

22 July 2020

Jessica Coupe
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ASX Limited
Level 40, Central Park
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Sent by email: ListingsCompliancePerth@asx.com.au

Dear Jessica

Response to ASX aware query letter

We refer to your letter dated 17 July 2020 to Dacian Gold Limited (Dacian or the Company).

Unless specifically defined otherwise below, capitalised terms used in this letter have the same meaning as given in your letter.

The Company's response to each of your queries is as follows:

1. Does Dacian consider:

1.1 the Westralia Information;

1.2 the Jupiter Information;

1.3 the FY 2021 Information; or

1.4 the AISC Information,

to be information that a reasonable person would expect to have a material effect on the price or value of its securities? Please address each separately.

(a) Dacian does not consider:

(i) the Westralia Information;

(ii) the Jupiter Information; or

(iii) the FY 2021 Information

to, of themselves, be information that a reasonable person would expect to have a material effect on the price or value of its securities.

(b) Dacian considers the AISC Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

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2. If the answer to any of the questions 1.1 to 1.4 is "no", please advise the basis for that view (addressing each separately, where relevant)

- (a) With respect to the Westralia Information, Dacian notes the following:
- (i) Dacian announced on 27 February 2020 that Westralia underground would undergo optimisation studies for the remainder of CY 2020 to determine an operating strategy that maximises sustainable positive cash flows from the updated Ore Reserve, with capital development to cease and stope ore production continuing until the end of CY 2020. It was stated in that announcement that the review was ongoing. The market was therefore aware that there may be further updates.
 - (ii) Dacian has continued to closely monitor the performance of Westralia in terms of the production rates and grades. Since the announcement on 27 February 2020, it became apparent that:
 - (A) the mining rates were quicker than scheduled in the mine plan, which resulted in progress being ahead of schedule; and
 - (B) the updated geology models for mining on remaining levels following completion of ore drive development saw a reduction in contained ounces available.
 - (iii) As a result of the matters described in paragraph 2(a)(ii) above, only approximately 6,251 ounces previously included in the mine plan have been excluded, which comprised approximately 5.0% of the previously forecast FY 2021 guidance (based on the midpoint of the guidance). This is not considered to be material.
 - (iv) Further, it would have been premature and potentially misleading to disclose the Westralia Information before Dacian was in a position to assess the earlier than scheduled cessation of mining at Westralia in the context of Dacian's other activities and the impact on the Company's financial position. Until the mine plans and budgets are considered as a whole and the impact on the Company's financial position is assessed, the materiality of the Westralia Information could not have been estimated with any reasonable degree of certainty.
- (b) With respect to the Jupiter Information, Dacian notes the following:
- (i) Dacian routinely reviews and updates its geological models as drilling and operational information is incorporated in its forward planning.
 - (ii) During the FY 2021 budget process, it was identified that primarily as a result of:
 - (A) the decision to cease mining activities at Westralia earlier than previously anticipated; and
 - (B) localised geological variance experienced in the mining of the narrower lodes at Heffernans during the June quarter of FY 2020,there could be a potential impact on previously advised forecast production guidance for FY 2021. As is customary practice, Dacian reviewed its mine



plans and scheduling to mitigate the potential impact. This led to a rescheduling of the Jupiter open pit.

- (iii) The interrelationship between geological models and production forecasts and the ongoing adjustment of mine plans and schedules to address production variances is part of the normal course of business for mining operations.
- (iv) Further, it would have been premature and potentially misleading to disclose the Jupiter Information before Dacian was in a position to assess the revised mine plan in the context of Dacian's other activities and the impact on the Company's financial position. Until the mine plans and budgets are considered as a whole and the impact on the Company's financial position is assessed, the materiality of the Jupiter Information could not have been estimated with any reasonable degree of certainty.

(c) With respect to the FY 2021 Production Information, Dacian notes the following:

- (i) The forecast FY 2021 - 2023 average annual production remains at 110,000 oz. The forecast average annual production remains unchanged since first disclosed on 27 February 2020.

- (ii) During the FY 2021 budget process, it was identified that primarily as a result of:

- (A) the decision to cease mining activities at Westralia earlier than previously anticipated; and

- (B) localised geological variance experienced in the mining of the narrower lodes at Heffernans during the June quarter of FY 2020,

there could be a potential impact on the previously advised forecast production for FY 2021. As is customary practice, Dacian reviewed its mine plans and scheduling to mitigate the potential impact. This re-optimisation led to a rescheduling of the Jupiter open pit, as well as expanding the Mt Marven open pit and including a new pit, Morgans North, in the final FY 2021 production outlook.

- (iii) The outcome of the re-optimisation including the addition of new production sources resulted in the FY 2021 production guidance being revised to 110,000 - 120,000 oz, from the previous guidance of 120,000 - 130,000 oz.

- (iv) The revised FY 2021 production guidance is:

- (A) at the lower end of the range, 8.33% lower than previously forecast; and

- (B) at the higher end of the range, 7.69% lower than previously forecast.

- (v) This variance is not considered material in the context that:

- (A) the forecast FY 2021 - 2023 average annual production remains unchanged;

- (B) mineral production has relatively variable earnings and Dacian considers a materiality threshold of 10% to be appropriate.



3. Each element of question 3 is addressed separately below.

3.1 When did Dacian first become aware of the Westralia Information?

- (a) The anticipated date of cessation of mining activities at Westralia was brought back on a gradual basis over a period of time, as it became apparent that the mining rates were quicker than scheduled in the mine plan.
- (b) It was ultimately determined to cease mining activities at Westralia on 31 August 2020 on 19 May 2020.
- (c) As noted above, Dacian does not consider the earlier than originally scheduled cessation of mining activities at Westralia to be material in and of itself. The cessation of mining activities needs to be considered in the context of the overall impact on forecast production and the Company's financial position. This was not possible until the AISC Information was finalised.

3.2 When did Dacian first become aware of the Jupiter Information?

- (a) Dacian commenced a review of the mine plan for the Jupiter open pit in early June 2020 as part of the normal ongoing mine planning and budgeting process. The review included re-optimising the mine plan in order to mitigate the anticipated impact on forecast production for FY 2021 primarily as a result of:
 - (i) the decision to cease mining activities at Westralia earlier than previously anticipated; and
 - (ii) localised geological variance experienced in the mining of the narrower lodes at Heffernans during the June quarter of FY 2020.

It is usual practice for Dacian to review its models and mine plans as part of the ongoing operational and planning activities conducted each month.

- (b) The outcome of the review was the recommendation of a re-optimised mine plan at the Jupiter open pit, an expansion at Mt Marven to encompass a larger open pit and an additional open pit, Morgans North to also be mined during FY 2021.
- (c) The re-optimised mine plan at the Jupiter open pit formed part of the broader operational update finalised by the operations team and provided to the Board for its review on 23 June 2020.
- (d) The Board considered and approved the revised mine plan at a Board meeting held on 26 June 2020.
- (e) As noted above, Dacian does not consider the rescheduling of the Jupiter open pit to be material in and of itself. The rescheduling of the Jupiter open pit needs to be considered in the context of the overall impact on forecast production and the Company's financial position. This was not possible until the AISC Information was finalised.



3.3 When did Dacian first become aware of the FY 2021 Production Information?

- (a) As disclosed above, Dacian during the FY 2021 budget process identified that primarily as a result of:
 - (i) the decision to cease mining activities at Westralia earlier than previously anticipated; and
 - (ii) localised geological variance experienced in the mining of the narrower lodes at Heffernans during the June quarter of FY 2020,

there could be potential impact on previously advised forecast production for FY 2021. As is customary practice, Dacian reviewed its mine plans and scheduling to mitigate the potential impact. This led to a rescheduling of the Jupiter open pit, as well as expanding the Mt Marven open pit and including a new pit, Morgans North, in order to remedy the FY 2021 production outlook.

- (b) The impact on forecast FY 2021 production as a result of the Westralia Information, the Jupiter Information, the expansion of the Mt Marven open pit and the inclusion of Morgans North, was finalised by the operations team and provided to the Board for its review on 23 June 2020.
- (c) The Board considered and approved the FY 2021 Production Information at a Board meeting held on 26 June 2020. The variance to the previously disclosed production guidance was not considered material.

3.4 When did Dacian first become aware of the AISC Information?

- (a) The re-optimised mine plan for the Jupiter pit, expansion at Mt Marven and addition of Morgans North to be mined during FY 2021 was approved by the Board on 26 June 2020. The updated AISC and development capital was subject to review and finalisation and was not known with any reasonable degree of certainty at that time.
- (b) Dacian immediately took steps to finalise the updated AISC and development capital. In order to do this, it was necessary to determine the allocation of capital between development and sustaining costs and, in particular, to reconcile this allocation with amounts previously disclosed to the market.
- (c) Appropriate due diligence needed to be applied to the preparation of the updated AISC guidance, and Dacian undertook a thorough review and update of its financial model. This included a detailed line-by-line analysis of all inputs into the Company's FY 2021-2023 budget and financial models to confirm the AISC and development capital numbers. The underlying figures and assumptions required careful vetting by management.
- (d) The announcement released on Monday, 13 July 2020 disclosing the AISC Information had been prepared contemporaneously with the updating of the financial model and AISC guidance.
- (e) The draft announcement was circulated to the Board for review, comment and approval at 9.12am (Perth time) on Friday, 10 July 2020.
- (f) Comments on the announcement were provided over the course of Friday, 10 July 2020 and the weekend. The final version was circulated by email to the Board at 8.35pm (Perth time) on Sunday, 12 July 2020.



- (g) The announcement was lodged on the ASX market announcements platform for release prior to the commencement of trading on Monday, 13 July 2020.

4. If Dacian first became aware of any of the information in question 1.1 to 1.4 before 13 July 2020 (the 'Relevant Date'), did Dacian make any announcement prior to the Relevant Date which disclosed that information or any part thereof? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe Dacian was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps Dacian took to ensure that the information was released promptly and without delay.

- (a) Dacian became aware of the Westralia Information on 19 May 2020. It was not disclosed until the Relevant Date as:
 - (i) Dacian did not consider the Westralia Information to be information that a reasonable person would expect to have a material effect on the price or value of Dacian's shares; and
 - (ii) in any event, the exceptions in Listing Rule 3.1A would have applied as:
 - (A) the Westralia Information was confidential;
 - (B) the overall effect of the Westralia Information on Dacian's production and financial position remained insufficiently definite to warrant disclosure as the review of the AISC and development capital was ongoing;
 - (C) the Westralia Information formed part of the internal management purposes of Dacian in that it formed part of the usual ongoing review of its models and mine plans; and
 - (D) a reasonable person would not expect the Westralia Information to be disclosed.
- (b) Dacian became aware of the Jupiter Information on 26 June 2020. It was not disclosed until the Relevant Date as:
 - (i) Dacian did not consider the Jupiter Information to be information that a reasonable person would expect to have a material effect on the price or value of Dacian's shares; and
 - (ii) in any event, the exceptions in Listing Rule 3.1A would have applied as:
 - (A) the Jupiter Information was confidential;
 - (B) the overall effect of the Jupiter Information on Dacian's production and financial position remained insufficiently definite to warrant disclosure as the review of the AISC/capital cost was ongoing;
 - (C) the Jupiter Information formed part of the internal management purposes of Dacian in that it formed part of the usual ongoing review of its models and mine plans; and
 - (D) a reasonable person would not expect the Jupiter Information to be disclosed.



- (c) Dacian became aware of the AISC Information on Sunday, 12 July 2020, when it was approved by the Board. The announcement was announced promptly without delay prior to the commencement of trading on Monday, 13 July 2020.

5. Please confirm that Dacian is complying with the Listing Rules and, in particular, Listing Rule 3.1

Dacian confirms it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

6. Please confirm that Dacian's responses to the questions above have been authorised and approved in accordance with its continuous disclosure policy or otherwise by its board or an officer of Dacian with delegated authority from the board to respond to ASX on disclosure matters

The responses provided in this letter have been authorised and approved by the Board of Dacian.

Kevin Hart
Company Secretary
For and on behalf of the Board of Directors of Dacian Gold Limited



17 July 2020

Reference: ODIN20536

Mr Kevin Hart
Company Secretary
Dacian Gold Limited
Level 2, 1 Preston Street
COMO WA 6152

By email: kevinh@endeavourcorp.com.au

Dear Mr Hart

Dacian Gold Limited ('DCN') (the 'Company'): Aware Query

ASX refers to the following:

- A. DCN's announcement entitled "Three Year Outlook Delivers Average Annual Gold Production of 110,000oz at AISC of \$1,350/oz" lodged on the ASX Market Announcements Platform ('MAP') on 27 February 2020, disclosing, amongst other things:

Strategy for Westralia Mine Area

- *Westralia underground to undergo optimisation studies for the remainder of CY2020 to determine an operating strategy that maximises sustainable positive cash flows from the updated Ore Reserve.*
- *Capital development to cease with stope ore production continuing until the end of CY2020.*

and

Forward Guidance

- *Updated FY2020 production guidance of 138,000-144,000oz at MMGO AISC of \$1,550-\$1,650/oz.*
- *FY2021 production is estimated at 120,000-130,000oz at AISC of \$1,250-\$1,350/oz.*

- B. DCN's Quarterly Activities Report for the period ended 31 March 2020 lodged on MAP on 30 April 2020, disclosing, amongst other things:

The Company's three year outlook over the period FY2021 – FY2023 delivers average annual production of 110,000 ounces at an AISC of \$1,350/oz.

and

A total of 31,737m of grade control diamond drilling was completed during the quarter. All grade control drilling required to support planned stope ore production until the end of CY2020 will be complete early in the June quarter.

- C. DCN's announcement entitled "Operations and Corporate Update" lodged on MAP on 13 July 2020 (the 'Relevant Date'), disclosing under the "Updated FY2021-2023 Three Year Outlook" that:

- (i) *FY2021 production guidance revised to 110,000-120,000oz (previously 120,000-130,000oz) (the 'FY 2021 Production Information') due to a combination of cessation of mining activities at Westralia four months earlier than planned (the 'Westralia Information'); and rescheduling of the Jupiter open pit (the 'Jupiter Information');*

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- (ii) AISC guidance for FY2021 adjusted to \$1,400-\$1,550/oz (previously \$1,250-1,350/oz) to reflect updated FY2021 production and new expenditure for Mt Marven expansion and Morgans North open pits (the 'AISC Information');
- (iii) FY2021-2023 average annual production of 110,000oz reaffirmed at an AISC of \$1,425/oz (previously \$1,350/oz); and
- (iv) Total operating (AISC) and development capital change over FY2021-2023 of approximately \$60 million or \$185/oz.
- D. The decrease in DCN's share price from an intra-day high of \$0.50 on 11 June 2020 to an intra-day low of \$0.29 on 14 July 2020 and a low of \$0.30 at close of trading on 17 July 2020.
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- It would be a breach of a law to disclose the information;*
 - The information concerns an incomplete proposal or negotiation;*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - The information is generated for the internal management purposes of the entity; or*
 - The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- H. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:
- "Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

Request for information

Having regard to the above, ASX asks DCN to respond separately to each of the following questions and requests for information:

1. Does DCN consider:
 - 1.1 The Westralia Information;
 - 1.2 The Jupiter Information;
 - 1.3 The FY 2021 Production Information; or
 - 1.4 The AISC Informationto be information that a reasonable person would expect to have a material effect on the price or value of its securities? Please address each separately.
2. If the answer to any of the questions 1.1 to 1.4 is “no”, please advise the basis for that view (addressing each separately, where relevant).
3. When did DCN first become aware of:
 - 3.1 The Westralia Information;
 - 3.2 The Jupiter Information;
 - 3.3 The FY 2021 Production Information; or
 - 3.4 The AISC Information?Please address each separately.
4. If DCN first became aware of any of the information in 1.1 to 1.4 before the Relevant Date, did DCN make any announcement prior to the Relevant Date which disclosed that information or any part thereof? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe DCN was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps DCN took to ensure that the information was released promptly and without delay.
5. Please confirm that DCN is complying with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that DCN’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DCN with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AWST Wednesday, 22 July 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, DCN’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require DCN to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that

it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in DCN's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in DCN's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to DCN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that DCN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Jessica Coupe
Adviser, Listings Compliance (Perth)