



**DACIAN GOLD LIMITED**

ABN 61 154 262 978

Financial Report  
for the  
Half-Year Ended 31 December 2018

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ABN 61 154 262 978

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**CONTENTS**

DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION .....	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	8
CONSOLIDATED STATEMENT OF CASH FLOWS .....	9
NOTES TO THE FINANCIAL STATEMENTS .....	10
DIRECTORS' DECLARATION.....	18
INDEPENDENT AUDITOR'S AUDIT REPORT.....	19

## DIRECTORS' REPORT

The Directors present the financial report of Dacian Gold Limited ("the Company") and its controlled subsidiaries ("the Group") for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors Report is as follows:

### 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	<i>(Executive Chairman)</i>
Robert Reynolds	<i>(Non-Executive Director)</i>
Barry Patterson	<i>(Non-Executive Director)</i>
Ian Cochrane	<i>(Non-Executive Director)</i>

### Company Secretary

Kevin Hart

### Principal Activities

The principal activities of the Group during the half-year were development and mineral exploration at its 100% owned Mt Morgans Gold Operation (MMGO), located near Laverton in Western Australia.

### Significant Changes in the State of Affairs

There were no significant changes to the state of affairs of the Group during or since the 6 months ended 31 December 2018, not otherwise disclosed in this report.

### Review of Operations

#### Operating results and financial position

The net loss after income tax for the half-year was \$7,003,629 (31 December 2017: \$8,821,853). Included in this loss for the half-year is an amount of \$5,681,422 (31 December 2017: \$6,665,889) relating to exploration and evaluation costs immediately expensed. During the commissioning phase (before the commencement of commercial production declared on 1 January 2019) expenditure of an operating nature has been capitalised to mine development costs. Revenue from the sale of gold during the period has been treated as pre-production income and has been credited to capitalised mine development costs.

At the end of the half-year the Group had \$67,622,263 (30 June 2018: \$62,866,140) in cash and \$18,000,229 in unsold gold on hand (9,913 ounces valued at the 31 December 2018 closing spot gold price of A\$1,816/oz). During the period, MMGO made debt repayments totalling \$16,500,000. The total debt position at 31 December 2018 is \$133,500,000 with \$123,500,000 drawn from the MMGO project debt facility and \$10,000,000 drawn under the Dacian Gold Limited working capital facility.

#### Summary of Activities

MMGO declared commercial production on 1 January 2019 following key productivity and efficiency improvements achieved in December. Gold production of 37,934 ounces during the December quarter increased by 30% when compared to September quarter production of 29,316 ounces.

FY2019 targeted production of 180,000-210,000 ounces is underpinned by progressively increasing production of higher grade ore from both the Jupiter open pit (focusing on the Cornwall Shear Zone) and Westralia underground mine (commencement of mining operations in the Allanson orebody). During the period the Group maintained its aggressive exploration strategy having identified a number of new exploration and discovery opportunities.

On 6 August 2018 the Company announced an increase in its Measured and Indicated Mineral Resources of 11% to 2.5 million ounces. This increase also saw the total Mineral Resource base rise to 3.5 million ounces. On 18 December 2018, the Company announced an increase in its Ore Reserves of 16% to 1.39 million ounces (net of mining depletion).

## DIRECTORS' REPORT

### Summary of Activities (continued)

The updated statement included an initial maiden Ore Reserve at Cameron Well of 45,000 ounces. The updated Ore Reserve estimate positions MMGO to be a 200,000 ounce per year producer for at least 7 years, with a target of +10 years with further extension and conversion of Mineral Resources to Ore Reserves.

On 11 July 2018 the Group announced an Institutional Placement of approximately \$37,000,000, with the ability to take oversubscriptions to raise up to an additional \$3,000,000, to fund accelerated exploration programs at Westralia and Cameron Well and terminate a Jupiter life of mine royalty obligation. This institutional placement was completed on 13 July 2018 with \$40,000,000 raised at \$2.70 per new share.

The Institutional Placement was accompanied by a Share Purchase Plan to raise a further \$5,000,000 at \$2.70 per new share. On 2 August 2018, the Group announced it had amended the terms of the share purchase plan to allow and subsequently accept over subscriptions of \$3,000,000. Together with the Institutional Placement the Group raised a total of approximately \$48,000,000 before costs.

### **Events Subsequent to the Reporting Date**

Gold production reached Feasibility Study levels allowing the Group to declare Commercial Production on 1 January 2019.

Other than the matter noted above, 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.

### **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 13<sup>th</sup> day of March 2019.



**Rohan Williams**  
Executive Chairman



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Dacian Gold Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Dacian Gold Limited for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Graham Hogg  
*Partner*  
Perth  
13 March 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	Consolidated	
		31 December 2018 \$	31 December 2017 \$
Other income	3	609,228	800,996
<b>Total Revenue</b>		<b>609,228</b>	800,996
Employee expenses	3	(1,486,044)	(853,164)
Share-based employee expense		(451,995)	(725,812)
Depreciation and amortisation expenses		(105,939)	(282,409)
Financing expenses		(253,100)	(31,940)
Exploration costs expensed and written off		(5,681,422)	(6,665,889)
Other expenses		(1,696,278)	(1,063,635)
<b>Loss before income tax</b>		<b>(9,065,550)</b>	(8,821,853)
Income tax benefit		2,061,921	-
<b>Net loss for the period attributable to the members of the parent entity</b>		<b>(7,003,629)</b>	(8,821,853)
Other comprehensive Income		-	-
<b>Total comprehensive loss for the period attributable to the members of the parent entity</b>		<b>(7,003,629)</b>	(8,821,853)
<b>Loss per share</b>			
Basic and diluted loss per share (cents)		(3.9)	(4.3)

*The above 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 2018

	Note	Consolidated	
		31 December 2018 \$	30 June 2018 \$
<b>Current assets</b>			
Cash and cash equivalents	4	52,622,263	62,866,140
Cash reserved on deposit	4	15,000,000	-
Trade and other receivables	5	3,230,424	3,724,143
Inventories	6	19,443,115	13,095,480
<b>Total current assets</b>		<b>90,295,802</b>	<b>79,685,763</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	138,275,420	150,072,643
Exploration and evaluation assets		4,163,562	4,163,562
Mine properties	8	122,234,573	103,004,037
Deferred tax assets	9	30,537,144	28,143,381
<b>Total non-current assets</b>		<b>295,210,699</b>	<b>285,383,623</b>
<b>Total assets</b>		<b>385,506,501</b>	<b>365,069,386</b>
<b>Current liabilities</b>			
Trade and other payables	10	43,375,935	50,298,192
Borrowings	11	48,281,625	76,655,667
Provisions	12	899,514	784,144
<b>Total current liabilities</b>		<b>92,557,074</b>	<b>127,738,003</b>
<b>Non-current liabilities</b>			
Borrowings	11	102,162,154	89,464,916
Provisions	12	16,163,937	15,001,629
<b>Total non-current liabilities</b>		<b>118,326,091</b>	<b>104,466,545</b>
<b>Total liabilities</b>		<b>210,883,165</b>	<b>232,204,548</b>
<b>Net assets</b>		<b>174,623,336</b>	<b>132,864,838</b>
<b>Equity</b>			
Issued capital	13	244,552,661	195,187,027
Share-based payments reserve		2,737,420	3,515,785
Accumulated losses		(72,666,745)	(65,837,974)
<b>Total equity</b>		<b>174,623,336</b>	<b>132,864,838</b>

The above 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 2018

	Consolidated			
	Issued capital	Share-based payment reserve	Accumulated losses	Attributable to owners of the parent
	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	191,783,216	2,965,222	(60,435,792)	134,312,646
Total comprehensive loss for the half-year	-	-	(8,821,853)	(8,821,853)
Options exercised	1,511,000	-	-	1,511,000
Performance rights exercised	231,000	(231,000)	-	-
Share-based payments expense	-	725,812	-	725,812
Options exercised	586,806	(586,806)	-	-
<b>Balance at 31 December 2017</b>	<b>194,112,022</b>	<b>2,873,228</b>	<b>(69,257,645)</b>	<b>127,727,605</b>
<b>Balance at 1 July 2018</b>	195,187,027	3,515,785	(65,837,974)	132,864,838
Total comprehensive loss for the half-year	-	-	(7,003,629)	(7,003,629)
Shares issued	48,429,035	-	-	48,429,035
Share issue transaction costs	(1,615,904)	-	-	(1,615,904)
Options exercised	1,497,001	-	-	1,497,001
Options exercised	419,019	(419,019)	-	-
Performance rights exercised	636,483	(636,483)	-	-
Performance rights forfeited	-	(174,858)	174,858	-
Share-based payments expense	-	451,995	-	451,995
<b>Balance at 31 December 2018</b>	<b>244,552,661</b>	<b>2,737,420</b>	<b>(72,666,745)</b>	<b>174,623,336</b>

*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 2018

	Note	Consolidated	
		31 December 2018 \$	31 December 2017 \$
<b>Cash flows from operating activities</b>			
Interest received		609,228	837,718
Research & development tax concession income		-	97,219
Interest paid		(246,424)	(346)
Payments for exploration and evaluation		(5,212,453)	(7,117,201)
Payments to suppliers and employees		(2,757,218)	(2,478,331)
<b>Net cash outflow from operating activities</b>		<b>(7,606,867)</b>	<b>(8,660,941)</b>
<b>Cash flows from investing activities</b>			
Payments for development expenditure (net of pre-production revenue)		(1,565,611)	(103,609,724)
Payments for plant and equipment		(2,924,675)	(493,403)
Payments for capitalised interest during development		(2,851,561)	(702,453)
Payments to acquire exploration assets <sup>(i)</sup>		(11,500,000)	-
Reclassification of cash to cash reserved for debt service	4	(15,000,000)	-
<b>Net cash outflow from investing activities</b>		<b>(33,841,847)</b>	<b>(104,805,580)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital (net of issue costs)		47,878,290	1,511,000
Proceeds from borrowings		-	139,500,000
Repayment of borrowings		(16,500,000)	-
Transaction costs associated with borrowings		(173,453)	(448,092)
<b>Net cash inflow from financing activities</b>		<b>31,204,837</b>	<b>140,562,908</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(10,243,877)</b>	<b>27,096,387</b>
<b>Cash at the beginning of the period</b>		<b>62,866,140</b>	<b>90,163,337</b>
<b>Cash at the end of the period</b>	4	<b>52,622,263</b>	<b>117,259,724</b>

<sup>(i)</sup> Consideration paid to terminate a Jupiter life of mine royalty obligation.

*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 2018

### Note 1 Summary of Significant Accounting Policies

#### Basis of preparation of half-year report

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard 134: *Interim Financial Reporting* and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of Dacian Gold Limited and its controlled entities ('the Group') as in the full financial report. Accordingly, these half-year financial statements are to be read in conjunction with the financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the half-year.

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

The half-year financial statements were approved by the Board of Directors on the 13th of March 2019.

#### Going Concern Basis for Preparation of Financial Statements

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. At 31 December, the Group had a working capital deficiency of \$2,261,272 (30 June 2018: \$48,052,240). At 31 December the group had 9,913 ounces of unsold gold on hand recognised in inventory at cost. Had this gold been sold at the 31 December 2018 closing spot price of A\$1,816/oz there would have been a working capital surplus of \$3,661,054. In addition, based on the Group's operational plans, the Group is forecasting to generate and have access to surplus operating cashflows following the declaration of commercial production on 1 January 2019.

#### Adoption of new and revised accounting standards

During the current reporting period a number of new or amended standards became applicable. The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements except for the following:

- AASB 15 *Revenue from Contracts with Customers*

The Group adopted AASB 15 – *Revenue from contracts with customers* for the first time for the annual reporting period commencing 1 July 2018. Under AASB 15, revenue is recognised when control is transferred to the customer which replaced the notion of transfer risks and rewards in AASB 118 – Revenue (superseded on 1 July 2018). Under AASB 15 revenue is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The adoption of AASB 15 has had no material impact on the Group's financial statements as the Group does not generate revenue. The Group declared commercial production from 1 January 2019.

- AASB 9 *Financial Instruments*

The Group adopted AASB 9 - Financial Instruments, which replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The consolidated entity does not expect the implementation of this standard to have a material impact on the financial statements.

There may be some changes in the disclosures in the 30 June 2019 annual report as a consequence of these amendments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 1 Summary of Significant Accounting Policies (continued)

#### Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

The judgements, estimates and assumptions applied in the half-year financial statements, including the key sources of estimation of uncertainty were the same as those applied in the Group's annual financial statements for the year ended 30 June 2018.

### Note 2 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 development and mineral exploration wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being development and mineral exploration.

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

### Note 3 Revenue and Expenses

	<b>31 December 2018</b>	<b>31 December 2017</b>
	\$	\$
Loss for the year includes the following specific income and expenses:		
Interest income	<b>609,228</b>	800,996
Corporate employee expenses:		
Salaries and wages	<b>920,917</b>	461,713
Director fees and consulting expenses	<b>365,702</b>	223,277
Defined contribution superannuation	<b>122,230</b>	65,128
Other employment expenses	<b>77,195</b>	103,046
	<b>1,486,044</b>	853,164

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 4 Cash

	<b>31 December 2018</b>	<b>30 June 2018</b>
	\$	\$
Cash at bank	<b>52,622,263</b>	62,866,140
Cash reserved on deposit <sup>(i)</sup>	<b>15,000,000</b>	-
	<b>67,622,263</b>	62,866,140

<sup>(i)</sup> As scheduled within the project debt facility agreement, cash totalling \$15,000,000 was reserved to a debt service reserve cash account during the period as a result of the facility transitioning to the debt repayment phase. The cash reserve can be used to provide funding support for debt service obligations under the project debt facility. As at 31 December 2018, forecast estimates do not indicate that this reserve amount will be utilised for future debt service obligations.

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

At 31 December 2018, the Group had drawn debt totalling \$133,500,000. Refer to Note 11 for further discussion.

### Note 5 Trade and Other Receivables

	<b>31 December 2018</b>	<b>30 June 2018</b>
	\$	\$
Current:		
GST receivable	<b>1,768,753</b>	1,944,606
Prepayments	<b>584,262</b>	1,109,678
Other receivables	<b>877,409</b>	669,859
	<b>3,230,424</b>	3,724,143

The Group does not consider any of its current receivables to be subject to impairment.

### Note 6 Inventories

	<b>31 December 2018</b>	<b>30 June 2018</b>
	\$	\$
ROM inventory – at cost	<b>1,204,795</b>	1,547,284
Crushed ore – at cost	<b>680,589</b>	648,959
Gold in circuit – at cost	<b>2,177,524</b>	2,145,259
Gold dore – at cost	<b>12,077,903</b>	6,085,373
Mine spares and stores – at cost	<b>3,302,304</b>	2,668,605
	<b>19,443,115</b>	13,095,480

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 7 Property, Plant and Equipment

	31 December 2018 \$	30 June 2018 \$
Cost	151,806,734	155,676,113
Accumulated depreciation	(13,531,314)	(5,603,470)
<b>Net Book Value</b>	<b>138,275,420</b>	150,072,643
Movements:		
Opening net book value	150,072,643	1,406,019
Additions	1,928,525	110,135,973
Disposals	-	(48,635)
Transfers (to)/from mine properties (Note 8)	(5,467,142)	43,356,141
Depreciation expensed	(105,939)	(527,939)
Depreciation capitalised to mine properties (Note 8)	(8,152,667)	(4,248,916)
<b>Closing net book value</b>	<b>138,275,420</b>	150,072,643

### Note 8 Mine Properties

	31 December 2018 \$	30 June 2018 \$
Opening balance	103,004,037	60,959,305
Additions <sup>(i)</sup>	6,665,098	74,080,226
Transfers from/(to) property, plant and equipment	5,467,142	(43,390,841)
Transfers from exploration	-	2,037,665
Change in rehabilitation provision	1,106,042	6,981,376
Interest and borrowing costs capitalised	5,992,254	2,336,306
	<b>122,234,573</b>	103,004,037

<sup>(i)</sup> Additions comprise mine development and capitalised operating costs (including depreciation and amortisation) net of revenue from gold sales. During the commissioning phase (before the commencement of commercial production on 1 January 2019) expenditures of an operating nature are capitalised to mine development costs. Revenue from the sale of gold during the year has been treated as pre-production income and is credited to capitalised mine development costs.

### Note 9 Deferred Tax Assets

The deferred tax asset has increased by \$2,393,763 as a result of tax losses generated during the period.

### Note 10 Trade and other payables

	31 December 2018 \$	30 June 2018 \$
Trade and other payables	23,938,357	22,282,885
Accrued expenses	19,437,578	28,015,307
	<b>43,375,935</b>	50,298,192

Trade payables are non-interest bearing and normally settled on 30 day terms.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 11 Borrowings

	31 December 2018 \$	30 June 2018 \$
Current:		
Insurance premium funding liability	371,195	1,020,787
Lease liabilities <sup>(i)</sup>	2,060,430	2,011,475
Bank loans	45,850,000	73,623,405
	<b>48,281,625</b>	76,655,667
Non-current:		
Lease liabilities <sup>(i)</sup>	14,512,154	15,554,993
Bank loans	87,650,000	73,909,923
	<b>102,162,154</b>	89,464,916

<sup>(i)</sup> Further information relating to Leases is set out in Note 15.

#### Project debt facility

At 31 December 2018 the project debt facility held with a syndicate of financiers comprising Westpac Banking Corporation, Australia and New Zealand Banking Group Limited and BNP Paribas was fully drawn to \$133,500,000. Borrowings used to fund the development of the Mt Morgans Gold Project total \$123,500,000 (after debt repayments of \$16,500,000), with the balance of \$10,000,000 used to provide working capital funding to the parent company Dacian Gold Limited to support an increase in regional development activities. There were no undrawn facility limits available to the Group as at 31 December 2018 as all facilities had transitioned to the repayment phase during the period.

The principal repayment profile of the project debt facility at 31 December 2018 appears in the table below.

	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000
Bank Loan	28,000	17,850	27,450	32,100	28,100

### Note 12 Provisions

	31 December 2018 \$	30 June 2018 \$
Current:		
Employee leave liabilities	899,514	784,144
	<b>899,514</b>	784,144
Non-current:		
Employee leave liabilities	230,111	173,845
Rehabilitation provision	15,933,826	14,827,784
	<b>16,163,937</b>	15,001,629

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 13 Issued Capital

	31 December 2018 No.	30 June 2018 No.	31 December 2018 \$	30 June 2018 \$
Issued share capital	<b>225,413,403</b>	205,844,814	<b>244,552,661</b>	195,187,027
<i>Share movements during the period</i>				
Balance at the start of the period	<b>205,844,814</b>	201,732,155	<b>195,187,027</b>	191,783,216
Share issue	<b>17,948,339</b>	-	<b>48,429,035</b>	-
Less share issue costs	-	-	<b>(1,615,904)</b>	1,075,004
Exercise of options	<b>1,400,000</b>	4,042,659	<b>1,916,020</b>	2,097,807
Exercise of performance rights	<b>220,250</b>	70,000	<b>636,483</b>	231,000
Balance at the end of the period	<b>225,413,403</b>	205,844,814	<b>244,552,661</b>	195,187,027

### Note 14 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 2018 no options over unissued shares were issued pursuant to the Company's Employee Share Option Plan (31 December 2017: Nil). The share-based payments expense for the period of \$74,017 (31 December 2017: \$276,622) relates to the fair value of options apportioned over their respective vesting periods.

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

	31 December 2018		31 December 2017	
	No.	WAEP	No.	WAEP
Options outstanding at the start of the period	<b>6,950,000</b>	<b>\$1.07</b>	12,000,000	\$0.94
Options granted during the period	-	-	-	-
Options exercised during the period	<b>(1,400,000)</b>	<b>\$1.06</b>	(5,050,000)	\$0.76
Options outstanding at the end of the period	<b>5,550,000</b>	<b>\$1.07</b>	6,950,000	\$1.07

*b) Subsequent to the reporting date*

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 un-exercised options is 18 months (31 December 2017: 33 months).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 14 Share Based Payments (continued)

#### Performance Rights

During the half-year ended 31 December 2018, no performance rights (31 December 2017: 165,156) were issued to employees, pursuant to the terms of the Dacian Gold Limited Employee Share Option Plan. The share-based payments expense for the period includes \$377,978 (31 December 2017: \$449,190) relating to the fair value of performance rights apportioned over the respective vesting periods.

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

	31 December 2018		31 December 2017	
	No.	WAFV	No.	WAFV
Rights outstanding at the start of the period	<b>711,068</b>	<b>\$2.64</b>	550,250	\$2.98
Rights issued during the period	-	-	165,156	\$2.33
Rights vested during the period	-	-	-	-
Rights forfeited during the period	<b>(21,229)</b>	<b>\$2.57</b>	-	-
Rights outstanding at the end of the period	<b>689,839</b>	<b>\$2.64</b>	715,406	\$2.29

### Note 15 Commitments

#### (a) Finance lease commitments

Mt Morgans WA Mining Pty Ltd has entered into agreements with Zenith Pacific (JPT) Pty Ltd to build and operate the power station located at the MMGO and APA Operations Pty Ltd to build and operate a gas spur for the transport of gas to this facility. A finance lease for this infrastructure has been recognised over each contract term.

Mt Morgans WA Mining Pty Ltd has entered into an agreement with SGS Australia Pty Ltd for the provision of laboratory services and equipment for a fixed term of five years. A finance lease for the laboratory equipment has been recognised over the contract term.

A summary of finance lease commitments appears in the following table:

	31 December 2018 \$	30 June 2018 \$
Within one year	<b>2,673,468</b>	2,722,879
Later than one year but not later than five years	<b>10,605,664</b>	10,671,820
Later than five years	<b>5,555,249</b>	6,776,416
Minimum lease payment	<b>18,834,381</b>	20,171,115
Future finance charges	<b>(2,261,797)</b>	(2,604,647)
Recognised as liability	<b>16,572,584</b>	17,566,468
Representing lease liabilities:		
Current	<b>2,060,430</b>	2,011,475
Non-Current	<b>14,512,154</b>	15,554,993
	<b>16,572,584</b>	17,566,468

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 15 Commitments (continued)

#### (b) Other operating and capital commitments

	31 December 2018 \$	30 June 2018 \$
Due within 1 year	3,118,133	5,474,895
Due after 1 year but not more than 5 years	2,576,344	-
	<b>5,694,477</b>	5,474,895

#### (c) Exploration commitments

The Group has certain obligations for payment of tenement rent, shire rates and to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. At 31 December 2018, the Group had satisfied all of its exploration commitments pursuant to the leases, which currently are \$4,372,302 per annum.

#### (d) Gold delivery commitments

	Gold for physical delivery oz	Average contract sale price A\$/oz	Value of committed sales \$'000
Due within 1 year	109,999	1,752	192,754
Due after 1 year but not more than 5 years	56,000	1,759	98,523
	<b>165,999</b>	<b>1,755</b>	<b>291,277</b>

The Group enters into gold forward contracts to manage the gold price of a proportion of anticipated gold sales. The forward contracts are settled by the physical delivery of gold as per the contract terms. The contracts are accounted for as gold sales contracts with revenue recognised once the gold has been delivered to the counterparties. 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*.

### Note 16 Contingencies

#### (a) Contingent liabilities

There are no material contingent liabilities at the reporting date.

#### (b) Contingent assets

There are no material contingent assets at the reporting date.

### Note 17 Events Subsequent to the Reporting Date

Gold production reached Feasibility Study levels during the month of December allowing the Group to declare Commercial Production on 1 January 2019.

Other than the matter noted above, 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 'Consolidated Entity'):

- a. The accompanying financial report and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i. give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year then ended; and
  - ii. comply with Australian Accounting Standard 134: Interim Financial Reporting, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  
- b. There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the half-year ended 31 December 2018.

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

DATED at Perth this 13<sup>th</sup> day of March 2019.



**Rohan Williams**  
Executive Chairman



# Independent Auditor's Review Report

To the shareholders of Dacian Gold Limited

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Dacian Gold Limited.

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:

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

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Dacian Gold Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

### Responsibilities of the Directors 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Half-year Financial Report

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

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



KPMG



Graham Hogg  
*Partner*  
Perth  
13 March 2019