Dacian Gold Limited

ABN 61 154 262 978

(Formerly Mount Morgan's Gold Mining Pty Limited)

Financial Statements

For The Half-Year Ended
31 December 2012

Contents

Directors' Report

The Directors present the financial statements of Dacian Gold Limited, formerly Mount Morgan's Gold Mining Pty Ltd for the half-year ended 31 December 2012.

Directors

The following persons were directors of Dacian Gold Limited during the whole of the half-year and up to the date of this report, unless stated otherwise:

Rohan Williams	*(Non-Executive Chairman)*
Paul Payne	(*Managing Director – Appointed 18 July 2012)*
Robert Reynolds	*(Non-Executive Director – Appointed 26 September 2012)*
Barry Patterson	*(Non-Executive Director)*
Brian Rodan	(Non-Executive Director – Resigned 9 October 2012)
Frank Fiore	(Non-Executive Director – Resigned 9 October 2012)
Matthew Sikirich	(Non-Executive Director – Resigned 17 August 2012)

Company Secretary

Kevin Hart	(Appointed 27 September 2012)
Alan Atchison	(Resigned 27 September 2012)
Brian Rodan	(Resigned 27 September 2012)

Significant Changes in the State of Affairs

- On 5 October 2012 the Company issued 1,100,000 ordinary fully paid shares to professional and sophisticated investors at $0.50 each, raising $550,000.

- On 11 October 2012 the Company converted to a public company and changed its name from Mount Morgan's Gold Mining Pty Ltd to Dacian Gold Limited.

- On 9 November 2012 the Company was admitted to the official list of the Australian Securities Exchange following its Initial Public Offer of 40,000,000 ordinary fully paid shares at $0.50 each, raising $20,000,000 before costs of the offer.

Review of Operations

The net loss after income tax for the half-year was $1,967,025 (31 December 2011: $14,908), included in this loss for the half-year period is an amount of $925,342 in respect of exploration and evaluation costs incurred during the period and not capitalised

At the end of the half-year the Company had $18,455,146 (30 June 2012: $1,590,779) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is $8,131,847 (30 June 2012: $8,131,847).

Exploration commenced in late-November following the completion of the Company's successful listing on ASX. Drilling programs commenced at the Company's Morgans North, Craic and Ramornie prospects. In addition, geochemical and geophysical exploration programs were undertaken at selected regional targets.

The Company incurred exploration costs of $841,438 during the 6 months ended 31 December 2012.

Directors' 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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 14th day of March 2013.

Paul Payne
Managing Director

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Auditor's Independence Declaration
To The Directors of Dacian Gold Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Dacian Gold Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 14 March 2013

Statement of Comprehensive Income
For the half-year ended 31 December 2012

	Note	**31 December 2012 $**	31 December 2011 $
Revenue	**3**	**159,300**	-
Total Revenue		**159,300**	-
Employee expenses		**(281,685)**	-
Share based employee expense		**(136,057)**	-
Depreciation and amortisation expenses		**(83,544)**	-
Corporate expenses		**(36,694)**	-
Occupancy expenses		**(37,822)**	-
Marketing expenses		**(20,836)**	-
Financing expenses		**(8,025)**	-
Exploration costs expensed and written off		**(925,342)**	-
Care and maintenance expenses		**(292,953)**	-
Administration and other expenses		**(303,367)**	(14,908)
Loss before income tax	**4**	**(1,967,025)**	(14,908)
Income tax benefit/expense		**-**	-
Net loss for the half-year attributable to the members of the parent entity		**(1,967,025)**	(14,908)
Other comprehensive Income		**-**	-
Total comprehensive result for the period attributable to the members of the parent entity		**(1,967,025)**	(14,908)
Loss per share			
Basic loss per share (cents)		**(2.9)**	n/a

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position
As At 31 December 2012

	Note	**31 December 2012 $**	30 June 2012 $
Current assets			
Cash and cash equivalents		**18,455,146**	1,590,779
Trade and other receivables		**240,415**	24,633
Total current assets		**18,695,561**	1,615,412
Non-current assets			
Bonds		**1,229,035**	1,207,700
Property, plant and equipment		**511,961**	492,605
Exploration and evaluation assets		**8,131,847**	8,131,847
Total non-current assets		**9,872,843**	9,832,152
Total assets		**28,568,404**	11,447,564
Current liabilities			
Trade and other payables		**432,714**	720,991
Total current liabilities		**432,714**	720,991
Non-current liabilities			
Provisions		**1,207,700**	1,207,700
Total non-current liabilities		**1,207,700**	1,207,700
Total liabilities		**1,640,414**	1,928,691
Net assets		**26,927,990**	9,518,873
Equity			
Issued capital	**5**	**29,240,175**	10,000,090
Share based payments reserve	**6**	**136,057**	-
Accumulated losses		**(2,448,242)**	(481,217)
Total equity		**26,927,990**	9,518,873

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

Statement of Changes in Equity
For the half-year ended 31 December 2012

	Issued capital $	Accumulated losses $	Share based payments reserve $	Total $
At 23 November 2011	-	-	-	-
Total comprehensive result for the period:				
Loss for the period	-	(14,908)	-	(14,908)
Transactions with owners in their capacity as owners:				
Shares and Options issued	100	-	-	100
Costs of securities issued		-	-	-
At 31 December 2011	100	(14,908)	-	(14,808)
At 1 July 2012	**10,000,090**	**(481,217)**	**-**	**9,518,873**
Total comprehensive result for the half-year:				
Loss for the half-year	**-**	**(1,967,025)**	**-**	**(1,967,025)**
Movement in share based payments reserve in respect of options vesting	**-**	**-**	**136,057**	**136,057**
Transactions with owners in their capacity as owners:				
Shares and Options issued	**20,550,000**	**-**	**-**	**20,550,000**
Costs of securities issued	**(1,309,915)**	**-**	**-**	**(1,309,915)**
At 31 December 2012	**29,240,175**	**(2,448,242)**	**136,057**	**26,927,990**

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

Statement of Cash Flows
For the half-year ended 31 December 2012

	Note	31 December 2012 $	31 December 2011 $
Cash flows from operating activities			
Interest received		**55,909**	-
Interest paid		**(8,025)**	-
Payments for care and maintenance services		**(380,662)**	-
Payments to suppliers and employees		**(654,585)**	(2,488)
Net cash used in operating activities	**8**	**(987,363)**	(2,488)
Cash flows from investing activities			
Payments for bonds		**(21,335)**	-
Payments for acquisition of exploration assets		**(615,007)**	(490,802)
Payments for exploration and evaluation		**(717,914)**	-
Payments for plant and equipment		**(34,100)**	-
Net cash used in investing activities		**(1,388,356)**	(490,802)
Cash flows from financing activities			
Proceeds from loans received		**-**	761,285
Proceeds from issue of securities		**20,550,000**	100
Payments for transaction costs relating to share issues		**(1,309,914)**	-
Net cash from financing activities		**19,240,086**	761,385
Net increase in cash held		**16,864,367**	268,095
Cash at the beginning of the period		**1,590,779**	-
Cash at the end of the period		**18,455,146**	268,095

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 1 Summary of Significant Accounting Policies

(a) Basis of preparation of half-year report

These general purpose financial statements for the half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard 134: *Interim Financial Reporting* and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on the historical cost basis and are the first set of Australian Accounting Standards financial statements prepared by the Company.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities as full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the public announcements made by Dacian Gold Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These financial statements have been prepared on the going concern basis.

Material accounting policies adopted in the presentation of these financial statements are presented below:

(b) Other Taxes

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

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

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

(c) Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method.

Borrowing costs are expensed as incurred and included in net financing costs.

(d) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and Other Receivables

Trade receivables, which generally have 30–90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 1 Summary of Significant Accounting Policies (continued)

(f) Property, plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement only if it is eligible for capitalisation. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight-line basis or written down value over the estimated useful life of the assets as follows:

Office equipment	25% straight line
Fixtures and fittings	33% written down value
Plant and equipment	33% written down value
Motor Vehicles	33% written down value

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For assets measured at cost, impairment losses are recognised in the income statement. However, for assets measured at re-valued amounts, impairment losses on land and buildings are treated as a re-valuation decrement.

(ii) De-recognition and Disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

(g) Exploration and Evaluation Expenditure

Exploration and evaluation costs are written off in the year they are incurred, apart from acquisition costs and those costs that are incurred on an area of interest that contains a JORC reserve.

Capitalised exploration and evaluation expenditures in relation to specific areas of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 1 Summary of Significant Accounting Policies (continued)

(g) Exploration and Evaluation Expenditure (continued)

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(h) Impairment of Assets

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as a re-valuation increase.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 1 Summary of Significant Accounting Policies (continued)

(h) Impairment of Assets (continued)

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(i) Trade and Other Payables

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

(j) Interest Bearing Liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(k) Share Based Payments

Equity Settled Transactions:

The Company provides benefits to employees (including senior executives) of the Company in the form of Options, whereby employees render services in exchange for Options (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the Options is determined by using an appropriate valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the underlying Shares to which the Option relates (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the Option (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and
(ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for Options that do not ultimately vest, except for Options where vesting is only conditional upon a market condition.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 1 Summary of Significant Accounting Policies (continued)

(k) Share Based Payments (continued)

If the terms of an Option are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the Option, or is otherwise beneficial to the employee, as measured at the date of modification.

If an Option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled Option and designated as a replacement award on the date that it is granted, the cancelled Option and new awards are treated as if they were a modification of the Option, as described in the previous paragraph.

(l) Share Capital

Shares are classified as equity. Incremental costs directly attributable to the issue of Shares pursuant to the Offer or Options are shown in equity as a deduction, net of tax, from the proceeds of issue.

(m) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

Accounting for capitalised mineral exploration and evaluation expenditure

The Company's accounting policy is stated at 1(g). A regular review is undertaken of each area of interest to determine the reasonableness of the continuing carrying forward of costs in relation to that area of interest.

Mine restoration provisions estimates

The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed land to its original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used to calculate these balances.

Significant judgements is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, price increases, changes in interest rates and changes in legislation.

Measurement of share based payments

The Company records charges for share based payments. For option based share based payments, management estimate certain factors used in the option pricing model. These factors include volatility and exercise date of options. If these estimates vary the share based payment expense would have been different.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 1 Summary of Significant Accounting Policies (continued)

(n) Adoption of new and revised accounting standards

In the half year ended 31 December 2012, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012. It has been determined by the Company that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

The half-year financial statements were approved by the Board of Directors on14th March 2013.

Note 2 Segment information

The Company 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 Company's sole activity is mineral exploration wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

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

Note 3 Revenue

	31 December 2012 $	31 December 2011 $
Interest income	**159,300**	-
	159,300	-

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 4 Loss before tax

Loss before tax includes the following specific expenses:

	31 December 2012 $	31 December 2011 $
Care and maintenance expenses	**292,953**	-
Insurance	**88,692**	-
Legal fees	**115168**	-
Recruitment fees	**70,080**	-
Share based employee expense	**136,057**	-
Exploration costs written off and expensed	**841,438**	-

Note 5 Issued capital

Issued capital - Shares	**31 December 2012 #**	31 December 2011 #	**31 December 2012 $**	31 December 2011 $
At the beginning of the period	**55,000,000**	-	**10,000,090**	-
Shares issued on incorporation	**-**	100	**-**	100
Share placement - $0.50	**1,100,000**	-	**550,000**	-
Initial Public Offer -$0.50	**40,000,000**	-	**20,000,000**	-
Costs related to share issues	**-**	-	**(1,309,915)**	-
At the end of the period	**96,100,000**	100	**29,240,175**	100

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 6 Share based payments

During the period the Company issued 9,500,000 unlisted options over unissued shares in the Company to current and former Directors for their services provided prior to the Company's initial public offer and subsequent admission to the official list of ASX.

The options are exercisable at $0.84 each on 9 October 2017, and are subject to various vesting conditions, as follows:

Date of grant	Number of options	Vesting date
9 October 2012	5,000,000	14 November 2014
9 October 2012	2,250,000	9 October 2015
9 October 2012	2,250,000	9 April 2016

The Options were issued using the Black & Scholes option valuation model as follows:

Date of grant	Expiry date	Price at issue	Exercise price	Volatility	Interest rate	Theoretical option value	Option value[1]
9 October 2012	9 October 2017	$0.50	$0.84	60%	2.56%	$0.1997	$0.1398

[1] A discount of 30% to the Black & Scholes option valuation has been applied to reflect the non-transferrable nature of the unlisted options issued.

Note 7 Options

	31 December 2012	31 December 2011
	#	#
At the beginning of the period	**-**	-
Options issued to shareholders	**1,650,000**	-
Options issued to Directors as remuneration	**9,500,000**	-
At the end of the period	**11,150,000**	-

Details of the options on issue at the balance sheet date are included at Note 6.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 8 Reconciliation of loss after tax to net cash outflow from operating activities

	31 December 2012 $	31 December 2011 $
Loss from ordinary activities after income tax	**(1,883,121)**	(14,908)
Depreciation	**83,544**	-
Share based payments expense	**136,057**	
Exploration costs expensed in statement of comprehensive income	**841,438**	-
Movement in assets and liabilities:		
(Increase)/decrease in prepaid expenses	**10,460**	(22,035)
(Increase)/decrease in accrued income	**(103,391)**	-
(Increase)/decrease in other receivables	**(61,425)**	(3,446)
Increase/(decrease) in payables	**(10,925)**	37,901
Net cash flow from operating activities	**(987,363)**	(2,488)

Note 9 Dividends

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2012.

Note 10 Contingencies

(i) Contingent liabilities

Other than the below there are no material contingent liabilities at the reporting date.

Pursuant to the Smelter Return Deed, signed between the Company and Macquarie Bank Limited on 31 January 2012, the Company must pay to Macquarie Bank Limited a royalty equal to the sum of:

- $20 per troy ounce of gold produced from the Tenements, and sold by the Company to offtakers, up to a total of 150,000 troy ounces of gold; and
- a cash payment of $500,000 that is due and payable at the time of the pour of the 50,000th troy ounce of gold produced from the Tenements.

(ii) Contingent assets

There are no material contingent assets at the reporting date.

Note 11 Events occurring after the balance date

There has not arisen in the interval between the end of the 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 12 Commitments

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements.

The Company does not have any material capital commitments as at 31 December 2012.

Note 13 Transactions with Related Parties

During the half-year ended 31 December 2012 the Company incurred expenses of $224,625 with Australian Contract Mining Pty Ltd, an entity associated with Mr Brian Rodan, a Director of the Company until 9 October 2012, in respect of the provision of care and maintenance services at the Mt Morgans Gold Project.

Note 14 Income Tax

The Company has not brought to account an asset in respect of its net deferred tax assets. The Company is in a loss making position and has available to it tax losses as at 31 December 2012.

The potential future income tax benefit of those tax losses will only be obtained if:

(i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
(ii) the Company companies continue to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefits.

Note 15 Financial Risk Management

The Company has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Company's exposure to the specific risks, and the policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the risk management framework.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

Trade and other receivables

The Company has no investments and the current nature of the business activity does not result in trading receivables. The receivables that the Company recognises through its normal course of business are short term in. The risk of non-recovery of receivables is considered to be negligible.

Notes to the Financial Statements
For the half-year ended 31 December 2012

Note 15 Financial Risk Management (Continued)

Credit risk (Continued)

Cash deposits
The Company's primary banker is Westpac Banking Corporation. At balance date operating accounts and funds held on deposit are with this bank, in addition the Company has funds on deposit with Commonwealth Bank. The Directors believe any risk associated with the use of only these banks is mitigated by their size and reputation. Except for this matter the Company currently has no significant concentrations of credit risk.

(b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Company's current and future operations, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment.

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

Currency risk
The Company is not exposed to any currency risk other than the respective functional currencies of each Company within the Company, the Australian dollar (AUD).

Interest rate risk
As the Company has significant interest bearing assets, the Company's income and operating cash flows are materially exposed to changes in market interest rates. The assets are short term interest bearing deposits, and no financial instruments are employed to mitigate.

(d) Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors capital expenditure and cash flows as mentioned in (b).

Directors' Declaration

The Directors of Dacian Gold Limited ("the Company") declare that:

(a) the half-year financial statements and notes set out on pages 6 to 20 are in accordance with the Corporations Act 2001, including:

   (i) complying with Australian Accounting Standard AASB134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
   (ii) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 14th day of March 2013.

Paul Payne
Managing Director

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Independent Auditor's Review Report
To the Members of Dacian Gold Limited

We have reviewed the accompanying half-year financial report of Dacian Gold Limited ('Company'), which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration.

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 controls 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 the 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 Company's financial position as at 31 December 2012 and its 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 Dacian Gold Limited, 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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

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 Dacian Gold Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 14 March 2013