

HALF YEAR REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2020

HIGHLIGHTS *(versus corresponding period 31 December 2019)*

- EBITDA up 43% to \$49.2M
- Underlying net profit after tax (NPAT) rises 120% to \$13.6M
- Debt (excluding leases) down 64% to \$23.4M
- Net cash / (debt) up 313% to \$14.5M (versus 30 June 2020)

Dacian Gold Limited (ASX:DCN) (Dacian) is pleased to report its 31 December 2020 half year financial information and Appendix 4D in accordance with Listing Rule 4.2A. The attached half year report should be read in conjunction with the Financial Report for the year ended 30 June 2020.

Operational performance at the Mt Morgans Gold Operations (MMGO) for the half year has underpinned the pleasing results. Production of 59,961oz at an AISC of \$1,356/oz positions Dacian on track to meet its full year guidance of 110,000-120,000oz at an AISC of \$1,400-\$1,550/oz.

Managing Director, Leigh Junk, commented: "The strength of these results reflects the enormous effort the Dacian team has put into delivering on our current mine plan. This also demonstrates our objective to increase investment in growth and exploration to unlock value for shareholders."

Results for announcement to the market

KEY INFORMATION	Units	Dec 2020	Dec 2019	Change	
Revenue from ordinary activities	\$'000	133,970	142,105	(8,135)	down 5.7%
Earnings before interest, tax, depreciation & amortisation (EBITDA) ¹	\$'000	49,168	34,344	14,824	up 43.2%
Underlying Net Profit after tax (NPAT) ²	\$'000	13,628	6,200 ⁽²⁾	7,428	up 119.8%
Profit from ordinary activities after tax attributable to members	\$'000	13,628	(78,520)	92,148	up 117.4%
Net profit/(loss) attributable to members	\$'000	13,628	(78,520)	92,148	up 117.4%
Gold produced	oz	59,961	75,237	(15,276)	down 20.3%
All in sustaining cost (AISC) ³	\$/oz	1,356	1,562 ⁽³⁾	206	down 13.2%
Average gold price received	\$/oz	2,259	1,938	321	up 16.6%

- (1) Earnings before interest, tax, depreciation and amortisation (EBITDA) is a financial measure which is not prescribed by the International Financial Reporting Standards (IFRS). EBITDA has not been subject to any specific review procedures by the auditor but has been extracted from the half year financial statements of the Company
- (2) Underlying Net Profit After Tax (Underlying NPAT) is a financial measure which is not prescribed by the International Financial Reporting Standards (IFRS) and represents the net profit after tax under IFRS, adjusted for specific items. The Directors believe that Underlying NPAT is an appropriate measure to assist investors with their understanding of the Company's operational performance against the December 2019 comparable period. The 31 December 2020 Underlying NPAT is unchanged from the NPAT under IFRS. The December 2019 Profit from ordinary activities excludes the following items \$68.5M impairment, \$(20.6)M tax benefit of impairment, \$34.1M derecognition of tax losses, \$1.2M in debt refinancing costs and \$1.5M tax adjustment in respect of the previous year
- (3) All in sustaining cost (AISC) is a non IFRS measure and is made up of the Cash Cost plus royalty expense, corporate expenditure and sustaining capital. AISC for the December 2019 period was for MMGO only and excluded corporate costs

Revenue generated from the MMGO was 5.7% or \$8.1M lower reflecting lower gold production for the period compared to the December 2019 half year, offset by a higher average gold price received.

EBITDA has improved as a result of lower AISC's and higher average gold price received.

Profit from ordinary activities after tax was 117.4% or \$92.1M higher reflecting the improved gold price and reduced costs achieved during the December 2020 half year. Costs during the December 2019 period were elevated due to higher cost underground operations. The underground operations were suspended early in the December 2020 half while drilling and technical studies are conducted to optimise resources and mine plans to establish the feasibility and timing of recommencing underground mining at the Greater Westralia Mining Area.

The net profit position achieved for the December 2020 half reflects improved overall performance. The December 2019 half year loss was driven by a significant impairment charge.

Gold produced for the half year was 59,961oz and in line with the financial year 2021 guidance although the result is 15,276oz less than the December 2019 year reflecting the revised outlook.

AISC was 13.2% lower than the comparable six-month period reflecting the lower cost open pit mining operations.

FINANCIAL POSITION	Units	Dec 2020	Jun 2020	Change	
Cash and gold on hand ¹	\$'000	37,854	57,300	(19,446)	down 33.9%
Debt (excluding leases)	\$'000	(23,375)	(64,100)	40,725	down 63.5%
Net cash/(debt) ²	\$'000	14,479	(6,800)	21,279	up 312.9%

(1) Cash and Gold on hand is not an IFRS measure, it adds IFRS cash with the amount of gold ounces produced and on hand at the end of the period multiplied by the gold price at the date. Gold on hand at 31 December 2020 was 3,935 ounces (June 2020: 2,980 ounces)

(2) Net cash/(debt) is not an IFRS measure. It represents cash plus gold on hand less debt (excluding leases)

The 30 June 2020 \$6.8M net debt position improved to a \$14.5M net cash and gold on hand position at 31 December 2020.

DIVIDEND INFORMATION

No dividends have been paid or declared since the start of the financial year and it is not proposed to pay dividends in respect of the half year.

NET TANGIBLE ASSETS PER ORDINARY SHARE	Units	Dec 2020	Jun 2020	Change	
		\$	\$	\$	
Net tangible asset backing per ordinary share	\$	0.317	0.292	0.025	up 8.4%

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

There have been no acquisitions of entities or losses of control of entities during the period.

On 15 November 2020 the Company executed a Scheme Implementation Deed with ASX listed NTM Gold Limited (NTM). The Scheme is subject to various conditions including NTM shareholder approval. NTM Directors have recommended the Scheme to NTM shareholders and have called a General Meeting to be held 3 March 2021 to consider the Scheme. Subject to remaining conditions the Scheme is scheduled to complete in March 2021.

FURTHER INFORMATION

Further information is available in the attached 31 December 2020 half year report which contains an Operating and Financial review. The financial statements in the 31 December 2020 half year report have been reviewed by BDO Audit (WA) Pty Ltd and they are not subject to dispute or qualification and do not include any statement of emphasis.

- Ends -

This ASX announcement was approved and authorised for release by the Board of Dacian Gold Limited.

For further information please contact:

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DACIAN GOLD LIMITED

ABN 61 154 262 978

Interim Financial Report
for the
Half-Year Ended 31 December 2020

DACIAN GOLD LIMITED

ABN 61 154 262 978

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****CORPORATE DIRECTORY**

This half-year report covers Dacian Gold Limited (Dacian or the Company) and its subsidiaries (the Group).

The Group's functional and presentation currency is Australian dollars (\$).

The Company was incorporated and registered under the Corporations Act 2001 in Western Australia on 23 November 2011, and is domiciled in Australia.

Directors

Ian Cochrane	Non-Executive Chairman
Leigh Junk	Managing Director
Robert Reynolds	Non-Executive Director

Company Secretary

Kevin Hart

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Share RegistryComputershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace**Securities Exchange**Listed on the Australian Securities Exchange
ASX Code: DCN**CONTENTS**

DIRECTORS' REPORT.....	3
AUDITOR'S INDEPENDENCE DECLARATION	7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE FINANCIAL STATEMENTS.....	12
DIRECTORS' DECLARATION.....	19
INDEPENDENT AUDITOR'S REVIEW REPORT.....	20

DIRECTORS' REPORT

The Directors present the financial report of Dacian Gold Limited and its controlled subsidiaries for the half-year ended 31 December 2020.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Leigh Junk (Managing Director & CEO)

Ian Cochrane (Chairman)

Robert Reynolds (Non-Executive Director)

Barry Patterson (Non-Executive Director) – retired 30 November 2020

Company Secretary

Kevin Hart

Nature of Operations and Principal Activities

Dacian Gold Limited is an ASX listed Australian mid-tier gold producer. The Company operates the Mt Morgans Gold Operation near Laverton, Western Australia. The operation comprises a ~3Mtpa CIL treatment plant, the Jupiter and Mt Marven open pit mines and the Greater Westralia area underground and open pit opportunities.

The principal activities of the Group during the period were gold mining, processing and exploration at its 100% owned Mt Morgans Gold Operation.

Operating and Financial Review

Consolidated net profit after tax for the half-year was \$13.6 million (2019: Net loss \$78.5 million including an impairment of \$68.5M).

A summary of the operating result for the Group is set out below:

Key Financial Result	HY Dec. 2020 \$'000	HY Dec. 2019 \$'000	Change \$'000	Change %
Sales revenue	133,970	142,105	(8,135)	(5.7)
Cost of sales (excluding D&A) ⁽ⁱ⁾	(70,166)	(95,073)	24,907	26.2
Exploration and growth	(10,043)	(4,196)	(5,847)	(139.3)
Corporate, admin and other costs	(4,593)	(8,492)	3,899	45.9
EBITDA ⁽ⁱ⁾	49,168	34,344	14,824	43.2
Impairment losses on assets	-	(68,537)	68,537	100.0
Depreciation and amortisation (D&A)	(29,092)	(23,652)	(5,441)	(23.0)
Net interest expense	(1,255)	(2,567)	1,354	52.8
Profit/(Loss) before tax	18,821	(60,412)	79,233	131.2
Income tax expense	(5,193)	(18,108)	12,915	71.3
Reported profit / (loss) after tax	13,628	(78,520)	92,148	117.4
Cashflow from operating activities	30,946	35,411	(4,465)	(12.6)
Cashflow used in investing activities	(13,161)	(39,097)	25,936	66.3
Cashflow used in financing activities	(41,562)	(10,800)	(30,762)	(284.8)

(i) EBITDA is a measure of earnings before interest, losses on derivative financial instruments, taxes, depreciation and amortisation. Cost of sales (excluding D&A) and EBITDA are non-IFRS financial information and are not subject to audit. These measures are included to assist investors to better understand the performance of the business.

DIRECTORS' REPORT

Operating and Financial Review (continued)

Mt Morgans Gold Operation (MMGO)

During the half year ended 31 December 2020 the Mt Morgan Gold Operation produced 59,961 ounces of gold at an All in Sustaining Cost (AISC) of \$1,356 per ounce (31 December 2019: 75,237 ounces at an MMGO AISC of \$1,562 per ounce).

Gold sales revenue of \$133.7 million (2019: \$141.8 million) was generated from the sale of 59,186 ounces at an average gold price of \$2,259 (2019: 73,147 ounces sold at average gold price of \$1,938). Total cost of goods sold inclusive of amortisation and depreciation was \$99.0 million (2019: \$118.5 million).

The dominant source of ore feed to the processing plant during the half year was sourced from the Heffernans pit at Jupiter. Mining also commenced at Mt Marven providing additional ore. Both these pits are forecast to continue to underpin production before the operation transitions to the DoubleJay pit at Jupiter. Pre-commercial development at DoubleJay pit was progressed in preparation for commercial production in FY2022.

Underground production at Westralia was suspended in the first quarter and contributed 60,317 tonnes at 4.5 g/t for 8,782 contained ounces of gold. The underground operations were suspended, while drilling and technical studies were advanced to optimise resources and mine plans to establish the feasibility and timing of recommencing underground mining at the Greater Westralia Mining Area.

The following table summarises the production results for the half-year ended 31 December 2020.

	UOM	HY Dec-20	HY Jun-20	HY Dec-19
<i>Underground</i>				
Stope Ore Mined	kt	60	239	260
Development Ore Mined	kt	-	101	157
Mined Ore Grade	g/t	4.5	3.0	2.7
Contained Gold	oz	8,782	32,232	36,526
<i>Open Pit Operations</i>				
Ore Mined	kt	1,451	1,336	724
Mined Ore Grade	g/t	1.3	1.0	1.3
Contained Gold	oz	61,899	41,329	30,608
Waste Mined	kbcn	4,692	2,979	3,729
<i>Processing</i>				
Ore Milled	kt	1,427	1,423	1,541
Head Grade	g/t	1.4	1.5	1.6
Recovery	%	92.3	93.3	92.1
Gold produced	oz	59,961	63,578	75,236
Gold Sold	oz	59,186	67,799	73,147

Exploration & Growth

During the period, the Groups exploration program was focussed on reserve and resource replenishment and growth opportunities. Three priorities were established as follows:

- Reserve and resource replenishment focussed on potential targets around existing open pits with a focus on advancing near term production targets;
- Greater Westralia mining area exploration and technical studies to provide potential additional ore source from both existing underground and open pit methods; and
- Greenfield exploration programs to identify potential longer term, base load opportunities to extend mine life.

In addition, the completion of the NTM merger will expand the pipeline of development projects for potential inclusion into the MMGO mine plan as technical work streams are advanced.

DIRECTORS' REPORT

Operating and Financial Review (continued)

During the half year the Group has been active across its large tenement package with multiple exploration and resource definition work streams advancing. Activities were focused in the following areas:

- Drilling programs at the Mt Marven, Phoenix Ridge, McKenzie Well, Mt McKenzie and Cameron Well deposits
- Resource definition drilling at Ganymede was completed to improve the confidence in the Mineral Resource.
- Framework and initial priority target RC and diamond drilling at Cameron Well was completed, with further evaluation of the Cameron Well targets ongoing.
- An infill drilling program at the Mt Marven southern extension was initiated to improve geological confidence along strike and down-dip to an initial depth of 120m.
- Results for the first phase diamond drilling at Mt McKenzie was completed.
- Mineral Resource update work stream advanced for Beresford, Allanson, Morgans North and Phoenix Ridge within the Greater Westralia mining area.
- Assessment of the Company's geophysical datasets has been completed, with additional data procurement underway to inform the regional targeting program planned for the March quarter.
- Initiated a review of the Company's geochemical data, with orientation surveys being conducted over specific sites using a new surficial soil sampling technique.

The Group completed the following drilling across its key exploration targets:

- Mt Marven: 60 Reverse Circulation (RC) holes for 6,248m
- Phoenix Ridge: 11 RC holes for 1,440m
- McKenzie Well: 39 RC holes for 2,984m
- Mt McKenzie: 12 Diamond Drill (DD) holes for 3,884m
- Cameron Well: 53 RC holes for 7,516m and 12 DD holes for 3,905m
- Ganymede: 110 RC holes for 8,812m.

Corporate

On 16 November 2020, Dacian and NTM Gold Limited (NTM) announced an all-scrip merger via an NTM Scheme of Arrangement under which Dacian will acquire 100% of the shares in NTM. The merger is anticipated to close by mid-March 2021. NTM owns the Redcliffe Gold Project located in close proximity to the Mt Morgans Gold Operation. The merger is in line with Dacian's corporate objective of pursuing sensible regional consolidation opportunities to bolster its production and mine life outlook.

The Redcliffe Gold Project expands the Group's compelling pipeline of exploration and development projects offering the potential to extend mine life and diversify and bolster future production. The merger remains subject to certain conditions including NTM shareholder approval. The Group is advancing an exploration and development study schedule in conjunction with cashflow forecasting to align the Groups growing financial strength against its near-term debt extinguishment focus and production expansion targets.

Total cash and gold-on-hand at 31 December 2020 was \$37.9 million (30 June 2020: \$57.3 million). The Company repaid \$40.7 million in project debt during the half year reducing total project debt to \$23.4 million. This represents a \$21.3 million improvement in the net cash and gold position to \$14.5 million (30 June 2020: net debt of \$6.8 million).

During the half-year, the Company re-sculpted its outstanding hedge commitments, resulting in 27,324 ounces previously due for delivery during FY2021 now moved to the September and December quarters of FY2022. No new hedging was committed during the half year. At 31 December 2020, committed hedging totalled 55,488 ounces at a weighted average delivery price of \$2,140 per ounce on hedge contracts for delivery over the period to 31 December 2021 (30 June 2020: 84,589 ounces at a weighted average delivery price of \$2,055 per ounce over the period to 30 June 2021).

DIRECTORS' REPORT

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the half-year, not otherwise disclosed in this report.

Events Subsequent to the Reporting Date

There has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Rounding off

The Company is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on the following page.

This report is made in accordance with a resolution of the Directors.

DATED at Perth this 25th day of February 2021



Leigh Junk
Managing Director & CEO

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF DACIAN GOLD LIMITED

As lead auditor for the review of Dacian Gold Limited for the half-year ended 31 December 2020, 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 Dacian Gold Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	Consolidated	
		31 December 2020 \$'000	31 December 2019 \$'000
Revenue	2	133,970	142,105
Cost of goods sold	3	(99,040)	(118,510)
Gross Profit		34,930	23,595
Corporate employee expenses	3	(1,812)	(1,837)
Share-based employee expense	11	(607)	(361)
Finance costs	3	(1,932)	(4,249)
Finance income		119	171
Exploration and growth		(10,043)	(4,196)
Other expenses	3	(1,834)	(4,998)
Impairment loss on assets	8	-	(68,537)
Profit / (Loss) before income tax		18,821	(60,412)
Income tax (expense) / benefit	4	(5,193)	(18,108)
Net profit / (loss) for the period attributable to the members of the parent entity		13,628	(78,520)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit / (loss) for the period attributable to the members of the parent entity		13,628	(78,520)
Profit/(Loss) per share			
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (cents per share)		2.4	(34.7)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Consolidated	
	Note	31 December 2020 \$'000	30 June 2020 \$'000
Current assets			
Cash and cash equivalents		28,199	51,976
Receivables		4,085	3,179
Inventories	5	26,435	20,382
Derivative financial instruments		-	45
Total current assets		58,719	75,582
Non-current assets			
Property, plant and equipment	6	99,157	107,205
Exploration and evaluation assets		4,072	4,072
Mine properties	7	86,402	84,486
Deferred tax assets	4	7,778	13,374
Total non-current assets		197,409	209,137
Total assets		256,128	284,719
Current liabilities			
Trade and other payables		19,820	21,016
Provisions		1,292	1,420
Borrowings	9	26,984	34,585
Other financial liabilities		-	261
Total current liabilities		48,096	57,282
Non-current liabilities			
Provisions		21,502	21,195
Borrowings	9	10,115	43,600
Total non-current liabilities		31,617	64,795
Total liabilities		79,713	122,077
Net assets		176,415	162,642
Equity			
Issued capital	10	338,909	338,904
Share-based payments reserve		1,785	2,250
Accumulated losses		(164,279)	(178,512)
Total equity		176,415	162,642

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Consolidated			
	Issued capital	Share reserve	Accumulated losses	Attributable to owners of the parent
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	244,513	3,007	(62,645)	184,875
Reported profit / (loss) for the period	-	-	(78,520)	(78,520)
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	-	-	(78,520)	(78,520)
Deferred tax on share issue costs	(251)	-	-	(251)
Options exercised (non-cash)	265	(265)	-	-
Performance rights exercised	796	(796)	-	-
Performance rights forfeited	-	(535)	535	-
Share-based payments expense	-	361	-	361
Balance at 31 December 2019	245,323	1,772	(140,630)	106,465
Balance at 1 July 2020	338,904	2,250	(178,512)	162,642
Reported profit / (loss) for the period	-	-	13,628	13,628
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	-	-	13,628	13,628
Deferred tax on share issue costs	(402)	-	-	(402)
Share issue costs	(60)	-	-	(60)
Performance rights exercised	153	(153)	-	-
Performance rights forfeited	-	(605)	605	-
Share-based payments expense	314	293	-	607
Balance at 31 December 2020	338,909	1,785	(164,279)	176,415

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Consolidated	
	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities		
Gold sales	133,713	141,782
Interest received	119	194
Other income	257	323
Interest paid	(1,149)	(3,026)
Payments for exploration and growth	(10,170)	(3,987)
Payments to suppliers and employees	(91,824)	(99,875)
Net cash from operating activities	30,946	35,411
Cash flows from investing activities		
Payments for mine properties expenditure	(11,216)	(30,303)
Payments for plant and equipment	(1,945)	(1,789)
Proceeds from disposal of assets	-	45
Transfer from/(to) cash reserved for debt service	-	(7,050)
Net cash from investing activities	(13,161)	(39,097)
Cash flows from financing activities		
Repayment of borrowings	(40,725)	(10,800)
Transaction costs associated with borrowings	(485)	-
Premiums paid on put options	(265)	-
Transaction costs on issue of capital	(87)	-
Net cash from financing activities	(41,562)	(10,800)
Net decrease in cash and cash equivalents	(23,777)	(14,486)
Cash and cash equivalents at the beginning of the period	51,976	35,515
Cash and cash equivalents at the end of the period	28,199	21,029

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

(a) Basis of Preparation and Accounting Policies

The interim consolidated financial statements of Dacian Gold Limited and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2020 have been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half year 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 2020 and any public announcements made by Dacian Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as noted below.

The interim consolidated financial statements were approved by the Board of Directors on the 25th of February 2021.

(b) New and amended standards adopted by the Group

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s annual financial report for the financial year ended 30 June 2020.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current period.

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

(c) Use of judgements and estimates

In preparing these interim financial statements, the Company’s management have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 1 Segment Information

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

Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The Group's sole activity is mineral production, exploration and development at the Mt Morgans Gold Operation ("MMGO") wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral production, exploration and development.

The reportable segment is represented by the primary statements forming these financial statements.

Note 2 Revenue

	31 December 2020 \$'000	31 December 2019 \$'000
<i>Revenue from contracts with customers</i>		
Gold Sales	133,713	141,782
Silver Sales	257	323
	133,970	142,105

Gold forward contracts delivery commitments

The Group enters into gold forward sale contracts and put options to manage the gold price of a proportion of gold sales.

The forward sale contracts are settled by the physical delivery of gold as per the contract terms. The gold forward sale contracts are accounted for as gold sales contracts with revenue recognised once the gold has been delivered to the counterparties. Consistent with the gold sales revenue recognition policy, the physical gold delivery contracts are considered to sell a non-financial item and therefore do not fall within the scope of AASB 9: *Financial Instruments*.

Gold forward contracts outstanding at balance date are summarised in the table below.

	Gold for physical delivery oz	Weighted Average contract sale price \$/oz	Value of committed sales \$'000
Due within 1 year	55,488	2,140	118,744
	55,488	2,140	118,744

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 3 Expenses

	31 December 2020 \$'000	31 December 2019 \$'000
a) <i>Cost of goods sold</i>		
Costs of production	66,433	90,956
Royalties	3,733	4,117
Depreciation of mine plant and equipment	10,299	8,900
Amortisation of mine properties	18,575	14,537
	99,040	118,510
b) <i>Finance costs</i>		
Unwind of rehabilitation and restoration provision	42	127
Transaction costs	516	1,555
Interest expense on borrowings	1,374	2,567
	1,932	4,249
c) <i>Corporate employee expenses</i>		
Salaries and wages	1,119	1,314
Director fees and consulting expenses	423	358
Defined contribution superannuation	141	131
Other employment expenses	129	34
	1,812	1,837
d) <i>Other expenses</i>		
Unrealised income / (loss) on derivative instruments	(211)	2,672
Administration & corporate	1,827	2,111
Non-production depreciation	218	215
	1,834	4,998

Note 4 Income Tax

Income tax expense for the period is \$5.2 million (31 December 2019: \$18.1 million).

The value of tax losses (gross basis not tax effected) available to the Group at 31 December 2020 for income tax purposes is \$196.0 million, which comprises (for accounting) recognised tax losses totalling \$49.2 million and unrecognised tax losses totalling \$146.8 million (30 June 2020: \$221.9 million). Utilisation will be subject to relevant tax legislation associated with recoupment including the same business test and continuity of ownership test. The Group has a reasonable expectation that these losses can be carried forward to future years for income tax purposes.

Note 5 Inventories

	31 December 2020 \$'000	30 June 2020 \$'000
ROM inventory	9,542	3,780 ⁽ⁱ⁾
Crushed ore	1,298	1,824 ⁽ⁱ⁾
Gold in circuit	5,194	5,773 ⁽ⁱ⁾
Gold dore	6,660	5,295 ⁽ⁱ⁾
Mine spares and stores – cost	3,741	3,710
	26,435	20,382

⁽ⁱ⁾ At 30 June 2020 certain inventories were carried at net realisable value rather than cost, reflecting out of the money forward gold hedge commitments at that time

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 6 Property, Plant and Equipment

	31 December 2020 \$'000	30 June 2020 \$'000
Cost	151,160	148,692
Accumulated depreciation	(52,003)	(41,487)
Net Book Value	99,157	107,205
Movements:		
Opening net book value	107,205	130,858
Additions	2,509	2,553
Additions – Right-of-use asset ⁽ⁱ⁾	-	471
Disposals	(40)	(17)
Impairment	-	(6,986)
Depreciation expense	(10,517)	(19,674)
Closing net book value	99,157	107,205

⁽ⁱ⁾ Right-of-use asset for the Group's head office rental agreement on initial implementation of AASB 16: *Leases*.

Note 7 Mine Properties

	31 December 2020 \$'000	30 June 2020 \$'000
Opening balance	84,486	142,763
Additions	20,195	35,921
Impairment	-	(61,551)
Change in rehabilitation provision	296	2,325
Amortisation expense	(18,575)	(34,972)
	86,402	84,486

Note 8 Impairment

The Group assesses at each reporting 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 Group makes an estimate of the asset's recoverable amount. At 31 December 2020 no impairment or impairment reversal trigger was identified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 9 Borrowings and Finance Costs

	31 December 2020 \$'000	30 June 2020 \$'000
Current:		
Insurance premium funding liability	1,201	373
Lease Liabilities	2,408	2,412
Bank Loans	23,375	31,800
	26,984	34,585
Non-Current:		
Lease Liabilities	10,115	11,300
Bank Loans	-	32,300
	10,115	43,600

Project Debt Facility

At 31 December 2020 the MMGO Project Debt Facility held with a syndicate of financiers, comprising Westpac Banking Corporation, Australia and New Zealand Banking Group Limited and BNP Paribas, had an outstanding balance of \$23.4 million (30 June 2020: \$64.1 million).

During the half year debt repayments were made totalling \$40.7 million. Repayments under the project debt facility are classified as current or non-current in the financial statements with reference to the fixed repayment schedule. Fixed repayments are scheduled on a quarterly interval and are determined based on the cash flow forecast from the approved bank financial model with the repayment amount set to achieve financial ratio compliance in each quarter. Fixed repayments are scheduled over the period to 31 December 2021. The information in the following table has been prepared on this basis and reflects the agreed fixed repayment schedule as at 31 December 2020.

Note 10 Issued Capital

	31 December 2020 No.	30 June 2020 No.	31 December 2020 \$'000	30 June 2020 \$'000
Issued share capital	556,508,554	556,264,777	339,311	338,904
<i>Share movements during the year</i>				
Balance at the start of the period	556,264,777	225,713,403	338,904	244,513
Share issue	191,856	328,029,358	314	98,626
Exercise of options (cash)	-	-	-	-
Exercise of options (non-cash)	-	2,227,482	-	761
Exercise of performance rights	51,921	294,534	153	796
Less share issue costs	-	-	(60)	(7,011)
Deferred tax on share issue costs	-	-	(402)	1,179
Share-based payments for the year	-	-	-	40
Balance at the end of the period	556,508,554	556,264,777	338,909	338,904

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 11 Share-Based Payments

The Group provides benefits to employees (including Executive Directors) of the Group through share-based incentives.

Options over Unissued Shares

During the half-year ended 31 December 2020 no options over unissued shares were granted pursuant to the Group's Employee Share Option Plan (31 December 2019: \$Nil). There was \$nil share-based payments expense for the period (31 December 2019: \$0.02 million).

a) Reconciliation of movement of options over unissued shares during the period including weighted average exercise price (WAEP)

	31 December 2020		31 December 2019	
	No.	WAEP	No.	WAEP
Options outstanding at the start of the period	1,250,000	\$1.81	5,250,000	\$1.10
Options granted/ (expired) during the period	(400,000)	\$0.60	-	-
Options exercised during the period	-	-	(2,500,000)	\$0.43
Options outstanding at the end of the period	850,000	\$2.37	2,750,000	\$1.70

b) Subsequent to the reporting date

Subsequent to the period end, 50,000 options with an exercise price of \$0.61 are due to expire 31 January 2021 if not exercised and a further 300,000 options with an exercise price of \$1.44 each are due to expire if not exercised.

No options have been granted subsequent to the reporting date and to the date of signing this report.

c) Weighted average contractual life

The weighted average contractual life for vested and un-exercised options at 31 December 2020 is 4 months (31 December 2019: 13 months).

Performance Rights

During the half-year ended 31 December 2020, 5,325,482 performance rights (31 December 2019: \$1,601,019) were granted to employees, pursuant to the terms of the Dacian Gold Limited Employee Share Option Plan. The share-based payments expense for the period includes \$0.6 million (31 December 2019: \$0.3 million) relating to the fair value of performance rights apportioned over the respective vesting period.

a) Reconciliation of movement of performance rights during the period including weighted average fair value.

	31 December 2020		31 December 2019	
	No.	WAFV	No.	WAFV
Rights outstanding at the start of the period	9,548,346	\$0.51	299,893	\$2.24
Rights granted during the period	5,325,482	\$0.25	1,601,019	\$1.04
Rights vested during the period	(51,921)	\$2.94	(129,534)	\$1.95
Rights forfeited during the period	(1,163,091)	\$1.04	(100,658)	\$2.13
Rights outstanding at the end of the period	13,658,816	\$0.36	1,670,720	\$1.12

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 11 Share-Based Payments (continued) – Performance Rights

b) Fair value of performance rights granted

The fair value of the 5,325,482 performance rights granted were determined using Monte Carlo simulation, a review of historical share price volatility and correlation of the share price of the Company to its Peer Group. Further details of the basis of valuation of currently outstanding performance right appear below.

Tranche	Date of grant	Measurement date	Number of rights	Date of vesting	Share price on grant date	Fair value at grant date	Expected share price volatility	Expected dividend yield	Expected risk free rate
1	30 October 2020	30 June 2022	2,457,612	30 June 2022	\$0.355	\$0.24	60%	0%	0.11%
2	30 October 2020	30 June 2023	2,867,870	30 June 2023	\$0.355	\$0.26	60%	0%	0.13%
Total			5,325,482						

c) Vesting conditions of performance rights issued during the period

Vesting conditions of the performance rights issued in the half-year period are detailed below:

Tranche	Measurement Date	Date of vesting	Number of rights	Metric	Achieved LTI
1	30 June 2022	30 June 2022	2,457,612	67% - TSR performance to peers above 50th percentile (measured over the 2 year period 1 July 2020 to 30 June 2022) 33% - Reserve Growth (measured over the 2 year period 1 July 2020 to 30 June 2022)	-
2	30 June 2023	30 June 2023	2,867,870	67% - TSR performance to peers above 50th percentile (measured over the 3 year period 1 July 2020 to 30 June 2023) 33% - Reserve Growth (measured over the 3 year period 1 July 2020 to 30 June 2023)	-
Total			5,325,482		

On vesting, each right automatically converts to one ordinary share. If the employee ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the board.

Note 12 Commitments & Contingencies

There have been no significant changes to commitments and contingencies disclosed in the most recent financial report.

Note 13 Events Subsequent to the Reporting Date

There has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Dacian Gold Limited (the 'Company'):

- a. The interim financial statements and notes of the Group are 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 2020 and of its performance for the half-year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

DATED at Perth this 25th day of February 2021



Leigh Junk

Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dacian Gold Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Dacian Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 ended on that date, a summary of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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 the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.



Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a faint, stylized 'BDO' logo.

Glyn O'Brien

Director

Perth, 25 February 2021