dragon Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create aligned goals between directors and shareholders.

*Non-executive director remuneration*

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company's constitution states that an aggregate remuneration of $250,000 per period can be paid to the non-executive directors. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

*Senior manager and executive director remuneration*

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition to the Company employees and directors, the Company has contracted key consultants on contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

*Fixed Remuneration*

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has

**DIRECTORS' REPORT (continued)**

*Remuneration Report (continued)*

access to external, independent advice where necessary. Key management personnel received remuneration during the period ending 30 June 2015. This remuneration was deemed variable as it factors in additional directorship services conducted by the board members.

*Variable Remuneration*

The board collectively agreed to pay variable remuneration during the period for directorship services. The level of variable remuneration paid was accordance with the company constitution. The variable remuneration component of the key management personnel is detailed in Table 1.

*Options*

No Options were granted by the Company as remuneration during the year ended 30 June 2015.

*Performance-based Remuneration*

The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

**Remuneration of key management personnel**

**Table 1: Key management personnel remuneration for the period ended 30 June 2015**

| | | Short-term employee benefits | | | Post-employment benefits | Equity | | |
|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees $ | Bonuses $ | Non-Monetary Benefits $ | Super-annuation $ | Options Granted $ | Total $ | Performance Related % |
| **Directors** | | | | | | | | |
| Matthew Sheldrick | 2015 | 5,000 | - | - | - | - | 5,000 | - |
| James Robinson | 2015 | 10,000 | - | - | - | - | 10,000 | - |
| Andrew Chapman | 2015 | - | - | - | - | - | - | - |
| Timothy Johnston | 2015 | 5,000 | - | - | - | - | 5,000 | - |
| **Total** | **2015** | **20,000** | **-** | **-** | **-** | **-** | **20,000** | **-** |

**Remuneration of key management personnel**

**Table 1: Key management personnel remuneration for the period ended 30 June 2014**

| | | Short-term employee benefits | | | Post-employment benefits | Equity | | |
|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees $ | Bonuses $ | Non-Monetary Benefits $ | Super-annuation $ | Options Granted $ | Total $ | Performance Related % |
| **Directors** | | | | | | | | |
| Matthew Sheldrick | 2014 | - | - | - | - | - | - | - |
| James Robinson | 2014 | - | - | - | - | - | - | - |
| Timothy Johnston | 2014 | - | - | - | - | - | - | - |
| **Total** | **2014** | - | - | - | - | - | - | - |

**DIRECTORS' REPORT (continued)**

*Remuneration Report (continued)*

**(a) Option holdings of KMP**

| 30 June 2015 | Balance at Beginning | Granted as Remuneration | Options Exercised | Net Change Other | Balance at end of Period |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Mathew Sheldrick | 1,000,000 | - | - | - | 1,000,000 |
| James Robinson | - | - | - | - | - |
| Andrew Chapman | - | - | - | - | - |
| Timothy Johnston | - | - | - | - | - |
| **Total** | 1,000,000 | - | - | - | 1,000,000 |

| 30 June 2014 | Balance at Beginning | Granted as Remuneration | Options Exercised | Net Change Other | Balance at end of Period |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Mathew Sheldrick | 1,000,000 | - | - | - | 1,000,000 |
| James Robinson | - | - | - | - | - |
| Timothy Johnston | - | - | - | - | - |
| **Total** | 1,000,000 | - | - | - | 1,000,000 |

**(b) Shareholdings of KMP**

No KMP hold shares in the Company as at 30 June 2015 or 30 June 2014.

**End of Remuneration Report**

**DIRECTORS' REPORT (continued)**

**Proceedings on behalf of the Company**

There are no proceedings on behalf of the Company.

**Auditor Independence**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 11 and forms part of this directors' report for the period ended 30 June 2015.

**Non-Audit Services**

Details of amounts paid or payable to the auditors for non-audit services provided during the year by the auditor are outlined in Note 15 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

Matthew Sheldrick

**Mr Matthew Sheldrick**

**Chairman**

Dated this 24 August 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sugar Dragon Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

**Perth, Western Australia**
**24 August 2015**

**N G Neill**
**Partner**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
# FOR THE PERIOD ENDED 30 JUNE 2015

| | Notes | Consolidated 2015 $ | Consolidated 2014 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | | 40,190 | - |
| Other Income | | 217 | - |
| Share of Other Comprehensive Loss of an Associate | | (1,273) | - |
| Amortisation expense | | (174,120) | - |
| Other expenses | 2 | (339,061) | (30,027) |
| **Loss before income tax expense** | | (339,061) | (30,027) |
| Income tax expense | 3 | - | - |
| **Loss after tax from continuing operations** | | (339,061) | (30,027) |
| **Discontinued operations** | | | |
| Loss after tax from discontinued operations | 5 | - | (872,084) |
| **Net loss for the period** | | (339,061) | (902,111) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to Profit and Loss:* | | | |
| Exchange differences on translation of foreign operations | | 12,374 | - |
| **Total comprehensive loss for the period** | | (326,687) | (902,111) |
| Loss attributable to: | | | |
| Owners of the parent | | (278,965) | (902,111) |
| Non-controlling interest | | (60,096) | - |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | (266,591) | (902,111) |
| Non-controlling interest | | (60,096) | - |
| Basic loss per share (cents per share) | 4 | (0.79) | (5.73) |
| Basic loss per share from continuing operations (cents per share) | 4 | (0.79) | (0.19) |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2015

| | Note | Consolidated 2015 $ | 2014 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 10 | 317,240 | 443,166 |
| Inventory | 13 | 29,250 | - |
| Other current assets | | 3,758 | - |
| **Total Current Assets** | | **350,248** | **443,166** |
| | | | |
| **Non-Current Assets** | | | |
| Deferred exploration expenditure | 12 | - | - |
| Other receivables | 7 | - | 106,895 |
| Intangible Assets | 8 | 478,430 | - |
| **Total Non-Current Assets** | | **478,430** | **106,895** |
| **Total Assets** | | **828,678** | **550,061** |
| | | | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 12,585 | 4,891 |
| Accrued Expenses | 11 | 15,000 | 64,825 |
| **Total Current Liabilities** | | **27,585** | **69,716** |
| **Total Liabilities** | | **27,585** | **69,716** |
| **Net Assets** | | **801,093** | **480,345** |
| | | | |
| **Equity** | | | |
| Issued capital | 6 | 2,206,598 | 1,559,163 |
| Reserves | 9 | 22,374 | 10,000 |
| Accumulated losses | | (1,367,783) | (1,088,818) |
| Total parent entity interest | | **861,189** | **480,345** |
| Non-controlling interests | | **(60,096)** | **-** |
| **Total Equity** | | **801,093** | **480,345** |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Issued Capital $ | Accumulated Losses $ | Reserves $ | Non-controlling interests | Total Equity $ |
| **Balance at 1 July 2014** | 1,559,163 | (1,088,818) | 10,000 | - | 480,345 |
| Loss for the year | - | (278,965) | - | (60,096) | (339,061) |
| Other comprehensive income, net of income tax | - | - | - | - | - |
| Exchange differences on translation of foreign operations | - | - | 12,374 | - | 12,374 |
| Total comprehensive income/(loss) for the period | - | (278,965) | 12,374 | (60,096) | (326,687) |
| Shares issued during the period | 675,000 | - | - | - | 675,000 |
| Options issued during the period | - | - | - | - | - |
| Transaction costs on share issue | (27,565) | - | - | - | (27,565) |
| **Balance at 30 June 2015** | 2,206,598 | (1,367,783) | 22,374 | (60,096) | 801,093 |

| | Issued Capital $ | Accumulated Losses $ | Reserves $ | Total Equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2013** | 1,057,023 | (186,707) | 10,000 | 880,316 |
| Loss for the period | - | (902,111) | - | (902,111) |
| Total comprehensive income/(loss) for the period | - | (902,111) | - | (902,111) |
| Shares issued during the period | 535,800 | - | - | 535,800 |
| Options issued during the period | - | - | | - |
| Transaction costs on share issue | (33,660) | - | - | (33,660) |
| **Balance at 30 June 2014** | 1,559,163 | (1,088,818) | 10,000 | 480,345 |

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE PERIOD ENDED 30 JUNE 2015

| | Note | Consolidated 2015 $ | 2014 $ |
|---|---|---|---|
| | | *Inflows/(Outflows)* | *Inflows/(Outflows)* |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 40,407 | - |
| Payments to suppliers and employees | | (384,608) | (14,062) |
| Interest paid | | (50,000) | - |
| Net cash used in operating activities | 10 | (394,201) | (14,062) |
| | | | |
| **Cash flows from Investing activities** | | | |
| Payment for exploration and evaluation expenditure | | - | (14,886) |
| Payment under financing agreement | | (379,160) | (106,895) |
| Net cash used in investing activities | | (379,160) | (121,781) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares, net of share issue costs | | 647,435 | 555,800 |
| Proceeds from issue of options | | - | - |
| Net cash provided by financing activities | | 647,435 | 555,800 |
| | | | |
| Net (decrease)/increase in cash held | | (125,926) | 419,957 |
| Cash and cash equivalents at the beginning of the period | | 443,166 | 23,209 |
| **Cash and cash equivalents at the end of the period** | | 317,240 | 443,166 |

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is an unlisted public company, incorporated in Australia and operating in Australia. The principal activity of the company during the period was sourcing mineral exploration projects.

**(b) Adoption of new and revised standards**
**Changes in accounting policies on initial application of Accounting Standards**

This is financial report of the Company and covers the financial year ending 30 June 2015.

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Company accounting policies.

**(c) Statement of compliance**

The financial report was authorised for issue on – 24 August 2015

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**(d) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Basis of consolidation (continued)**

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

*Changes in the Group's ownership interest in existing subsidiaries*

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**(e) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

*Sale of goods*
Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Interest income*
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(g) Cash and cash equivalents**

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(h) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.
The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

**(i) Income tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Income tax (continued)**

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference 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 credits and unused tax losses can be utilised, except:

- when 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; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(j) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Impairment of assets**

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(l) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(m) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Issued capital**

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.

**(o) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(p) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Sugar Dragon Limited.

**(q) Going concern**

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

For the financial year ended 30 June 2015, the Company incurred a loss of $326,687 and a net cash outflow of $753,362 from operating and investing activities as disclosed in the statement of comprehensive income and the statement of cash flows, respectively.

As at 30 June 2015, the Company had $317,240 in cash and cash equivalents. The Directors consider that the Company is a going concern however current cash flow forecasts indicate that the Company will require additional funding to ensure that it can continue to fund its operations during the twelve month period from the date of approval of this financial report.

Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Company will be available to realise its assets and extinguish its liabilities in the normal course of business.

**(r) Intangible assets**

*Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

## NOTE 2: REVENUES AND EXPENSES

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| **(a) Expenses** | | |
| Administration expenses | 54,130 | 5,029 |
| ASIC fees | 1,606 | 1,528 |
| Legal and professional | 3,639 | 17,282 |
| Interest expense | 50,000 | - |
| Directors fees | 20,000 | - |
| Cost of Sales | 33,193 | - |
| Salary and Wages | 25,206 | - |
| Other | 16,301 | 6,188 |
| | 204,075 | 30,027 |

## NOTE 3: INCOME TAX

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| **(a) Income tax benefit** | - | - |
| **(b) Numerical reconciliation between tax-expense and pre-tax net loss** | | |
| Loss from ordinary activities | (339,061) | (902,111) |
| Income tax using the Company's domestic tax rate of 30% | (101,718) | (270,633) |
| Temporary differences not recognised | | |
| Other non-deductible expenses/(deductible tax adjustments) | - | - |
| Current period losses for which no deferred tax asset was recognised | 101,718 | 270,633 |
| Income tax benefit attributable to entity | - | - |
| Attributable to: | | |
| Continuing operations | 101,718 | 9,008 |
| Discontinued operations | - | 261,625 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 3: INCOME TAX (continued)**

**(c) Tax losses**

The tax effect of unused losses of $101,718 (2014: $270,633) has not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the regulatory authorities. The benefit of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized.
- The conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.

**(d) Unrecognised temporary differences**

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Net deferred tax balances (calculated at 30%) have not been recognised in respect of the following items: | | |
| Income tax losses not brought to account | 101,718 | 270,633 |
| Unrecognised deferred tax assets | 101,718 | 270,633 |
| | | |
| Attributable to: | | |
| Continuing operations | 101,718 | 9,008 |
| Discontinued operations | - | 261,625 |

**NOTE 4: LOSS PER SHARE**

| | 2015 cents per share | 2014 cents per share |
|---|---|---|
| *Basic loss per share* | | |
| Continuing operations | (0.79) | (0.19) |
| Discontinuing operations | - | (5.73) |
| Total basic loss per share | (0.79) | (5.92) |
| | $ | $ |
| Loss for the year | (339,061) | (902,111) |
| Loss from continuing operations | (339,061) | (30,027) |
| | Number | Number |
| Weighted average number of ordinary shares for the purposes of basic loss per share: | 43,003,837 | 15,743,014 |

There are no potential ordinary shares that are considered dilutive, as a result no dilutive earnings per share has been disclosed.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

## NOTE 5: DISCONTINUED OPERATIONS

Following the end of the period and following a review of the prospectivity of the tenements, Sugar Dragon Limited had impaired the carrying value of its vanadium assets.

Financial information relating to the discontinued operations is set out below:

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Costs carried forward in respect of: | | |
| **Loss from discontinued operations** | | |
| Impairment expense | - | (872,084) |
| **Loss from discontinued operations** | - | (872,084) |

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Cash Flow from discontinued operations: | | |
| Net cash flows from operating activities | - | - |
| Net Cash flows from investing activities | - | (14,886) |
| Net cash flows from financing activities | - | - |
| **Net cash flows** | - | (14,886) |

## NOTE 6: SHARE CAPITAL

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| ***(a) Ordinary shares*** | | |
| Balance on 1 July | 1,559,163 | 1,057,023 |
| Shares issued | 675,000 | 535,800 |
| *Less* share issue costs | (27,565) | (33,660) |
| At 30 June | 2,206,598 | 1,559,163 |
| | | |
| *Movements in ordinary shares on issue* | No. | No. |
| Balance on 1 July | 39,600,001 | 12,900,001 |
| Movements during the period: | | |
| Shares issued | 10,399,999 | 26,700,000 |
| At 30 June | 50,000,000 | 39,600,001 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 6: SHARE CAPITAL (continued)**

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

On a show of hands every holder of ordinary shares present at a meeting in person or 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.

**NOTE 7: TRADE AND OTHER RECEIVABLES**

| | Consolidated | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Other receivables *(i)* | - | 106,882 |
| Investment *(ii)* | - | 13 |
| Balance at 30 June | - | 106,895 |

*(i) The initial loan monies of USD100,000 paid pursuant to the executed Binding Term Sheet between Sugar Dragon Limited and Okmno Asia Limited.*

*(ii) The initial securities acquired to obtain a 10% shareholding in Okmno Asia Limited.*

**NOTE 8: INTANGIBLE ASSETS**

| | Consolidated | |
|---|---|---|
| | License | Total |
| | $ | $ |
| *Gross carrying amount* | | |
| Balance at 1 July 2014 | - | - |
| Additions | 652,550 | 652,550 |
| Balance at 30 June 2015 | 652,550 | 652,550 |
| | | |
| *Accumulated amortisation and impairment* | | |
| Balance at 1 July 2014 | - | - |
| Amortisation expense | 174,120 | 174,120 |
| Balance at 30 June 2015 | 174,120 | 174,120 |
| | | |
| *Carrying value* | | |
| 30 June 2014 | - | - |
| 30 June 2015 | 478,430 | 478,430 |

The intangible asset acquired during the period is a four year exclusive licensing agreement between Okmno Asia Limited and King.com Limited to manufacture and distribute 'Candy Crush' (both Candy Crush Saga and Candy Crush Soda)

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 8: INTANGIBLE ASSETS (continued)**

branded confectionery products in China, Hong Kong, Taiwan and South Korea. Monies paid for the exclusive licensing agreement totaled $652,550 which have been amortised over a four year period. The amortization expense of $174,120 represents the write-down of the intangible asset to its fair value as at 30 June 2015. The amortisation expense has been recognised in the statement of comprehensive income in the line item titled amortization expense.

**NOTE 9: RESERVES**

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Option Reserve | | |
| At 1 July | 10,000 | 10,000 |
| Options issued | - | - |
| As at 30 June | 10,000 | 10,000 |
| | | |
| *Movements in Company Options on issue* | | No. |
| At 1 July | 10,000,000 | 10,000,000 |
| Movements during the period: | | |
| Options issued | - | - |
| At 30 June | 10,000,000 | 10,000,000 |

Company options carry no voting rights and carry no right to dividends. Company options are unlisted. 10,000,000 Company options are exercisable at $0.20 on or before 30 June 2016.

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Foreign Currency Translation Reserve | | |
| At 1 July | - | - |
| Foreign exchange differences | 12,374 | - |
| As at 30 June | 12,374 | - |

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

## NOTE 10: CASH AND CASH EQUIVALENTS

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Cash at hand and in bank | 317,240 | 443,166 |
| | 317,240 | 443,166 |

Cash at bank earns interest at floating rates based on daily deposit rates.

The Company did not engage in any non-cash financing activities for the period ended 30 June 2015 and was not party to any borrowing facilities for the same period.

**Reconciliation of loss for the period to net cash flows from operating activities**

| | 2015 | 2014 |
|---|---|---|
| Loss after tax from continuing operations | (339,061) | (30,027) |
| Changes in assets and liabilities: | | |
| Increase in trade payables and accruals | (25,890) | 15,965 |
| Movement in inventories | (29,250) | - |
| Net cash (used in) operating activities | (394,201) | (14,062) |

## NOTE 11: TRADE AND OTHER PAYABLES

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Trade payables(i) | 12,585 | 4,891 |
| Accrued expenses(ii) | 15,000 | 64,825 |
| Balance at 30 June | 27,585 | 69,716 |

(i) Trade payables are non-interest bearing and are normally settled on 60-day terms

(ii) Includes $15,000 accrued audit and other fees

## NOTE 12: DEFERRED EXPLORATION EXPENDITURE

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Costs carried forward in respect of: Exploration and evaluation phase – at cost | | |
| Balance at the beginning of the year / period | - | 857,198 |
| Expenditure incurred | - | 14,886 |
| Less: exploration expenditure written off | - | (872,084) |
| Total deferred exploration expenditure balance at 30 June | - | - |

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the discovery of commercially viable mineral or other natural resource deposits and their successful development and commercial exploration or sale of the respective mining areas. Following a review of the prospectivity of the tenements in the previous year, the assets have been fully impaired.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

## NOTE 13: INVENTORIES

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| Raw materials – at cost | - | - |
| Work in progress – at cost | - | - |
| Finished goods – at net realisable value | 29,250 | - |
| Classified as part of a continued operation | 29,950 | - |

Inventory write-downs charged to cost of sales totalled $Nil (2014: $Nil).

## NOTE 14: FINANCIAL INSTRUMENTS

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| **Financial assets** | | |
| Receivables | 3,758 | 106,882 |
| Cash and cash equivalents | 317,240 | 443,166 |
| Balance at end of period | 320,998 | 550,048 |
| | | |
| **Financial liabilities** | | |
| Trade and other payables | 27,585 | 69,716 |
| Balance at end of period | 27,585 | 69,716 |

The following table details the expected maturity/s for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

| | Weighted average effective interest rate % | Less than 1 month $ | 1 – 3 Months $ | 3 months – 1 year $ | 1 – 5 years $ | 5+ years $ |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Non-interest bearing | - | - | 317,240 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | - | 317,240 | - | - | - |

| | Weighted average effective interest rate % | Less than 1 month $ | 1 – 3 Months $ | 3 months – 1 year $ | 1 – 5 years $ | 5+ years $ |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Non-interest bearing | - | - | 443,166 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | - | 443,166 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 14: FINANCIAL INSTRUMENTS (continued)

The following table details the Company's and the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay. The tables include both interest and principal cash flows.

| | Weighted average effective interest rate<br>% | Less than 1 month<br>$ | 1 – 3 Months<br>$ | 3 months – 1 year<br>$ | 1 – 5 years<br>$ | 5+ years<br>$ |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Non-interest bearing | - | - | 27,585 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | - | 27,585 | - | - | - |

| | Weighted average effective interest rate<br>% | Less than 1 month<br>$ | 1 – 3 Months<br>$ | 3 months – 1 year<br>$ | 1 – 5 years<br>$ | 5+ years<br>$ |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Non-interest bearing | - | - | 69,716 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | - | 69,716 | - | - | - |

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

*Financial risk management objectives and policies:*

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

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Capital 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. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

**(a) Credit risk management**

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers and suppliers.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 14: FINANCIAL INSTRUMENTS (continued)**

**(a) Credit risk management (continued)**

The Company's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Company does not have any significant credit risk exposure to the NAB. The credit risk on liquid funds and Term Deposits is reduced because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**(b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built 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 banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company did not have any undrawn facilities at its disposal as at balance date.

**(c) Interest rate risk management**

The Company is exposed to interest rate risk as the Company deposits the bulk of the Company's cash reserves in Short Term Deposits with the NAB or other acceptable Australian Banking entities. The risk is managed by the Company by maintaining an appropriate mix between short term deposits and at call deposits. The Company's exposure to interest rate on financial assets is detailed in the interest rate risk sensitivity analysis section of this note.

*Interest rate risk sensitivity analysis*

The sensitivity analyses below have been determined based on the Company's cash and cash equivalent exposure to interest rates. A 100 basis point increase or decrease is used when reporting interest rate risk. The Company's sensitivity to interest rates may decrease during the current period depending on the use of the cash reserves of the Company.

The effect on loss and equity as a result of change in the interest rate, with all other variable remaining constant as is considered to not be material as no interest has been earned.

**(d) Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to movements in market interest rates on short term deposits. The Company does not have short or long term debt**,** and therefore the risk is minimal. The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

**(e) Capital Risk Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Company's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Company funding being equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 14: FINANCIAL INSTRUMENTS (continued)**

**(f) Foreign currency sensitivity analysis**

The Group is exposed to US Dollar (USD) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

| | Consolidated USD Impact | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Profit or loss (*i*) | 55,000 | - |

*(i) This is mainly attributable to the exposure outstanding on USD receivables and payables at year end in the Group*

**NOTE 15: KEY MANAGEMENT PERSONNEL DISCLOSURES**

**KMP Compensation**

Refer to the remuneration report contained in the director's report for details of the remuneration paid or payable to each member of the Company's key management personnel (KMP) for the year ended 30 June 2015. The totals of remuneration paid to KMP of the Company during the year are as follows:

| | Consolidated | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Short-term employee benefits | 20,000 | - |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Other long-term benefits | - | - |
| Total KMP compensation | 20,000 | - |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

### NOTE 16: EVENTS AFTER THE BALANCE DATE

The Company held a General Meeting of Shareholders on 31 July 2015 to resolve the consolidation of existing shareholders In accordance with section 254H of the Corporations Act and the Constitution. Existing shareholders have been consolidated on a 4 to 1 basis.

On 31 July, the Company received all executed deeds for the cancellation of options from each option holder. The Company no longer has any options on issue.

### NOTE 17: AUDITORS' REMUNERATION

| | Consolidated 2015 $ | 2014 $ |
|---|---|---|
| The auditor of Sugar Dragon Limited is HLB Mann Judd. | | |
| *Amounts received or due and receivable by HLB Mann Judd for:* | | |
| Audit or review of financial statements | 10,000 | 4,500 |
| Other services | 5,000 | - |
| | 15,000 | 4,500 |

### NOTE 18: COMMITMENTS AND CONTIGENCIES

*Okmno Asia Agreement*

The Company advised that following the review of numerous projects across various industry sectors and an extensive due diligence process, it hadacquired a 72.5% interest in Okmno Asia Limited - the holder of a four year exclusive licensing deal (plus rights to extend) with King.com Limited for the manufacture, branding and distribution of Candy Crush Candies in Greater China (China, Hong Kong, Taiwan & Macau). Candy Crush Saga is the immensely popular game developed by King that has taken the online world by storm and thrust King to a circa $6 Billion market capitalisation (NYSE: KING).

Under the Agreement, Sugar Dragon acquired 72.5% interest in Okmno Asia via the provision of loans totalling US$650,000 (and other share purchases) to fund product launch and royalty pre-payments. Sugar Dragon also holds a first right of refusal over the remaining 27.5% interest in Okmno Asia. The Company also completed a capital raising of $675,000 during the year ending 30 June 2015.

During the period, Resource Star Limited (ASX: RSL) had conditionally agreed to acquire a 60% interest in Sugar Dragon Limited. Following consultation and feedback from the investment community and from existing shareholders, the RSL Board made the decision not to pursue the investment in Sugar Dragon, as previously announced on 23 April 2015. As such, , it terminated its agreement to acquire a 60% interest in Sugar Dragon on 30 June 2015.

The $300,000 refundable deposit and $200,000 convertible loan paid by RSL to Sugar Dragon was converted into fully paid ordinary shares at the conversion price of $0.065 per share, providing RSL with a 15% equity position in Sugar Dragon, which it intends to retain.

Sugar Dragon subsequently advised of its intention to list on the Australian Stock Exchange via an Initial Public Offering later this year (Q3/Q4 2015) and appointed Merchant Capital Markets as lead manager for the offering.

### NOTE 19: DIVIDENDS

The directors of the Company have not declared any dividend for the period ended 30 June 2015.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE PERIOD ENDED 30 JUNE 2015

**NOTE 20: RELATED PARTY DISCLOSURES**

On 1 June 2012, the Company entered into an agreement with Cicero Corporate Services Pty Ltd (an entity Mr Robinson holds a 36% equity stake) (Cicero) defining the terms of engagement for the provision of administration services by Cicero as a contractor to the Group. Cicero Corporate Services Pty Ltd was paid fees totalling $20,148 during the year ended 30 June 2015 (2014:$ Nil) pursuant to the Administration Agreement. Cicero provided the registered office, bookkeeping, company secretarial and administration services to the Company for a monthly fee of $2,000 plus GST. The agreement can be terminated by 90 days written notice by either party.

## DIRECTORS' DECLARATION

In the opinion of the directors of Sugar Dragon Limited ('the Company'):

1. The accompanying financial statements and notes thereto, as set out on pages 16 to 33, are in accordance with the Corporations Act 2001 including:

    a. giving a true and fair view of the Group's financial position as at 30 June 2015 and its performance for the period then ended; and

    b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The financial statements and notes thereto are in accordance with International Financial Reporting Standards used by the International Accounting Standard Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295(A) of the Corporations Act 2001 and is signed in accordance with a resolution of the Board of Directors.

Matthew Sheldrick

**Mr Matthew Sheldrick**

**Chairman**

Dated this 24 August 2015

## INDEPENDENT AUDITOR'S REPORT

To the members of Sugar Dragon Limited

### Report on the Financial Report

We have audited the accompanying financial report of Sugar Dragon Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

***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 report complies 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 company'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 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

***Auditor's opinion***

In our opinion:

(a) the financial report of Sugar Dragon Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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.

**Emphasis of Matter**

Without qualification to the opinion expressed above, we draw attention to Note 1(q) to the financial report which indicates that the Company will require additional funding to ensure that it can continue to fund its operations during the twelve month period from the date of approval of this financial report.

Should additional funding not be obtained, there is a material uncertainty that may cast significant doubt as to whether the Company will be available to realise its assets and extinguish its liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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.

***Auditor's opinion***

In our opinion the remuneration report of Sugar Dragon Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**N G Neill**
**Partner**

**Perth, Western Australia**
**24 August 2015**

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