

QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2019

1HFY2020 GUIDANCE ACHIEVED FOLLOWING DECEMBER QUARTER PRODUCTION OF 33,235oz

AISC for the quarter of \$1,737/oz (1HFY2020 \$1,562/oz) also within guidance

Mt Morgans Gold Operations (MMGO)

- 33,235 ounces produced in December quarter for total 1HFY2020 of 75,237 ounces in line with guidance of between 67,000-77,000 ounces
- December quarter MMGO AISC of \$1,737/oz
- 1HFY2020 MMGO AISC of \$1,562/oz was also in line with guidance
- December quarter saw increased capital investment in waste stripping at the Heffernans open pit and advancing of underground diamond drilling activities at Westralia

Exploration

- Infill drilling continued at Phoenix Ridge as work progresses towards a Mineral Resource update in the June quarter

Corporate

- Total cash and equivalents at 31 December 2019 totalled \$43.0 million (see Figure 6)
- Total debt remained at \$94.7 million
- Total forward hedge position as of 31 January 2020 was 129,288 ounces at an average of A\$1,962/oz
- In January 2020, the Company implemented a put option program for 67,608 ounces at an average strike price (net of costs) of A\$2,050/oz
- Experienced mining engineer Leigh Junk appointed as Managing Director on 6 January 2020

Upcoming News Flow

- Annual Ore Reserve and Mineral Resource statements, with an updated Life-of-Mine plan, will be released week commencing 24 February 2020

Dacian Gold Ltd (**Dacian Gold or the Company**) (ASX: DCN) is pleased to provide its operating and financial results for the December quarter, 2019.

OPERATIONS

The Company's Total Recordable Injury Frequency Rate (**TRIFR**) for the quarter was 19.4 (versus 19.0 in the prior quarter) including one lost time injury.

MMGO produced 33,235 ounces during the December quarter at an MMGO AISC of \$1,737/oz. Total production for 1HFY2020 was 75,237 ounces, in line with the Company's guidance of between 67,000-77,000 ounces.

AISC for the 1HFY2020 was \$1,562/oz, commensurate with guidance expectations of costs being higher over the first half of FY2020 versus annual guidance of \$1,400-\$1,500/oz.

Lower gold production when compared to the September quarter was primarily a function of a lower average mill feed grade. The mill feed grade was in line with forecast expectations due to mining lower grade ore zones in both the Westralia underground and more specifically, the Jupiter open pit.

Processing performance was strong during the quarter, with a new mill throughput record of 776,247 ore tonnes.

2.5 MTPA CIL PROCESSING PLANT

A record total of 776,247 ore tonnes was processed during the quarter at an average feed grade of 1.5g/t gold (see Figure 1) for 36,215 contained ounces.

The processing plant continues to consistently operate above design throughput rates as it has done since commissioning with throughput for the quarter at an annualised rate of 3.1Mtpa.

A total of 33,235 ounces was produced for the quarter, representing a plant recovery of 92%.

DQ FY20	Unit	DQ
Processing		
Ore Milled	kt	776
Processed Grade	g/t	1.5
Contained Gold	oz	36,215
Gold Recoveries	%	92.0%
Mill Throughput	tpd	8,434
Processing	\$/t	16.5
G&A	\$/t	3.3
Gold Produced	oz	33,235
Gold Sold	oz	35,046
Gold-on-Hand	oz	7,564
Average Sell Price	A\$/oz	1,876
AISC (Produced Gold)	A\$/oz	1,737

Figure 1: Key Processing Statistics for the December Quarter at MMGO

UNDERGROUND – WESTRALIA MINE AREA

The Westralia underground mined 214,783t @ 2.4g/t gold for 16,351 contained ounces during the December quarter (see Figure 2). Whilst ore tonnes hauled was an improvement on the previous quarter, the reduced contained metal was a result of mining lower grade areas.

Ore was produced from stoping and development activities from both the Beresford and Allanson mine areas, with stoping contributing approximately 60% of the mined ore tonnes.

Development rates during the quarter exceeded 1,000 metres per month, in line with forecast expectations.

A total of 35,582m of diamond grade control drilling was completed during the quarter.

DQ FY20	Unit	DQ
Underground		
Stope Ore Mined	kt	125
Development Ore Mined	kt	89
Total Ore Mined	kt	214
Mined Ore Grade	g/t	2.4
Contained Gold Mined	oz	16,351
Ore Mining Rate	tpd	2,326
Metres Developed - Capital	m	979
Metres Developed - Operating	m	2,144
Total Development	m	3,123
Underground Mining Cost	\$/t ore mined	128

Figure 2: Key Underground Statistics for the December Quarter at MMGO

OPEN PIT – JUPITER MINE AREA

The Jupiter open pit mined 271,539t @ 1.1g/t gold for 9,353 contained ounces during the December quarter (see Figure 3).

Mining was solely focussed on Stage 2 of the Heffernans sub-pit following completion of Stage 1 during the previous quarter, with a total of 1.9 million BCM of material moved.

The average mined ore grade for the December quarter was lower, as expected, than the previous quarter due to mining narrow, lower grade ore zones, located in the hanging wall to the Cornwall Shear Zone (CSZ). This also resulted in reduced ore tonnes mined versus the previous quarter, in line with expectations.

DQ FY20	Unit	DQ
Open Pit		
Ore Mined	kt	272
Mined Ore Grade	g/t	1.1
Contained Gold Mined	oz	9,353
Ore Mining Rate	tpd	2,946
Waste Mined	kbcm	1,788
Open Pit Mining	\$/t moved	3.4

Figure 3: Key Open Pit Statistics for the December Quarter at MMGO

Mining will continue to be solely focussed on Stage 2 of the Heffernans pit, driving the pit floor down to the broad, high grade CSZ during H2 of FY2020.

A total of 13,377m of RC grade control drilling was completed during the quarter.

EXPLORATION

Infill diamond drilling has commenced across the Phoenix Ridge project following the completion of the maiden Inferred Mineral Resource (see ASX release 3 October 2019). The Phoenix Ridge project is located 650m north of the Allanson underground operation (see Figure 4 below). Initial results (see ASX release 25 November 2019) included the following significant intercepts:

- 23.1m @ 30.2g/t Au from 267.7m in 19MMDD0542
- 19.1m @ 5.1g/t Au from 223.6m in 19MMDD0520
- 2.4m @ 47.5g/t Au from 313.35m in 19MMDD0532
- 10.2m @ 3.0g/t Au from 235.6m in 19MMDD0533
- 3.75m @ 4.8g/t Au from 162.95m in 19MMDD0540

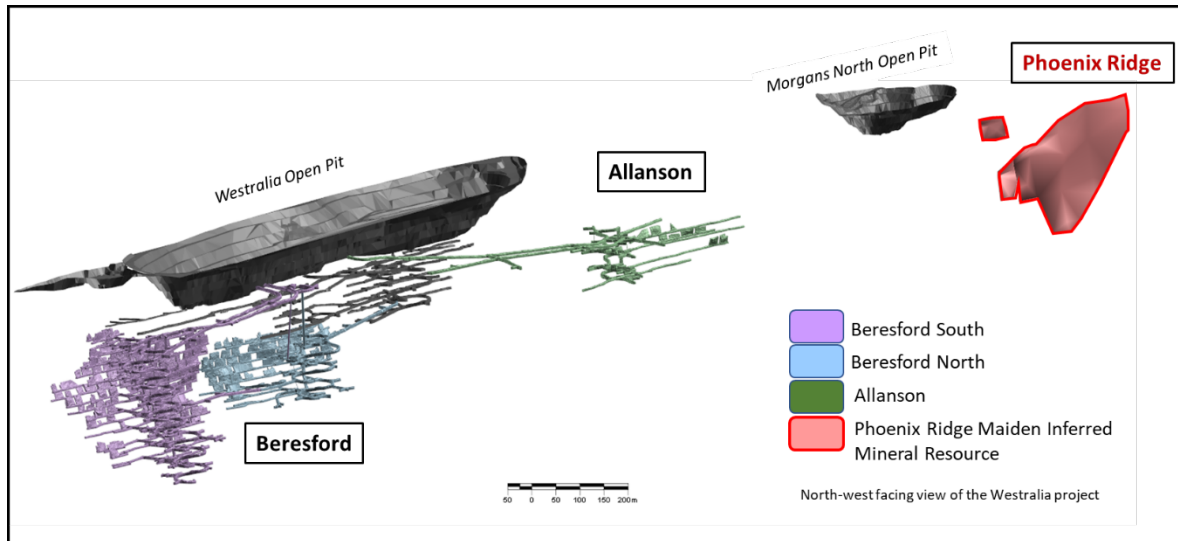


Figure 4: Location of the Phoenix Ridge deposit north (to the right) of the Beresford and Allanson gold mines that comprise the operating Westralia Mine Area.

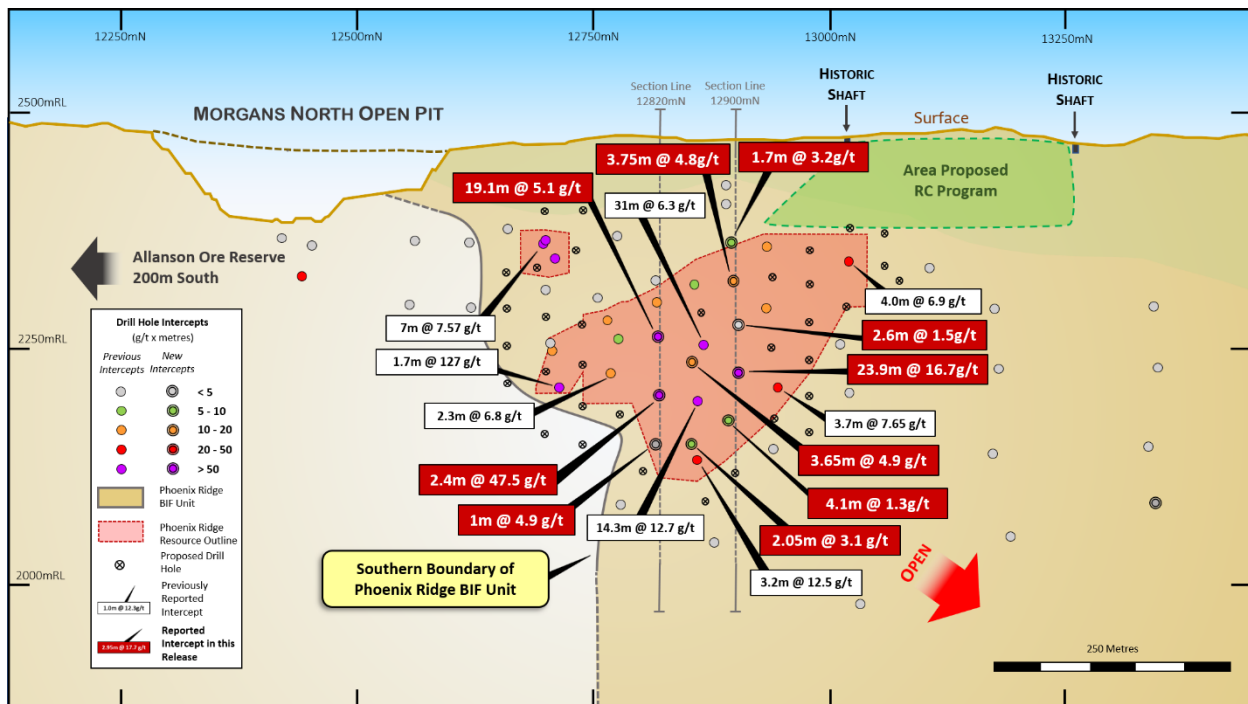


Figure 5: Longitudinal section showing the 40m x 40m infill drilling results of the 125,000oz @ 8.1g/t Au Phoenix Ridge Inferred Mineral Resource (red shade): new intersections are shown as red labels and previously released intersections as white labels (see ASX releases 20 June 2019 and 5 August 2019). Proposed infill holes that are part of the ongoing drilling program are shown as crosses.

The aim of the 40x40m spaced infill program across Phoenix Ridge (see Figure 5) is to confirm the current geological interpretation and provide sufficient drilling support for the preparation of an Indicated Mineral Resource by the end of the June quarter.

CORPORATE

At 31 December 2019 the Company had total cash and equivalents of A\$43.0 million (\$28.1 million cash and \$14.9 million in unsold gold), a decrease from A\$54.0 million (prior to payables adjustment) at the end of the September quarter.

The Company is changing its timing on creditor payments moving forward and is normalising its reported cash and equivalents position as per Figure 6 below.

	\$M
Cash & Equivalents as at 30 September 2019	54.0
Creditors paid 1 October 2019	(17.0)
Other adjustments	(2.6)
Normalised Cash & Equivalents as at 30 September 2019	34.4
<u>December Quarter</u>	
Sales receipts net of hedging	62.6
Operating costs & sustaining capital costs including royalties	(49.6)
Corporate, exploration & finance costs plus interest income	(4.4)
Cash & Equivalents 31 December 2019	43.0
Creditors paid 1 January 2020	(17.9)
Normalised Cash & Equivalents as at 31 December 2019	25.1

Figure 6: Normalised Cash & Equivalents as at 31 December 2019

Total cash reduced quarter-on-quarter as a result of planned lower gold production during the period, where ongoing investment in Heffernans open pit continued and underground diamond drilling activities at the Westralia underground accelerated.

Gold sales for the quarter totalled 35,046 ounces at an average sale price of \$1,876/oz for total revenue of \$65.7 million. Gold-on-hand at the end of the quarter was 7,564 ounces.

The Company's total debt position was \$94.7 million, unchanged from the previous quarter, however a \$7.0 million payment was made into a restricted cash account for debt repayment at the end of March, together with the scheduled debt repayment of \$17.7 million (for a total of \$24.7 million).

During the quarter, the Company initiated and completed a modification of its project debt facility repayment schedule to better align repayments with December quarter gold production and future operating forecasts (see Figure 7).

Repayment Schedule	Amount Due
31-Mar-20	\$24.7
30-Jun-20	\$4.6
30-Sep-20	\$12.3
31-Dec-20	\$10.6
31-Mar-21	\$7.0
30-Jun-21	\$11.0
30-Sep-21	\$5.1
31-Dec-21	\$4.2
31-Mar-22	\$6.5
30-Jun-22	\$8.7
TOTAL	\$94.7

Figure 7: Project Facility Repayment Schedule through to June 2022

Subsequent to the end of the December quarter, additional hedging of 49,788 ounces at an average price of \$2,266/oz was undertaken, covering the period from September 2020 to June 2021. The Company's total hedging obligations of 129,288 ounces at an average price of \$1,962/oz are shown in Figure 8 below.

Also subsequent to the end of the December quarter, the Company implemented a put option regime covering 67,608 ounces at a strike price of \$2,050/oz (net of costs) through to June 2021. The put options provide a minimum gold price floor over the tenor of the hedge. This hedging offers a level of protection of the Company's cash flows as it services its debt repayment obligations and allows full participation in higher spot gold prices.

Figure 8 summarises the Company's total hedge commitments and outstanding put options as at 31 January 2020.

Hedge Position 31 January 2020	MQ 2020	JQ 2020	SQ 2020	DQ 2020	MQ 2021	JQ 2021	Total
Forward Sales (oz)	22,332	33,168	12,300	19,119	20,205	22,164	129,288
Hedged Gold Price (A\$/oz)	\$1,806	\$1,768	\$2,007	\$2,102	\$2,112	\$2,126	\$1,962
Put Options (oz)	-	3,600	27,477	15,210	10,818	10,503	67,608
Floor strike price net of option cost (A\$/oz)	-	\$2,081	\$2,064	\$2,049	\$2,034	\$2,018	\$2,050
Total Hedged Ounces (Forwards + Options)	22,332	36,768	39,777	34,329	31,023	32,667	196,896

Figure 8: Summary of total hedge and put option commitments as at 31 January 2020

Shares on issue as at the date of this report are 228.4 million with an additional 1.25 million options outstanding and 1.7 million Performance Rights.

On 20 December 2019, the Company announced that highly experienced mining engineer, Leigh Junk will join the Company as Managing Director, commencing 6 January 2019.

The Company also advises that its previously announced strategic review process is ongoing and an update on its progress will be provided during the March quarter.

UPCOMING NEWS FLOW

The Company plans to release its annual Ore Reserves and Mineral Resources statements by the end of February 2020.

In conjunction with its annual Ore Reserves and Mineral Resources, an updated Life-of-Mine plan will also be released.

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

The Company confirms that it is not aware of any new information or data that materially affects the information in the relevant ASX releases and the form and context of the announcements has not materially changed. The Company confirms that the form and context in which the competent persons findings are presented have not been materially modified from the original market announcement.

For further information please contact:

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APPENDIX – TENEMENT SCHEDULE (with respect to tenement changes in the quarter, refer to Appendix 5B, sections 6.1 and 6.2).

Tenement Type	Tenement	Status	Location	Ownership
E	39/1950	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/1951	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/1967	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/2002	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	38/4486	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
E	38/2951	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/1310	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/1713	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/1787	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/2004	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/2017	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/2020	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	39/2038	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
E	38/3211	Granted	Mt Morgans WA	Dacian Gold Ltd (90%) Jindalee Resources Limited (10%)
E	38/3272	Granted	Mt Morgans WA	Dacian Gold Ltd (90%) Jindalee Resources Limited (10%)
M	39/1135	Application	Mt Morgans WA	Dacian Gold Ltd (90%) Jindalee Resources Limited (10%)
L	39/0057	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
L	39/0244	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
L	39/0246	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
L	39/0283	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
M	38/0395	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	38/0396	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	38/0548	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	38/0595	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	38/0848	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0018	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0036	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0208	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0228	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0236	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0240	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0248	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0250	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0261	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0264	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0272	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0273	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)

Tenement Type	Tenement	Status	Location	Ownership
M	39/0282	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0287	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0291	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0295	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0304	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0305	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0306	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0333	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0380	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0390	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0391	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0392	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0393	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0394	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0395	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0403	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0441	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0442	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0443	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0444	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0497	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0501	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0502	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0503	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0504	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0513	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0745	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0746	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0747	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0799	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0937	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0938	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/0993	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/1107	Granted	Mt Morgans WA	Mt Morgans WA Mining Pty Ltd (100%)
M	39/1120	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)

Tenement Type	Tenement	Status	Location	Ownership
M	39/1122	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/1129	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/1133	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
M	39/1137	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5377	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5469	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5498	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5823	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5825	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5826	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5827	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5828	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5829	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5830	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/5865	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/6060	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/6121	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/6122	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
P	39/6123	Application	Mt Morgans WA	Dacian Gold Ltd (100%)
P	38/4466	Granted	Mt Morgans WA	Dacian Gold Ltd (100%)