

DGO Gold Limited

ACN 124 562 849

Financial Report for the half-year ended 31 December 2018

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This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by DGO Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate directory

Directors:	Mr. E. Eshuys (Executive Chairman) Mr. M. J. Ilett (Non-Executive Director) Mr. R. C. Hutton (Non-Executive Director) Mr. J. B. Parncutt AO (Non-Executive Director)
Company secretary	Mr. Mark Licciardo
Chief Financial Officer	Ms. C. Jupp
Registered office and principal administrative office:	L17 41 Exhibition St Melbourne Vic 3000 Telephone: + 61 3 9133 6251
Share registry:	Link Market Services Limited Level 15, ANZ Building 324 Queen Street BRISBANE QLD 4000 Postal Address: GPO Box 2537 BRISBANE QLD 4001 Telephone: 1300 554 474 Telephone: + 61 2 8280 7454 (overseas) Facsimile: + 61 2 8280 0303
Auditor:	BDO Audit Pty Ltd Level 10 12 Creek Street BRISBANE QLD 4000 Telephone: + 61 7 3237 5999 Facsimile: + 61 7 3221 9227
Lawyer:	Piper Alderman Level 23 459 Collins St MELBOURNE Vic 3000 Telephone: 61 3 8665 5555
Stock exchange listings:	DGO Gold Limited shares are quoted on ASX Limited (ASX Code: DGO).
Website:	www.dgogold.com.au
ABN:	96 124 562 849
Corporate Governance Statement	https://www.dgogold.com.au

Directors' report

The Directors of DGO Gold Limited (the Company or "DGO") submit herewith the consolidated financial report of DGO Gold Limited and its controlled entity (the Group) for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names and details of the Directors of the Company in office during the half-year and until the date of this report are:

Mr. E. Eshuys (Executive Chairman)
Mr. D. Clark (Managing Director – resigned 29 January 2019)
Mr. J. B. Parnutt AO (Non-Executive Director)
Mr. M. J. Ilett (Non-Executive Director)
Mr. R. C. Hutton (Non-Executive Director)

Principal activities

The principal activity of the Group is to provide participation in a discovery leveraged exposure to gold by investing in listed brownfield explorers that satisfy key selection criteria and building strategic greenfields land positions. Focussing on building a portfolio of Western Australian brownfield discovery opportunities through strategic equity investment and tenement acquisitions and joint ventures.

Operating results

The Group recorded a net loss after income tax of \$2,298,860 for the half-year ended 31 December 2018 (31 December 2017: net loss after income tax of \$532,507). The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2018:

- Acquisition of 25,000,000 shares with 25,000,000 options in De Grey Mining Limited for \$5,000,000 cash consideration;
- Acquisition of 12,500,000 shares with 25,000,000 options in NTM Gold Limited for \$500,000 cash consideration
- Non-cash share-based payments expense of \$248,808 relating to performance rights granted to directors, employees and consultants.
- Net loss of \$1,568,525 on the fair value of the equity investments and derivative options in DEG and NTM which were classified as financial assets at fair value through profit or loss under AASB 9

Review of operations

The Group continues to implement its investment, research and exploration strategies through strategic direct investment in evolving brownfields gold opportunities and evaluation of targeted Australian sedimentary basins for analogues of world class sediment hosted gold deposits supported by the research conducted over the past decade at the Centre for Excellence in Ore Deposits (CODES) at the University of Tasmania.

DGO continues to implement its investment strategy of building a portfolio of strategic investments in low-discovery cost, investment scale brownfields gold discovery opportunities in Western Australia, adding a stake of up to 13.2% in NTM Gold Limited (ASX:NTM) to DGO's existing investment of 6.5% of De Grey Mining Limited (ASX:DEG).

The Company's exploration focus is on the discovery of sediment hosted gold and copper-cobalt deposits in Australia across the Pilbara, the Eastern Goldfields, and the Murchison district of Western Australia and the Adelaide Fold Belt and Stuart Shelf in South Australia. A comprehensive review of the Company's exploration land identified Mallina in the Pilbara, Yerrida in the Murchison region, Lake Randall in Eastern Goldfields and the Stuart Shelf land in South Australia as top priorities for further exploration activities over the next twelve months.

Investment in De Grey Mining Limited

On 22 May 2018, DGO announced that it had reached an agreement to make a strategic investment through a \$5 million share subscription in neighbouring Pilbara gold exploration and mine development company De Grey Mining Limited (DEG).

DEG has continued to advance their flagship Pilbara Gold Project that contains a current total gold mineral resource of 1.4 million ounces of gold, with further high-grade drill intercepts at the Withnell deposit (DEG ASX announcements 3 October and 5 November 2018).

DEG have also successfully secured approximately \$6 million through the exercise of existing options to further advancement resource growth towards their stated corporate target of more than 3 million ounces of gold in resources for the Pilbara Gold Project (DEG ASX announcement 21 December 2018).

Investment in NTM Gold Limited

DGO executed an agreement to make a strategic investment of up to \$2 million at \$0.04 per share in NTM Gold Limited (NTM) (DGO ASX announcement 20 November 2018). The investment will provide DGO with a holding of 13.2% in the ordinary shares of NTM, prior to the exercise of any of the attached options and other capital raising by NTM.

The investment in NTM resulted from an extensive review of opportunities for DGO to participate in brownfield exploration and the discovery of gold resources in Western Australia. NTM, in DGO's view, is a well-positioned, early stage gold explorer with 538,000 ounces of gold resources (NTM ASX announcement 13 June 2018) already delineated in its tenements and with the potential for significant resource extensions and additions along its 100% held, 40 kilometre long Mertonale Shear zone and related gold trends. The funds subscribed by DGO will assist NTM to accelerate its strategically targeted drilling along these trends.

Pilbara Region, Western Australia

DGO's strategy in the Pilbara seeks to expand upon the most recent developments in the understanding structurally controlled sediment hosted gold deposits. Working closely with leading mineral deposit researchers, under a research agreement with CODES at the University of Tasmania, DGO has been successful in building a significant land position canvassing the styles of gold mineralisation that are known to occur in the Pilbara Gold Province.

Mallina (E47/3327 to 47/3329 – 100% DGO Gold)

Mallina tenements adjoin DEG Mining's Pilbara Gold Project and share similar geological and structural settings to the mineralization delineated by DEG to the north and north-east. The tenement package incorporates over 30 kilometres of strike length of major ENE-trending structures that parallel the Mallina Shear Zone (MSZ) (refer to Figure 1). A NE trending splay, off the MSZ, is associated with a 2km strike length gold anomaly that defines the Scotties Well target (defined by historical soil anomalies up to 1g/t Au (refer to Figure 2).

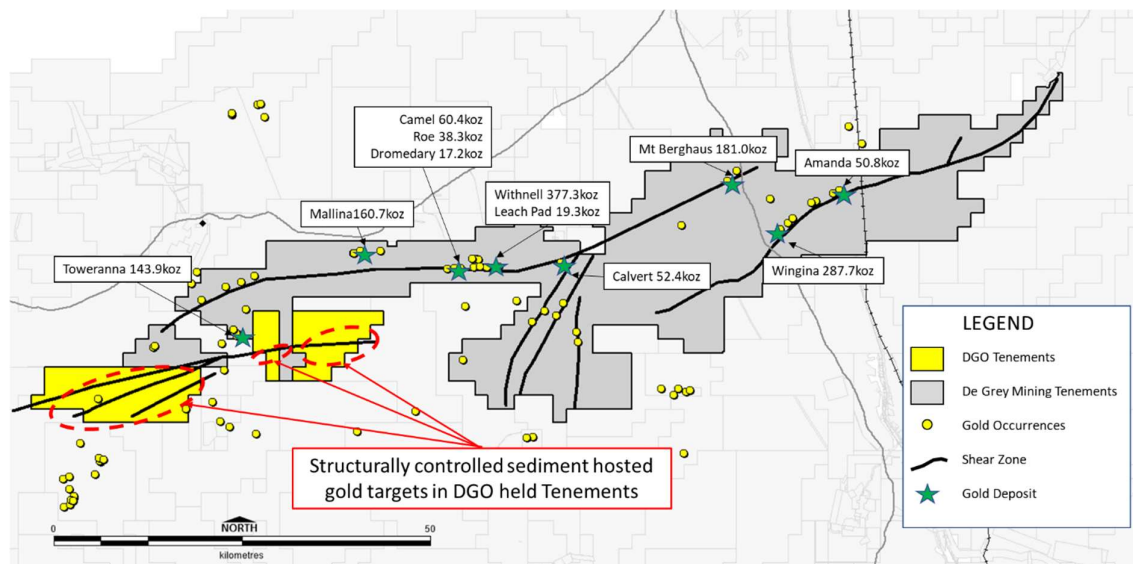


Figure 1: DGO Mallina Tenure with Significant Gold Deposits / Occurrences and Targets

Broad spaced (2km x 160m) soil sampling completed over the 20km long structural corridor within E47/3327 (Figure 2) identified two new (2km x 1km) elevated gold in soil anomalies that broadly correspond with the interpreted position of the ENE shear. These two new gold anomalies added to the historic Scotties well gold in soil anomaly represent a large > 7km high priority target that at surface is largely covered by soil with little to no subcrop. Further sampling is warranted.

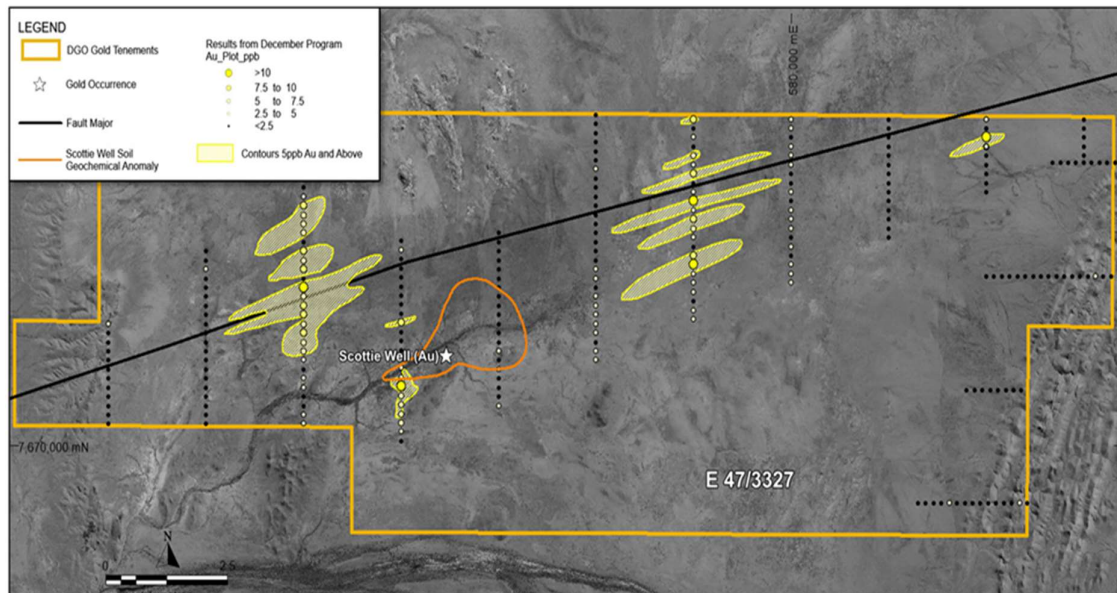


Figure 2: E47/3327 Gold in Soil Sampling Results

Yerrida Basin, Murchison Region, Western Australia

Yerrida East (E51/1748 to 51/1753 and ELA51/1897 – 100% DGO Gold

Middelen Option – E51/1725, 51/1726 – 0%DGO Gold)

Previous data compilation by DGO over the eastern Yerrida Basin tenements had identified a 25km long gold, copper and zinc geochemical anomaly associated with ENE trending shear structures in the Killara, Doolgunna and Johnson Cairn Formations. The geochemical anomaly is associated with inter-fingering sedimentary and volcanic formations of the Yerrida Group, considered equivalents to the DeGrussa Formation of the Bryah Basin which hosts Sandfire Resources' DeGrussa and Monty deposits and the Morck's Well prospect.

DGO executed a binding terms sheet with Middelen Pty Ltd (Middelen) in November 2018, that provides DGO with the opportunity to purchase Middelen's tenements E51/1725 and E51/1726 which are surrounded by or contiguous with DGO's Yerrida East tenements. The addition of the Middelen tenements to the landholdings of DGO significantly consolidates DGO's prospective ground in the Yerrida basin (refer Figure 3).

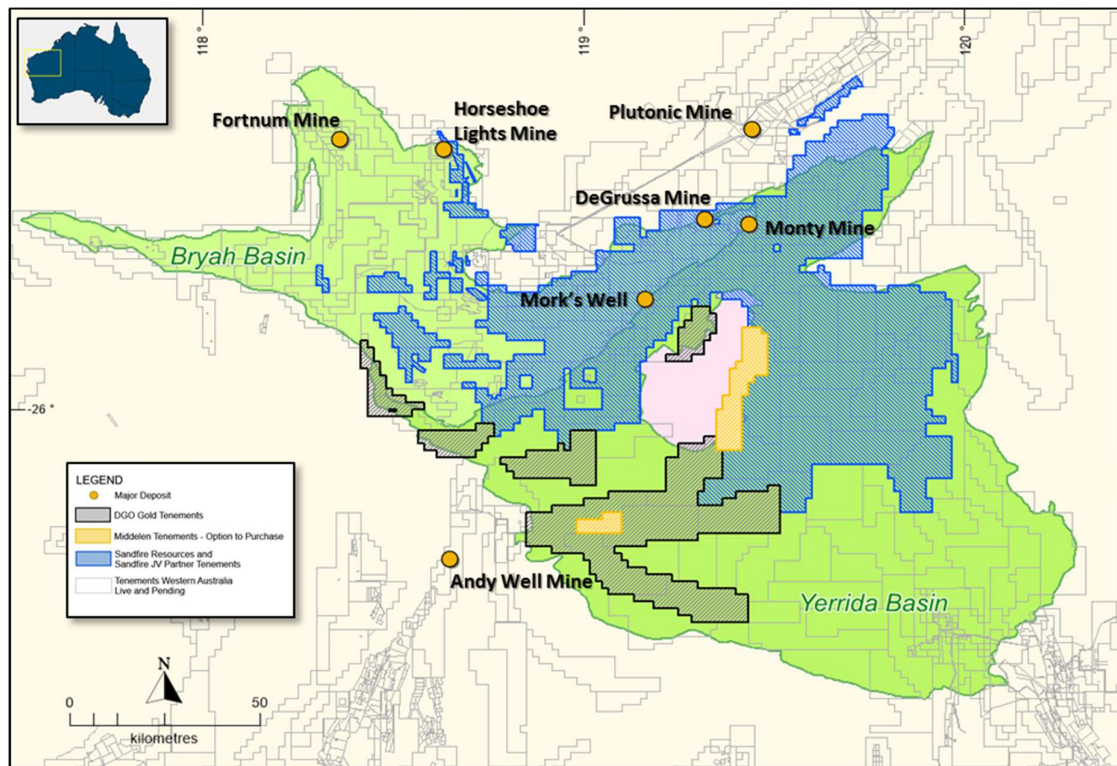


Figure 3: DGO and Sandfire Resources licences in the Yerrida and Bryah Basins

The Middelton option consolidates, into DGO's control, the tenure over the anomalous copper and gold VHMS targets within the Yerrida Basin. DGO now has direct access to approximately 25 kilometres of the prospective stratigraphy. Furthermore, DGO has control of a large (2,137km²) highly prospective land package within the Yerrida basin that is adjacent to Sandfire Resources' Licences.

South Australia

The exploration prospectivity of the Stuart Shelf, South Australia has increased as a direct result of BHP's discovery at their Oak Dam West exploration project. BHP reported several drill intercepts of greater than 0.5 % Cu, the best of which was from drill hole AD-23: 425.7m @ 3.04% Cu and 0.59 g/t Au from 1,063m downhole (BHP ASX announcement 27 November 2018).

The new BHP exploration discovery is located approximately 40km to the north of DGO's Pernatty Lagoon tenements (refer Figure 4). The Stuart Shelf hosts the Olympic Dam, Carapateena, and a number of other smaller and sub-economic copper-gold deposits. Most of these deposits are thought to be genetically related to and are hosted within the Gawler Range Volcanics. The DGO Stuart Shelf licence areas are prospective for copper mineralization - the host sequence to the Olympic Dam, Oak Dam West and Carapateena mineral systems, the Gawler Range Volcanics, underlies the Tapley Hill Formation within the DGO's licence blocks.

DGO's exploration methodology on the Stuart Shelf relies on identifying geochemical halos to large copper mineral systems (e.g. Olympic Dam and Carapateena). This involves defining the geochemical characteristics of the potential host rocks on a regional scale. Extensive sampling and testing of pyrites within the Tapley Hill Formation black shales was completed at CODES at the University of Tasmania under an exclusive arrangement. The levels of gold, silver, copper and cobalt in the pyrites were utilised to define copper mineralization halo/footprints and to develop vectors to copper deposits. Application of the technology has defined two targets for discovery of sediment-hosted copper under cover on the Stuart Shelf and resulted in further applications for tenements in the Pernatty Lagoon and Myall North areas to fully cover the target zones.

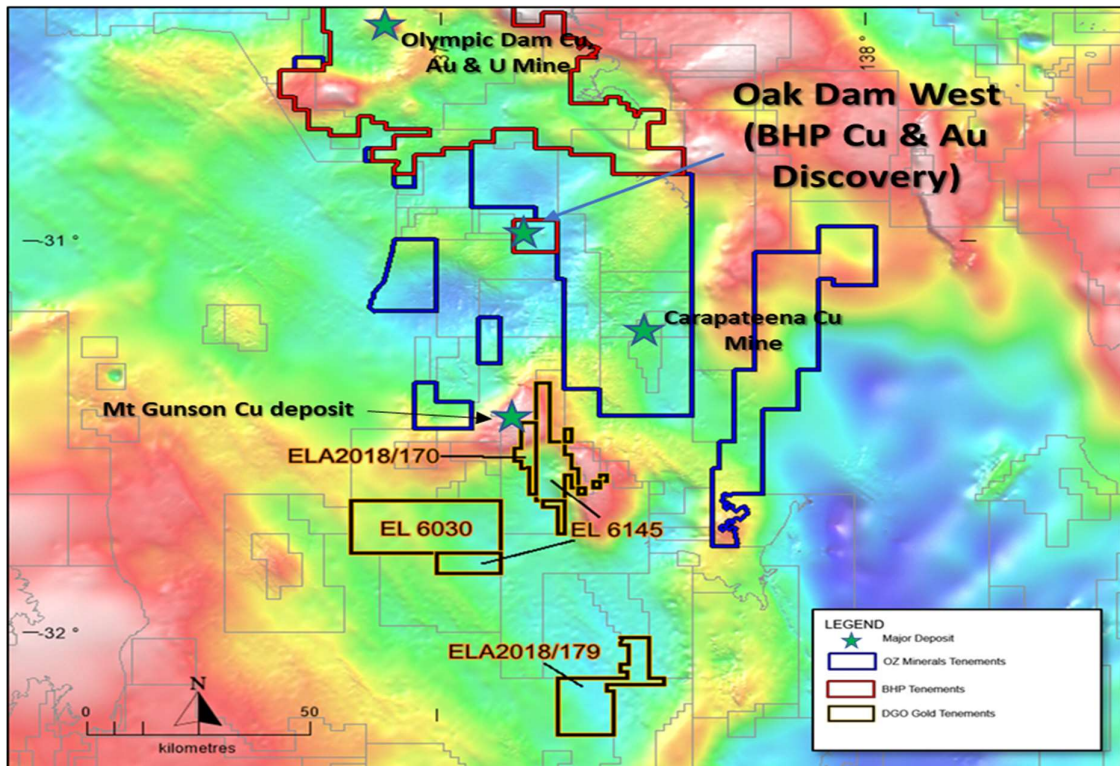


Figure 4: Regional gravity image with DGO licences and applications in the Stuart Shelf, SA

Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the Half-Year Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3)(a) of the *Corporations Act 2001*.

On behalf of the Directors,

Eduard Eshuys
Executive Chairman
Melbourne, 4 March 2019

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF DGO GOLD LIMITED

As lead auditor for the review of DGO Gold Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of DGO Gold Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 4 March 2019

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Note	Consolidated	
		Half-year ended	
		31 Dec 2018	31 Dec 2017
		\$	\$
Revenue			
Interest income		3,071	3,828
Dividend income		13,564	-
Administration and other expenses		(261,096)	(108,947)
Consulting and contractor expenses		(123,515)	(47,004)
Depreciation expense		(1,968)	(2,429)
Directors' fees		(22,617)	(27,250)
Employee benefits expense		(2,089)	(2,589)
Share based payments expense	4	(248,808)	-
Exploration and evaluation expenditure		(64,715)	(337,288)
Occupancy cost		(8,332)	(9,764)
Fair value losses on assets classified as held for sale	5	(13,830)	(1,064)
Fair value losses on financial assets at fair value through profit or loss	7	(1,568,525)	-
Loss before income tax		(2,298,860)	(532,507)
Income tax expense		-	-
Loss for the half-year		(2,298,860)	(532,507)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to owners/parent		(2,298,860)	(532,507)
Loss per share			
Basic and diluted loss per share (cents per share)	10	(9.93)	(5.27)

Notes to the consolidated financial statements are included on pages 15 to 21.

Consolidated statement of financial position as at 31 December 2018

	Note	Consolidated	
		Half-year ended	
		31 Dec 2018	30 June 2018
		\$	\$
Current assets			
Cash and cash equivalents		1,945,978	1,625,441
Trade and other receivables		268,148	572,322
Assets classified as held for sale	5	46,808	60,638
Total current assets		2,260,934	2,258,401
Non-current assets			
Financial assets at fair value through profit or loss	7	3,931,503	-
Property, plant and equipment		18,360	16,611
Exploration and evaluation assets	6	2,922,211	1,642,437
Total non-current assets		6,872,074	1,659,048
Total assets		9,133,008	3,917,449
Current liabilities			
Trade and other payables		287,167	510,436
Provisions		17,578	15,489
Total current liabilities		304,745	525,925
Total liabilities		304,745	525,925
Net assets		8,828,263	3,391,524
Equity			
Issued capital	8	31,235,815	23,749,024
Reserves	9	549,460	311,290
Accumulated losses		(22,957,012)	(20,668,790)
Total equity		8,828,263	3,391,524

Notes to the consolidated financial statements are included on pages 15 to 21.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2018**

	Issued capital	Accumulated losses	Share- based payments reserve	Share Revaluation Reserve	Total
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2017	21,232,367	(20,056,900)	300,652	-	1,476,119
Loss for the half-year	-	(532,507)	-	-	(532,507)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the half-year	-	(532,507)	-	-	(532,507)
Transactions with owners in their capacity as owners:					
Issue of shares	293,615	-	-	-	293,615
Share issue costs	(21,920)	-	-	-	(21,920)
	271,695	-	-	-	271,695
Balance at 31 December 2017	21,504,062	(20,589,407)	300,652	-	1,215,307
Balance at 1 July 2018 as originally presented	23,749,024	(20,668,790)	300,652	10,638	3,391,524
Change in accounting policy (Note 1b)	-	10,638	-	(10,638)	-
Restated total equity at the beginning of the financial year	23,749,024	(20,658,152)	300,652	-	3,391,524
Loss for the half-year	-	(2,298,860)	-	-	(2,298,860)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the half-year	-	(2,298,860)	-	-	(2,298,860)
Transactions with owners in their capacity as owners:					
Share based payments expense (Note 4)	-	-	248,808	-	248,808
Issue of shares	7,532,399	-	-	-	7,532,399
Share issue costs	(45,608)	-	-	-	(45,608)
	7,486,791	-	248,808	-	7,486,791
Balance at 31 December 2018	31,235,815	(22,957,012)	549,460	-	8,828,263

Notes to the consolidated financial statements are included on pages 15 to 21.

Consolidated statement of cash flows for the half-year ended 31 December 2018

Note	Consolidated	
	Half-year ended	
	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(327,827)	(143,967)
Payments for exploration and evaluation assets	(64,715)	-
Net cash used in operating activities	(392,542)	(143,967)
Cash flows from investing activities		
Interest received	3,071	3,828
Dividends received	13,564	-
Payments for property plant and equipment	(9,237)	(2,350)
Receipt of research and development tax offset in relation of exploration assets	6 -	234,033
Payments for exploration and evaluation assets	6 (1,224,584)	(789,095)
Payments for financial assets at fair value through profit or loss	7 (5,250,000)	-
Net cash used in investing activities	(6,467,186)	(553,584)
Cash flows from financing activities		
Proceeds from issue of equity securities	8 7,216,943	293,615
Payments for share issue costs	(36,678)	(79,518)
Net cash generated from financing activities	7,180,265	214,097
Net decrease in cash and cash equivalents	320,537	(483,454)
Cash and cash equivalents at the beginning of the period	1,625,441	959,279
Cash and cash equivalents at the end of the period	1,945,978	475,825

Notes to the consolidated financial statements are included on pages 15 to 21.

**Notes to the consolidated financial statements
for the half-year ended 31 December 2018**

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1. Significant accounting policies

(a) Basis of preparation of half-year report

This general purpose interim financial report for the half year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual report of the Group for the year ended 30 June 2018 and any public announcements made by DOGO Gold Limited during the interim reporting period.

The accounting policies and methods of computation applied in this interim financial report are consistent with those applied in the previous financial year and the corresponding interim reporting period except for the adoption of new and amended standards as set out below.

(b) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

AASB 15 Revenue from Contracts with Customers – Impact of adoption

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement and no change to the previously disclosed accounting policies.

AASB 9 Financial Instruments – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. AASB 9 was generally adopted without restating comparative information.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and Measurement

At the date of initial application of AASB 9 on 1 July 2018, the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

The directors of the Group determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present, and determined that the initial application of AASB 9 had the following effects:

- The Group's investments that were classified as available-for-sale financial assets (under AASB 139) have been reclassified as financial assets at fair value through profit or loss under AASB 9 as they do not meet the criteria for classification at amortised cost or fair value through other comprehensive income. There was no impact on the amounts recognised in relation to these assets from the adoption of AASB 9. Related fair value gains/loss of \$10,638 were transferred from the 'Share revaluation reserve' to retained earnings on 1 July 2018. In the six months to 31 December 2018, fair value loss of \$13,830 relating to these investments were recognised in profit or loss.
- Financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9, as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(ii) Impairment of financial assets

In adopting AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the group to account for expected credit loss since initial recognition. The group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables. A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

The application of the AASB 9 impairment requirements did not result to a material change to the Group's net trade and other receivables. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018

(i) Investments and other financial assets

Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The election is made on an investment-by-investment basis. All other financial assets are classified as measured at fair value through profit or loss (FVPL).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss. Refer Note 7.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in fair value gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivative financial instruments

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Group as part of the investments in DEG and NTM are not listed. The Group is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

Impact of standards issued but not yet applied by the group

AASB 16 Leases

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for all leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease.

The Group has evaluated the impact adoption of this standard. Upon adoption of this standard, it is the Group's intention to transition using the modified retrospective approach, where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, using the entity's current incremental borrowing rate. Comparative figures are not restated.

Based on the transition approach and the entity's current leasing arrangements the entity has determined there will be no material impact in the current or future reporting periods and on foreseeable future transactions.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(c) Going concern

The Group incurred a net loss of \$2,298,860 for the half-year ended 31 December 2018. As at 31 December 2018, the Group has cash reserves of \$1,945,978 and its statement of financial position showed a net current asset surplus of \$1,956,189.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Group to raise additional capital in the future;
- the successful exploration and subsequent exploitation of the Group's tenements
- the ability of the Group to obtain a research and development income tax refund for its activities during the 2019 financial year; and
- the ability of the Group to sell its investments in shares traded on the ASX to fund its continued operations.

These conditions give rise to material uncertainty which may cast doubt over the Group's ability to continue as a going concern, however the directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- It is expected that the Group will be able to fund its future activities through further issuances of equity securities;
- There is a rights issue and placement currently in progress that show continued confidence and investment by the Company's shareholders and will provide sufficient funds to meet current requirements
- The directors believe there is sufficient cash available for the Group to continue operating over the next 12 months from the date of signing of these financial statements;
- Subsequent to the date of these financials, a R&D refund of \$779,674 has been received;
- The loss on Investments represents a revaluation to market value rather than a cash loss; and
- The directors believe that they would be able to sell its investments in shares, if required to fund the Company's continued operation over the next 12 months.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

2. Segment information

The Group operates predominantly in one business segment being the evaluation and exploration of mineral deposits in sediment hosted gold deposits in Australia to invest in listed brownfield explorers and exploration tenements. All significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segment

are equivalent to the financial statements of the consolidated entity as a whole. The Group does not have any products/services it derives revenue.

3. Critical accounting judgments

In the application of the Group's accounting policies, management is required to make judgments, 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 various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

Impairment of assets and exploration and evaluation expenditure

The Group determines whether non-current assets should be assessed for impairment based on identified impairment triggers. At each reporting date management assesses the impairment triggers based on their knowledge and judgement.

4. Results for the period

The Group recorded a net loss after tax of \$2,298,860 for the half-year ended 31 December 2018 (31 December 2017: net loss after tax of \$532,507). The financial position and performance of the group was particularly affected by the following transactions during the six months to 31 December 2018:

- Non-cash share based payments expense of \$248,808 relating to performance rights issued to directors, employees and consultants during the half year.
- Fair value loss of \$1,568,525 on investments in DEG and NTM classified as financial assets at FVPL

5. Assets classified as held for sale

	31 Dec 2018 \$	30 June 2018 \$
Quoted shares – Talisman Mining Limited (i)	46,808	60,638
	46,808	60,638

- (i) As at 31 December 2018, the Company has 212,766 quoted shares in Talisman Mining Limited which were originally acquired for a consideration of \$100,000. These investments have been reclassified from available for sale to financial assets at fair value through profit or loss (FVPL) under AASB 9. The resulting \$13,830 fair value loss during the half year have been recognised in the profit or loss. The directors have made the decision to sell the listed shares in Talisman and as a result, these have been classified as assets classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. These investments were sold after reporting date.

6. Exploration and evaluation assets

Gross carrying amount balance:

	31 Dec 2018 \$	30 June 2018 \$
Balance at the beginning of the period	1,944,597	618,059
Exploration expenditure incurred during the financial period (i)	1,279,774	1,326,538
Balance at end of the financial year	3,224,371	1,944,597
<u>Grant from research and development tax offset applied to exploration and evaluation expenditure</u>		
Balance at beginning of financial year	(302,160)	(68,127)
Research and development tax offset	-	(234,033)
Balance at end of financial year	(302,160)	(302,160)
Net book value at end of period (i)	2,922,211	1,642,437

- (i) The above amounts represent capitalised costs of exploration areas of interest carried forward as an asset. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value. Details of the current holdings in tenements are contained in the unaudited additional information section of this report.

7. Financial assets at fair value through profit or loss

	31 Dec 2018	30 June 2018
Quoted shares - DeGrey Mining Ltd (i)	3,125,000	-
Quoted shares - NTM Gold Ltd (ii)	500,000	-
Total equity securities	3,625,000	-
Unlisted options - DeGrey Mining Ltd (i)	123,248	-
Unlisted options - NTM Gold Ltd (ii)	183,254	-
Total derivative financial assets	306,503	-
Total financial assets held at fair value through profit or loss (FVPL)	3,931,503	

(i) Investment in DeGrey Mining Ltd (ASX: DEG)

On 10 July 2018, the Company acquired 25,000,000 quoted shares in DeGrey Mining Limited for a cash consideration of \$5,000,000. The shares include the following options for every two shares held:

- Series A options with an exercise price of \$0.25 and expiry date of 30 November 2019; and
- Series B options with an exercise price of \$0.30 and expiry date of 30 May 2021.

(ii) Investment in NTM Gold Ltd (ASX: NTM)

On 20 November 2018, the Company acquired 12,500,000 quoted shares (Tranche 1) in NTM Gold Ltd for a cash consideration of \$500,000. The Tranche 1 shares included the following options:

- 12,500,000 options with an exercise price of \$0.05 and expiry date of 31 March 2020; and
- 12,500,000 options with an exercise price of \$0.10 and expiry date of 31 March 2022.

The agreement also provides the opportunity to invest a further \$1,500,000 for 37,500,000 shares (Tranche 2) by 31 March 2019 with:

- 47,500,000 options with an exercise price of \$0.05 and expiry date of 31 March 2020; and
- 47,500,000 options with an exercise price of \$0.10 and expiry date of 31 March 2022.

Classification

Equity securities have been designated at fair value through profit or loss and subsequently measured at each reporting date based on the quoted share price. The unlisted options which do not meet the criteria for amortised cost or FVOCI are measured at FVPL. During the half year, a fair value loss on equity securities and unlisted options amounting to \$1,568,525 (2017: nil) has been recognised in profit or loss.

8. Issued capital

	31 Dec 2018 \$	30 June 2018 \$
Balance at the beginning of the financial year	23,749,024	21,232,367
Issue of shares under an entitlements offer	4,909,192	-
Issue of shares under private placements (i)	2,622,407	1,174,542
Exercise of options (ii) (iii)	800	1,434,291
Share issue costs	(45,608)	(92,176)
Balance at the end of the financial period	31,235,815	23,749,024
	31 Dec 2018 Number of Shares	30 June 2018 Number of Shares
Balance at beginning of the period	15,099,415	9,565,527
Issue of shares under an entitlement offer	6,545,587	-
Issued shares under private placements	3,496,542	1,948,162
Exercise of options	2,000	3,585,726
Balance at the end of the financial period	25,143,544	15,099,415

- (i) On 6 July 2018, the Company issued shares 6,545,587 fully paid ordinary shares at an issue price of 75 cents per share under private placement and 6,545,587 free attaching options exercisable at \$1 cents per share on or before 31 December 2021 to various shareholders pursuant to a 1:2 non-renounceable entitlement offer announced to the ASX on 8 June 2018.

8. Issued capital (continued)

- (ii) On 11 and 24 October 2018, the Company issued shares 3,496,542 fully paid ordinary shares at an issue price of 75 cents per share under private placement and 3,496,542 free attaching options exercisable at \$1 cents per share on or before 31 December 2021 to various shareholders pursuant to the details included in the General Meeting held on 27 September 2018.
- (iii) During the half year, the Company issued 2,000 fully paid ordinary shares on conversion of 2,000 outstanding options at 40 cents per share, raising \$800 before costs.

Share options on issue as at 31 December 2018

A total of 878,695 options exercisable at \$0.40 on or before 30 June 2020 (DGOAI), and 10,042,129 options exercisable at \$1.00 on or before 30 December 2021 are on issue.

Performance Rights on issue as at 31 December 2018

A total of 2,850,000 performance rights exercisable at \$nil consideration, on or before 30 June 2020 (DGOAI), and 500,000 performance rights exercisable at \$nil consideration on or before 30 December 2021 are on issue at 31 December 2018. Subsequent to balance date, 500,000 performance rights exercisable at \$nil consideration on or before 30 December 2021 expired upon the resignation of Dr D Clark.

9. Reserves

	31 Dec 2018	30 June 2018
Share-based payments reserve (i)	549,460	300,652
Share revaluation reserve (ii)	-	10,638
	549,460	311,290
(i) The share-based payments reserve is used to recognise the value of equity benefits including options and performance rights provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. The movement during the half year relates to the share based payments expense for the performance rights issued in the General Meeting dated 27 September 2018 and AGM dated 28 November 2018.		
(ii) The share revaluation reserve of \$10,638 was transferred to retained earnings on 1 July 2018 due to a change in accounting policy.		

10. Loss per share

	Half-year 31 Dec 2018 cents per Share	Half-year 31 Dec 2017 cents per share
Basic and diluted loss per share	(9.93)	(5.27)

The net loss and weighted average number of ordinary shares used in the calculation of the basic loss per share and diluted loss per share are as follows:-

	Half-year 31 Dec 2018 \$	Half-year 31 Dec 2017 \$
Net profit (loss) used in calculating basic and diluted earnings per share	(2,298,860)	(532,507)

	Half-year 31 Dec 2018 Number	Half-year 31 Dec 2017 Number
Weighted average number of fully paid ordinary shares used for the purposes of calculating basic and diluted earnings per share	23,142,292	10,097,876

11. Dividends

There were no dividends paid or proposed during the current or previous financial period.

12. Contingent liabilities

There has been no change to contingent assets and contingent liabilities during the half year period.

13. Fair value measurement

a) Fair value hierarchy

The following table detail the consolidated entity's financial instruments, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This is the case for unlisted equity securities.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

31 December 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	
<u>Financial assets at FVPL</u>				
Assets held for sale (Note 5)	46,808	-	-	46,808
Equity investments (Note 7)	3,625,000	-	-	3,625,000
Derivative financial assets (Note 7)	-	306,503	-	306,503
	<u>3,671,808</u>	<u>306,503</u>	<u>-</u>	<u>3,978,311</u>

30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	
<u>Financial assets at FVPL</u>				
Assets held for sale (Note 5)	60,638	-	-	60,638
	<u>60,638</u>	<u>-</u>	<u>-</u>	<u>60,638</u>

There were no transfers between levels during the financial half-year.

b) Valuation techniques used to determine fair values

The fair values of assets held for sale and equity investments are based on quoted marked prices.

The fair values of the options classified as derivative financial assets is determined using the Black Scholes valuation model.

The fair values of cash and cash equivalents, other receivables, and trade and other payables approximate their carrying values due to their short-term nature.

14. Events subsequent to reporting date

Subsequent to reporting date, the Company received research and development tax offset amounting to \$779,674 (before fees) in relation to 2018 exploration activities. This research and development tax offset relating to 2018 financial year will be treated as deductible offset against the carrying value of exploration and evaluation assets in the 2019 financial report.

On 29 January 2019, Dr. Darryl Clark resigned as a Managing Director which resulted to the expiration of 500,000 performance rights issued in 28 November 2018.

On 30 January 2019, the shares held in Talisman Mining Ltd were sold for \$48,937 before any costs.

On 7 February 2019, the Company issued 520 fully paid ordinary shares at an issue price of \$0.40 per share as the result of the exercise of 520 options.

The Company has completed the non-renounceable pro-rata entitlement offer announced on 5 February 2019, closed on 27 February 2019, raising \$2,602,259 for a total of 4,003,476 new shares, including after valid acceptances, 769,230 shares which were successfully placed under the terms of the offer to a party affiliated with a current shareholder.

Directors' declaration

In the opinion of the directors:

- a) the accompanying financial statements and notes comply with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position at as 31 December 2018 and of its performance for the half year ended on that date; and
- b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Eduard Eshuys
Executive Chairman

Melbourne, 4 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DGO Gold Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of DGO Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 4 March 2019

Unaudited additional information - as at 25 February 2019

Resources

DGO's tenements cover a total of 10,457km² (granted, under application or joint venture/option) across Western Australia and South Australia covering some of the high priority targets identified by the CODES research.

See *Table 1* for a full listing of tenements.

	Tenements - Granted	Tenements - Applications	Area (km ²)
Western Australia			
Lake Randall JV	E15/1573		53
Lake Randall		E25/584	179
Ora Banda	P24/4946 - 4956		22
Black Flag	P24/4986 - 4992, E24/197		31
Mallina	E47/3327 - 3329		243
East Pilbara	E45/5031 - 5035 E46/1207 - 1208	E45/5030, E45/5084, E46/1203 - 1204, E46/1228 - 1229, E47/3898, E47/3900 - 3901, E47/3909	3,743
Yerrida Basin	E51/1590, 1729, 1730, 1748 - 1753, E51/1833, E51/1897		1,869
Middelen Option	E51/1725, 1726		268
Yamarna West		E38/3343, E38/3344	728
<i>Sub-Total</i>			7,135
South Australia			
Mt Barker	EL 5770, EL 5812, EL 5946		243
Wirrabara	EL 6237		755
Dawson	EL 5737, EL 5876, EL 5877, EL 6036, EL 6209, EL 6269		1,228
Yerelina	EL 5813		145
Pernatty Lagoon (Stuart Shelf)	EL 6145, EL 6302		36
Bookaloo (Stuart Shelf)	EL 6030		490
Myall North (Stuart Shelf)	EL 6303		115
<i>Sub-Total</i>			3,322
TOTAL			10,457

Table 1: DGO Tenement Holdings as at 25 February 2019

Competent person statement

Exploration or technical information in this release has been prepared by **Mr. David Hamlyn**, who is a part time employee of DGO Gold Limited and a Member of the Australian Institute of Mining and Metallurgy. Mr. Hamlyn has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr. Hamlyn consents to the report being issued in the form and context in which it appears.