

ANNUAL REPORT

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**DACIAN**  
GOLD

# CORPORATE DIRECTORY

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## **Directors**

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

## **Company Secretary**

Kevin Hart

## **Registered Office and Principal Place of Business**

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1 Preston Street  
Como WA 6152 Australia

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Email: [info@daciangold.com.au](mailto:info@daciangold.com.au)

## **Auditor**

KPMG  
235 St Georges Terrace  
Perth WA 6000 Australia

## **Share Registry**

Computershare Investor Services Pty Ltd  
Level 11  
172 St Georges Terrace  
Perth WA 6000 Australia

## **Stock Exchange Listing**

The Company's shares are quoted on the Australian Securities Exchange. The home exchange is Perth, Western Australia.

## **ASX Code**

DCN – Ordinary shares

## **Company Information**

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

The Company is domiciled in Australia.



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## CHAIRMAN'S LETTER

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### Dear Fellow Shareholders,

On behalf of your Board of Directors I am pleased to present to you, Dacian Gold Limited's 2020 Annual Report.

Dacian has undergone a significant evolution through this past year as it navigated the transition from gold developer to producer. The transition required a significant re-setting of the bar at Mt Morgans to position the operation to realise its full potential going forward.

Following the retirement of our Executive Chairman, Rohan Williams, in January this year, the Company announced the appointment of Leigh Junk as Managing Director. Leigh has been instrumental in guiding the Company through a challenging period that included updating our Mineral Resources and Ore Reserves and establishing a three-year operating outlook for FY2021-2023.

The culmination of this effort was the recapitalisation of Dacian in April with a \$98 million equity raise that reduced our overall debt position, while also providing the capital the Company needed to invest in pre-stripping at its Jupiter open pit and increasing its investment in exploration across our underexplored tenement package.

In the year under review, the Company produced 138,814oz at a Mt Morgans Gold Operation AISC of \$1,619/oz, generating \$23.0 million in operating cash flow. The Company's treatment plant set a record mill throughput for the year of 2.96 million tonnes and has performed above design capacity consistently since commissioning in March 2018. A significant milestone was also achieved during the year with the Company passing 300,000oz of gold produced since the plant was commissioned.

The Company's three-year outlook presents a compelling proposition going forward, producing an average of 110,000oz pa at an AISC of \$1,425/oz. Underpinning this outlook are Mineral Resources and Ore Reserves totalling a robust 2.1Moz and 0.8Moz, respectively.



The Company also took the decision in February to suspend the Westralia underground operation while re-optimising activities are undertaken. Since the commencement of mining, 190,766oz have been produced at Westralia, a significant achievement. However, a reassessment of the most optimal economical approach is required. We plan to update the market accordingly during FY2021 to unlock the potential remaining at Westralia, as well as our other underground deposits which collectively total approximately 1.1Moz in Mineral Resources.

The Company is excited about its exploration potential and has increased its investment considerably for FY2021. Numerous targets have been identified and are being followed up with the aim of providing a continuous future ore supply for our processing plant, including both greenfields and near mine opportunities.

Our balance sheet has strengthened with a significant reduction in our debt position to \$64.1 million and our net debt position to \$6.8 million at 30 June 2020,

while our hedge position also continues to fall. This is projected to solidify further during FY2021 as our average realised gold price is set to increase given the ongoing extinguishment of our hedges and the buoyant market conditions for gold.

On behalf of the Board I would like to thank our executive management team and all our employees for their tremendous efforts during this time of transition. I would also like to thank all our other stakeholders and in particular our shareholders for their support and look forward to a period of prosperity and the realisation of the full potential of the Company in the period ahead.

A handwritten signature in black ink, appearing to read 'Ian Cochrane', written in a cursive style.

**Ian Cochrane**  
Non-Executive Chairman



## COMPANY HIGHLIGHTS FY2020

Solid operational year with robust gold production and cash flow generation.

### Operational

GOLD PRODUCTION

**138,814oz**

MMGO AISC

**\$1,619/oz**

ORE RESERVES UNDERPINNING THE  
COMPANY'S THREE YEAR OUTLOOK

**0.75Moz**

SIGNIFICANT MINERAL RESOURCE BASE  
PRESENTS OPPORTUNITY TO DEVELOP AND  
EXPAND THE MT MORGANS GOLD OPERATION

**2.1Moz**

### Financial

CASH FLOW FROM OPERATIONS

**\$23.0M**

REPAID DEBT DURING THE YEAR

**\$41.4M**

FOR A TOTAL DEBT AT 30 JUNE 2020

**\$64.1M**

CASH AND GOLD ON HAND  
BALANCE SHEET SET TO FURTHER STRENGTHEN  
DURING FY2021 AS HEDGE POSITION REDUCES

**\$57.3M**

NET DEBT POSITION

**\$6.8M**

# REVIEW OF OPERATIONS

## OVERVIEW

Dacian Gold Limited's (Dacian) Mt Morgans Gold Operation (MMGO) is located 25km west of Laverton and approximately 750km north-east of Perth in Western Australia (see Figure 1). The Company maintains significant infrastructure at MMGO through its large open pit, extensive underground investment and recently commissioned 2.5Mtpa processing plant.

The MMGO is a 608km<sup>2</sup> tenement package comprising predominantly granted mining leases. It is situated in the Laverton gold district, which is known to contain approximately 30 million ounces of gold, making it the second highest endowed gold district in Western Australia, after Kalgoorlie.



Figure 1: Location of Dacian's Mt Morgans Gold Operation in Western Australia

## Three Year Production Outlook

In February 2020, the Company announced a Mineral Resource and Ore Reserve update and corresponding three-year production outlook for FY2021-2023 that focused on establishing a sustainable operation with a robust platform to pursue its growth objectives.

Prior to the end of FY2020, the Company announced a three year production outlook totalling 325,000oz with FY2021 being 110,000-120,000oz and FY2022-2023 at 100,000-110,000oz per annum.

A summary of the updated FY2021-2023 operating outlook is provided below.

Table 1: Summary of FY2021-2023 Operating Outlook

	FY2021	FY2022	FY2023	Three Year Outlook
Production	110-120koz	100-110koz	100-110koz	325koz
AISC	\$1,400-\$1,550/oz	\$1,400-\$1,550/oz	\$1,250-\$1,400/oz	\$1,425/oz
Development Capital	\$55M	\$18M	nil	\$73M

To supplement and extend the Company's three year outlook, accelerated near mine exploration programs have commenced which aim to rapidly develop a pipeline of advanced projects and new discoveries through a combination of early stage green fields exploration and advanced stage exploration projects through RC drilling and targeted diamond drilling.

# REVIEW OF OPERATIONS

The exploration approach is multi-faceted and focused on near-term, near mine production, additional potential replacement base load ore sources as well as a high-grade underground contribution. The Company has several exploration targets that are being actively pursued, including:

## + Underground Targets

- + Phoenix Ridge high-grade deposit
- + Transvaal Deposit
- + Craic Deposit
- + Westralia Deposit

## + Near Term, Near Mine

- + Jupiter extensional drilling
- + Doublejay resource upgrade program
- + Ganymede resource upgrade program
- + Mt Marven extensional drilling

## + Drill ready advanced targets

- + Cameron Well syenite target
- + Mt McKenzie target
- + McKenzie Well target
- + Mt Marven South shear zone prospect

## Financial Year 2020 Overview

**Table 2: Gold Recovery and Sales**

	Unit	SQ	DQ	MQ	JQ	FY2020
Gold Recovered	oz	42,002	33,235	31,695	31,883	138,814
Gold Sales	oz	38,101	35,046	36,933	30,866	140,946
Realised Average Price	A\$/oz	1,996	1,876	1,982	1,765	1,912
Gold Revenue	A\$M	76.03	65.75	73.22	54.49	269.49
Gold on Hand	oz	9,462	7,564	2,406	2,980	2,980

The 2019 Mineral Reserve and Resource update (refer ASX announcement 27 February 2020) estimated total Mineral Resources for MMGO of 32.0Mt @ 2.0g/t for 2.1Moz and total Ore Reserves of 16.9Mt @ 1.4g/t for 754,000 oz. A key change from the 2018 Mineral Resource estimate was a significant reduction in Mineral Resources at the Westralia underground operation to a total of 3.9Mt @ 5.2g/t for 655,000oz.

With the prioritisation of open pit production, capital development at Westralia underground ceased in May 2020 with final ore production from underground operations being completed in August 2020. The Westralia underground operations are currently undergoing optimisation studies to determine an optimal mining approach encompassing all underground deposits and projects across MMGO.

Full year production for FY2020 totalled 138,814 ounces at an MMGO AISC of \$1,619/oz, within guidance of 138,000-144,000 ounces at an MMGO AISC of between \$1,550-\$1,650/oz.

The Company continues to reduce its hedging commitments with its total program at 30 June 2020 standing at 84,589 ounces at an average price of \$2,055/oz. The Company has no plans to add new hedges to its current program and plans to continue to reduce its hedge commitments and/or re-sculpt where appropriate to do so.

Below are the Company's total hedge commitments and outstanding put options as at 30 June 2020. The Company has materially completed delivery into lower priced hedges throughout FY2020, with FY2021 gold production set to be exposed to higher priced hedges from 1 July 2020 and an increased proportion of sales at spot prices.

As can be seen in Table 3, subsequent to the end of the financial year, the Company has reduced the hedging exposure further with a balance remaining at 30 September 2020 of 61,488 ounces at \$2,114/oz.

# REVIEW OF OPERATIONS

**Table 3: Summary of total hedge and put option commitments as at 30 June 2020**

Hedge Position at 30 June 2020	Sep Q 2020	Dec Q 2020	Mar Q 2021	Jun Q 2021	Total
Forward Sales (oz)	23,101	19,119	20,205	22,164	84,589
Hedged Gold Price (A\$/oz)	\$1,899	\$2,102	\$2,112	\$2,126	\$2,055
Put Options (oz)	-	5,070	-	-	5,070
Floor strike price net of option cost (A\$/oz)	-	\$2,089	-	-	\$2,089

## COVID-19 Response

Dacian has been proactive in its response to the COVID-19 pandemic and has implemented a range of protective and preventative measures to minimise disruption at MMGO.

MMGO, through its COVID-19 management plan, is continuing to operate unaffected by the pandemic, however, a number of changes have been made at the operation such that persons employed at the site have reduced exposure to potential sources of COVID-19, are able to abide by social distancing requirements and improved hygiene standards.

In the unlikely circumstance requiring a scaling-back of the operation, the Company has multiple levers it can engage including the processing of stockpile material totalling 4.4Mt @ 0.6 g/t for 79,000oz (approximately 19 months of processing material), providing a level of insulation for the business.

## Safety

Safety of our employees and contractors working at our sites is of the utmost importance. Prevention of future injuries through improvements in workplace culture, training and supervision together with learning from incidents to prevent recurrence is a key consideration for the Company. We expect on-going improvement in safety performance at MMGO as the business grows and matures.

The Company's rolling Total Recordable Injury Frequency Rate (TRIFR) calculated as 12 month rolling average was 23.3 at the end of FY2020 (FY2019: 17.6). Recordable injuries include those that result in any days lost from work or where an employee or contractor can only perform part of their normal work, as well as any injury that requires medical treatment.



# REVIEW OF OPERATIONS

## OPEN PIT MINING

A total of 2,060,049t @ 1.1 g/t gold containing 71,937 ounces was mined from the Jupiter open pits during FY2020.

Of the Jupiter open pits, the Heffernans sub-pit remained the primary source of high-grade ore feed to the processing plant. The upper Cornwall Shear Zone in the Stage 1 pit was mined early in the year, completing the Stage 1 pit. Stage 2 of the Heffernans pit has been mined concurrently with Stage 1 and by the June quarter, Stage 2 had also progressed to the upper boundary of the Cornwall Shear Zone.

Pre-stripping of the Doublejay Stage 1 pit commenced early in the June quarter as planned and will transition to become the dominant source of ROM ore feed during late FY2021.

Mining of a cut-back at the historical Mt Marven pit, located some 2km from the processing plant, commenced in July 2020 as planned and will be a further source of ROM ore feed throughout FY2021.

**Table 4: Key Open Pit Statistics for FY2020 at MMGO**

Q/Q FY20	Unit	SQ	DQ	MQ	JQ	FY2020
<b>Open Pit</b>						
Ore Mined to ROM	t	412	236	432	553	1,633
Mined Ore Grade	g/t	1.5	1.1	1.0	1.1	1.2
Contained Gold Mined	oz	20,496	8,665	14,083	19,590	62,834
Ore Mined to Low Grade Stockpile	t	40	35	43	309	427
Mined Ore Grade	g/t	0.6	0.6	0.6	0.7	0.7
Contained Gold Mined	oz	759	688	765	6,890	9,103
Waste Mined	kbcm	1,941	1,788	1,380	1,599	6,708
Total Ore Mined	t	453	271	475	862	2,060
Total Mined Ore Grade	g/t	1.5	1.1	1.0	1.0	1.1
Total Contained Gold Mined	oz	21,255	9,353	14,849	26,480	71,937



# REVIEW OF OPERATIONS

## UNDERGROUND MINING

The Westralia underground mined 756,422t @ 2.8 g/t gold for 68,758 contained ounces during FY2020.

Ore drive development was completed across the Beresford South, Beresford North and Allanson mine areas at Westralia in May 2020 as planned (see ASX announcement 31 July 2020) and stoping continued on remaining production levels. Mining ceased in August 2020 following the completion of these planned stopes.

**Table 5: Key Underground Statistics for FY2020 at MMGO**

Q/Q FY20	Unit	SQ	DQ	MQ	JQ	FY2020
<b>Underground</b>						
Metres Developed - Capital	m	1,244	979	753	189	3,164
Metres Developed - Operating	m	1,537	2,144	1,444	721	5,847
Stope Ore Mined	kt	135	125	137	101	498
Development Ore Mined	kt	67	89	64	38	258
Mined Ore Grade	g/t	3.1	2.4	2.9	3.1	2.8
Contained Gold Mined	oz	20,175	16,351	18,409	13,823	68,758

## Development of a Holistic Underground Strategy

MMGO currently has four underground projects in its pipeline, namely the Westralia, Phoenix Ridge and Transvaal deposits and the Craic project. As at 31 December 2019, underground Mineral Resources totalled approximately 1.1M ounces and the corresponding Ore Reserve was 260,000 ounces (before 2HFY2020 mining depletion; see ASX release dated 27 February 2020).

The Company is currently assessing the mining potential of all its underground deposits, with the view that a holistic strategy could optimise the Resource inventory. As a component of this assessment, the Company completed development of a 175m diamond drill drive in the Beresford North mine area during the June quarter to enable diamond drilling of potential high-grade ore blocks, located within an area of Inferred Mineral Resource.



# REVIEW OF OPERATIONS

With five declines already established between Westralia, Transvaal and Craic, the Company is evaluating an operating model that potentially encompasses all of the aforementioned underground deposits, with the model including:

- + Campaign style, ore block focus approach to underground mining;
- + Potential for a leaner operating model;
- + Fit-for-purpose development layout designs and excavation profiles to match revised mining strategy;
- + Mining blocks to be extracted over annual timeframes that support selective, smaller operations;
- + Multiple declines across deposits could be accessible simultaneously with each decline at different stages of the production life cycle and supporting continuous operations (i.e. drill out, development, stoping).

The Company believes the conceptual plan for its underground operations may deliver meaningful incremental high-grade ore feed and expects to complete a scoping study level of assessment in December 2020.

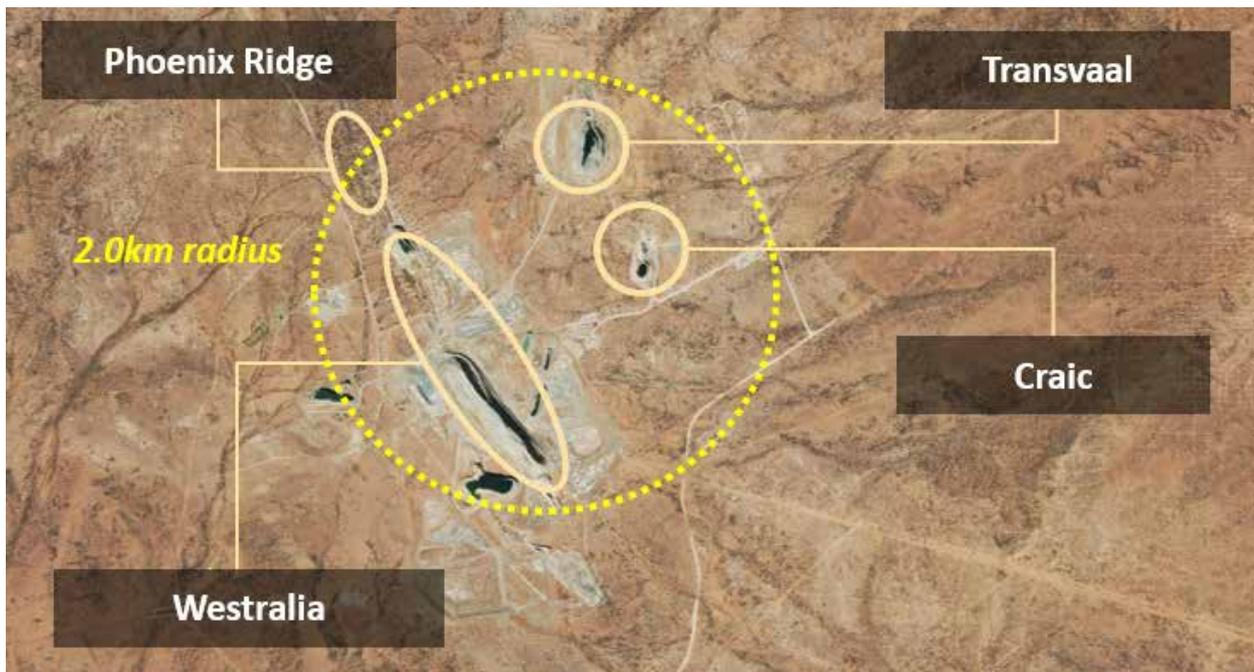


Figure 2: Potential underground production sources for MMGO

## PROCESSING, PRODUCTION AND COSTS

Full year gold production for FY2020 totalled 138,814 ounces at an MMGO AISC of \$1,619/oz, within guidance of 138,000-144,000 ounces at an MMGO AISC of between \$1,550-\$1,650/oz.

The processing plant performed consistently above nameplate capacity of 2.5mtpa, milling a record total throughput of 2.96 million tonnes of ore for the FY2020. During the June 2020 quarter the Company achieved a milestone of 300,000 ounces recovered since commissioning of the processing plant in March 2018.

Table 6: Key Processing Statistics for the 2020 financial year at MMGO

PROCESSING	Unit	SQ	DQ	MQ	JQ	FY2020
Ore Milled	t	765,105	776,247	708,425	714,348	2,964,125
Processed Grade	g/t	1.85	1.45	1.50	1.48	1.57
Contained Gold	oz	45,435	36,215	34,131	34,020	149,801
Gold Recovery	%	92.44%	91.77%	92.86%	93.72%	92.67%
Gold Recovered	oz	42,001	33,235	31,695	31,883	138,814
MMGO AISC	A\$/oz	1,423	1,737	1,811	1,562	1,619

# REVIEW OF OPERATIONS

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## EXPLORATION

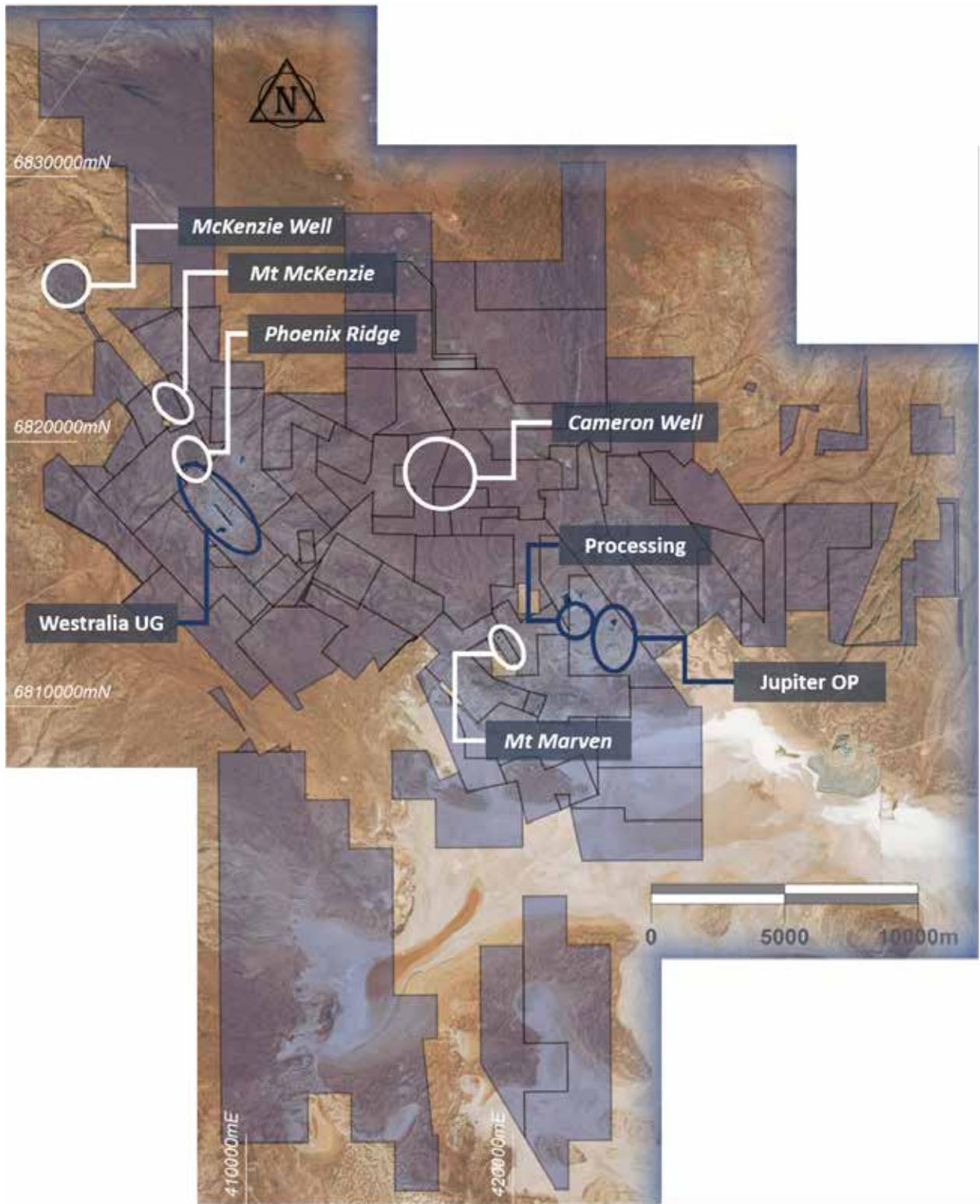
Dacian has embarked on a \$15 million multi-level exploration program to grow the Company's Mineral Resources and Ore Reserves. The program is targeting large potential base load ore feed to replace Jupiter at Cameron Well and the Mt Marven Shear Zone as well as satellite deposits at Mt Marven, Mt McKenzie and McKenzie Well to bolster annual production.

Drilling activities have been focussed across several projects including the underground Phoenix Ridge deposit and the open pit Mt Marven and Cameron Well deposits. In addition to these exploration projects, resource definition drilling across the near surface portion of the Morgans North deposit (at Westralia) and the Ganymede deposit (at Jupiter) have been targeted for near mine Mineral Resource updates during FY2021.

Results from recent drilling indicate strong potential for Mineral Resource growth over time (see ASX release 24 July 2020).



# REVIEW OF OPERATIONS



**Figure 3:** Location of advanced exploration projects across the MMGO

# REVIEW OF OPERATIONS

## Cameron Well

A framework diamond drilling program commenced in late July. The drilling aims to improve the Company's understanding of the broad structural controls, mineralisation styles and relative timing relationships between mineralisation and intrusive types.

The program includes an initial 11 diamond drill holes for 4,000m of drilling focussed on structural targets (see Figure 4 below).

The Company will use the information gained through the framework program to optimise FY2021 RC drilling that aims to grow the current Mineral Resources across the project.

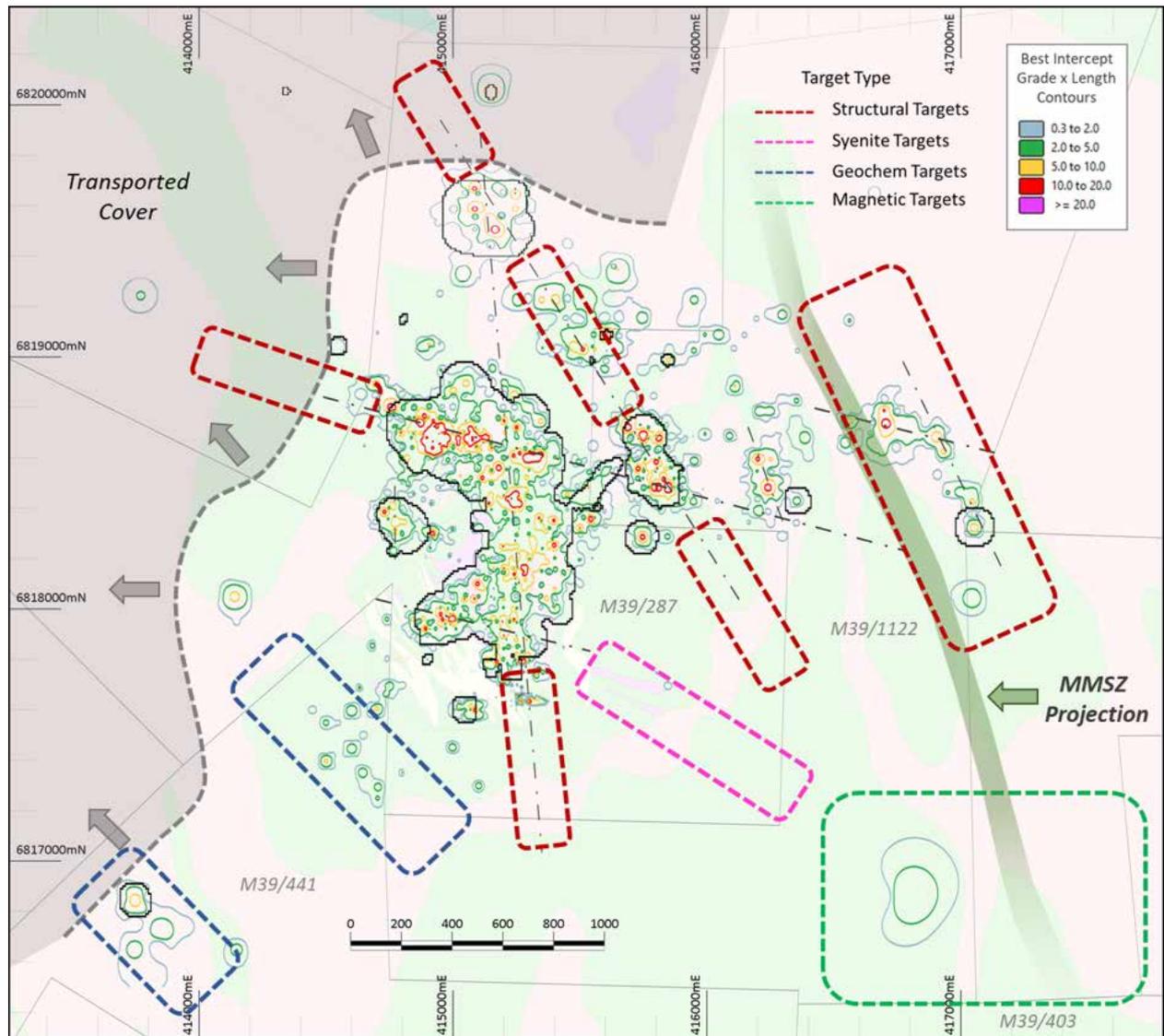


Figure 4: Geological plan of the Cameron Well project highlighting targets for the FY2021 exploration program

# REVIEW OF OPERATIONS

## Mt Marven

Five diamond holes for a total of 1,435m of drilling were completed below the current Mineral Resource and Ore Reserve for Mt Marven. Mt Marven is an open pit deposit, located nearby to Jupiter, that has been advanced by the Company in the last 12 months. Mt Marven hosts an initial Ore Reserve of 460,000t at 1.4 g/t for 20,000oz and is currently in production.

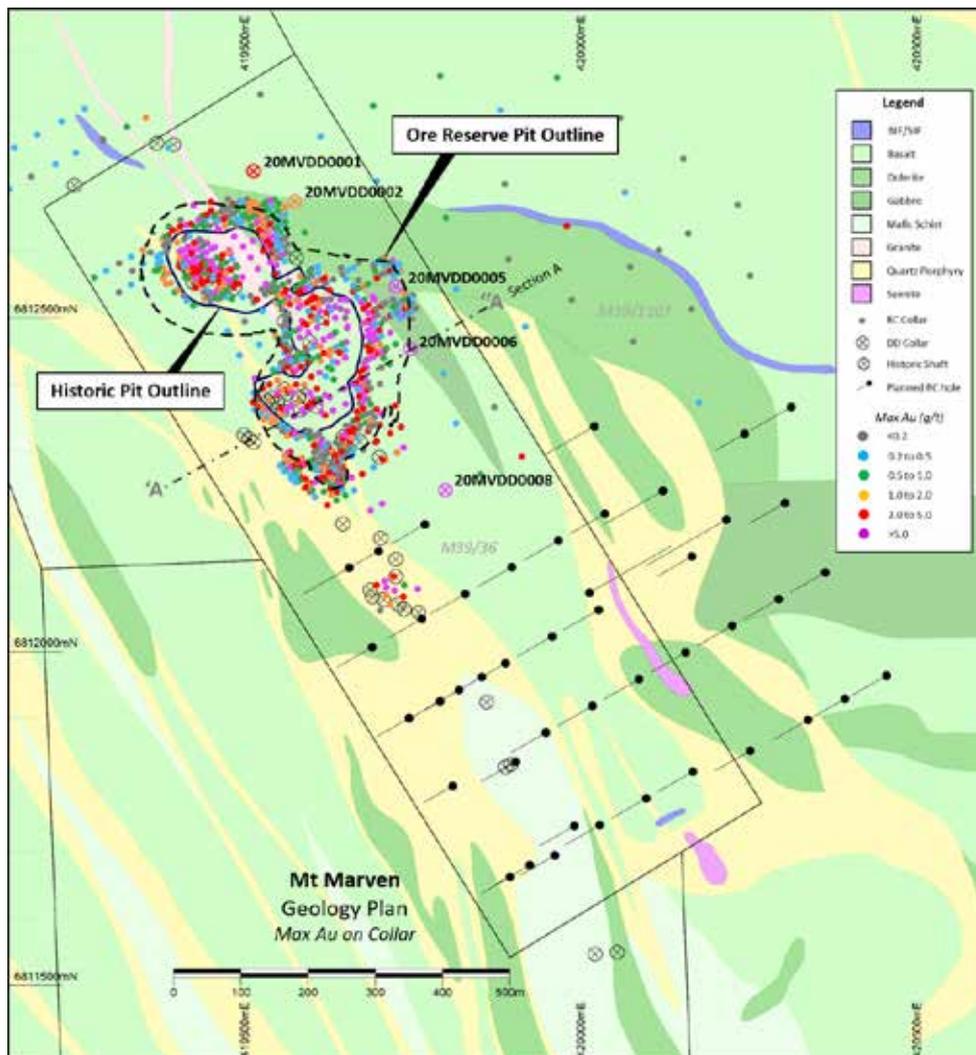
The extensional diamond drilling program was designed to test for grade continuity and structural repetitions below and to the east of the current Mineral Resource as well as providing structural data for future near mine exploration.

Figure 5 below shows the location of the diamond holes relative to RC drilling and the current pit design.

Highlights included:

- + 5.4m @ 2.9g/t Au from 166m in 20MVDD0006
- + 7m @ 1.7g/t Au from 101m in 20MVDD0006
- + 1m @ 13.2g/t Au from 199m in 20MVDD0006
- + 1m @ 4.5g/t Au from 171m in 20MVDD0008
- + 1.2m @ 3.2g/t Au from 80.6m in 20MVDD0005

Following the success of this program, near mine exploration south of the current open pit, to test for Mineral Resource extensions beyond the current pit design, is underway with a 5,000m RC program initiated, shown in Figure 5 below.



**Figure 5:** Interpreted bedrock geology map of the Mt Marven project depicting the location of RC drilling and the recently completed diamond drilling relative to the historic open pit and the current Ore Reserve open pit design. The approximate location of planned near mine exploration RC drilling south of the current Ore Reserve is also depicted.

# REVIEW OF OPERATIONS

## Phoenix Ridge

Infill drilling at Phoenix Ridge aims to upgrade the maiden Phoenix Ridge Mineral Resource of 481,000t at 8.1 g/t for 125,000oz (see ASX release dated 3 October 2019), located just north of the current Westralia underground deposits.

The Company believes Phoenix Ridge may form a part of its underground strategy as highlighted in its ASX announcement dated 13 July 2020.

A 40m by 40m spaced infill program across the extent of the Inferred Mineral Resource was designed to improve the geological confidence across the deposit in preparation for a Mineral Resource update in 2H CY2020. The drilling results have established that the extent of the Phoenix Ridge mineralisation is now well defined (see Figure 6).

A total of 38 diamond holes were completed for 11,300m at a spacing of 40m by 40m, with drilling indicating the grade and geometry of high-grade mineralisation is influenced by a number of cross cutting structures.

Highlights included:

- + 1.7m @ 16.7g/t Au from 96m in 20MMDD0573
- + 7.5m @ 4.2g/t Au from 221.4m in 20MMDD0557
- + 6.5m @ 3.3g/t Au from 324.5m in 20MMDD0518
- + 2m @ 12.0g/t Au from 224.2m in 20MMDD0559
- + 2.7m @ 5.5g/t Au from 292.7m in 20MMDD0560

In addition to the 40m by 40m drilling, 14 diamond holes for 4,000m at a spacing of 20m by 20m have also been completed. These holes were designed to further increase the drilling density within the high-grade core of the deposit.

Highlights included:

- + 8.7m @ 74.7g/t Au from 286.4m in 20MMDD0625W1
- + 14.9m @ 12.5g/t Au from 258m in 20MMDD0624
- + 5.2m @ 9.0g/t Au from 309.6m in 20MMDD0625
- + 5.4m @ 8.4g/t Au from 259m in 20MMDD0619
- + 8.5m @ 4.0 g/t Au from 239.6m in 20MMDD0618



# REVIEW OF OPERATIONS

Significant grades were also encountered within a sequence of banded iron formation (BIF) in the hangingwall (designated the Alpha Package), parallel to the Phoenix Ridge deposit with infill drilling defining a high-grade trend.

Highlights included:

- + 0.5m @ 715g/t Au from 299m in 20MMDD0518
- + 1.1m @ 70.4g/t Au from 288m in 20MMDD0560
- + 0.5m @ 87.2g/t Au from 246m in 20MMDD0625
- + 2m @ 23.1g/t Au from 205.3 in 20MMDD0624

A total of 33 RC holes for 3,500m of drilling was also completed, testing for a near surface expression to the north of the deposit with results indicating that there is no significant near surface mineralisation up-plunge of the defined Mineral Resource (see Figure 6).

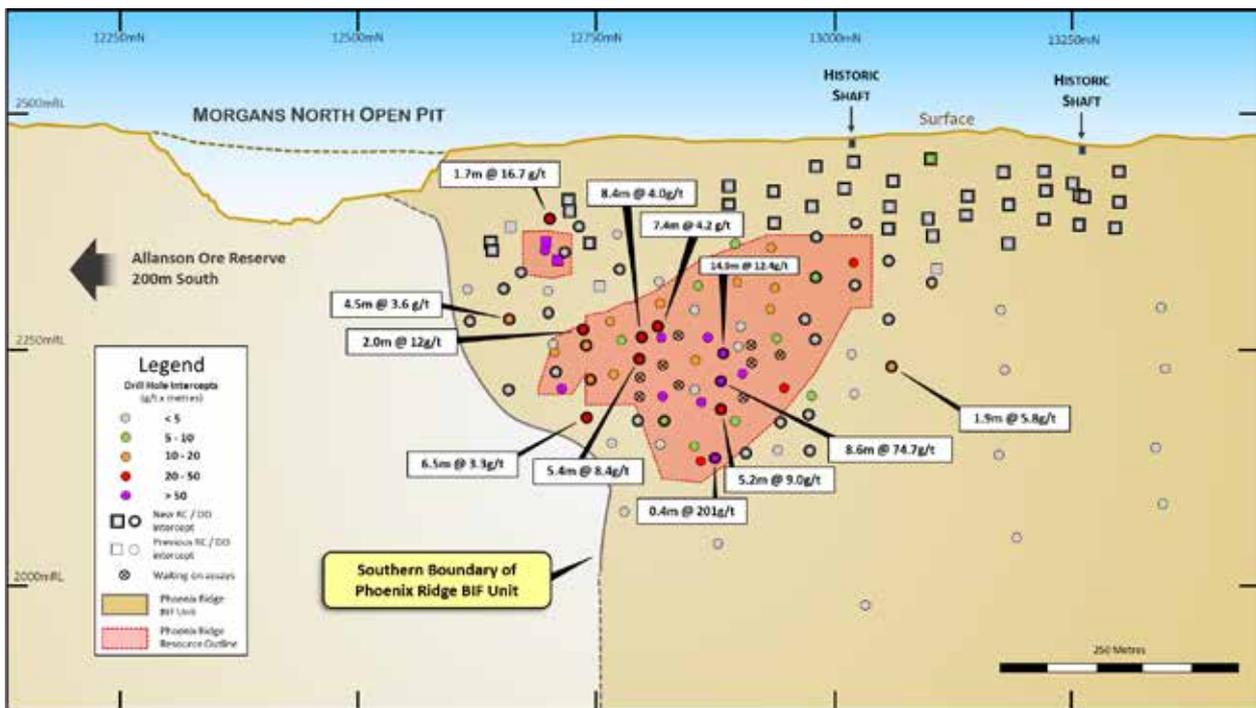


Figure 6: Longitudinal section depicting diamond and RC drilling intercepts across the Phoenix Ridge deposit



# REVIEW OF OPERATIONS

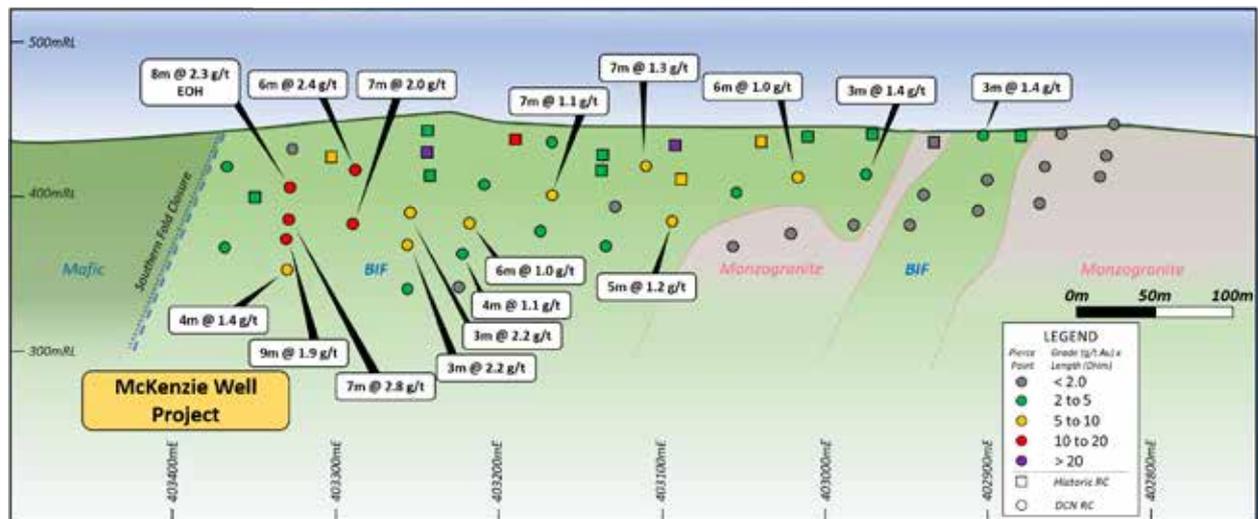
## McKenzie Well

Located approximately 12km north of Westralia, the McKenzie Well project has been targeted as part of the Company's FY2021 exploration program. Following a detailed mapping campaign completed in 2019 an RC drilling program was undertaken. RC results identified mineralised BIF along approximately 400m of strike, with higher grades occurring to the south of the deposit (see Figure 7).

Phase one of the 51 hole, 5,400m RC program for McKenzie Well was completed at a spacing of 40m by 40m along 500m of strike.

Highlights included:

- + 7m @ 2.8g/t Au from 78m in 20MWRC0043
- + 8m @ 2.3g/t Au from 53m in 20MWRC0037
- + 6m @ 2.4g/t Au from 47m in 20MWRC0035
- + 9m @ 1.9g/t Au from 92m in 20MWRC0038
- + 7m @ 2.0g/t Au from 85m in 20MWRC0036



**Figure 7:** A longitudinal section, south-west facing, across the Vipertooth BIF at McKenzie Well showing RC intercepts from the recently completed program along with historic RC intercepts completed between 1987 and 1990

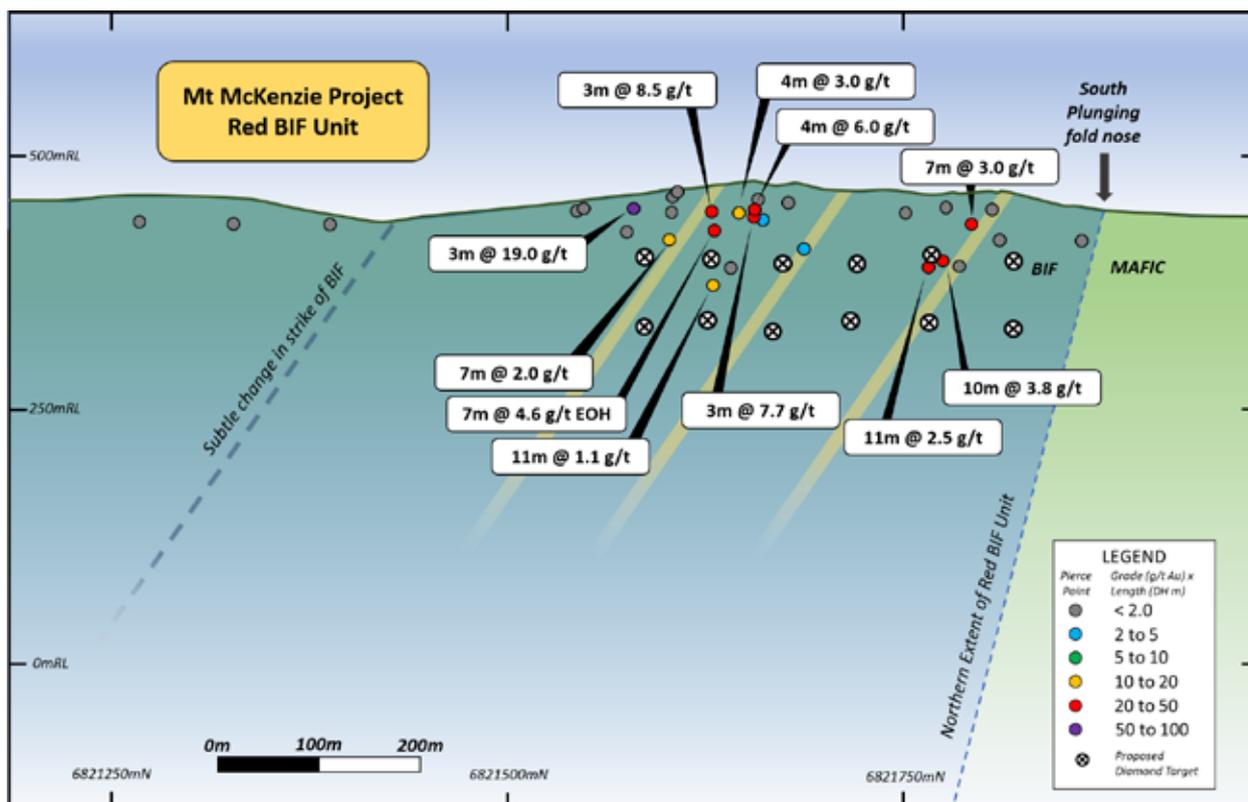


# REVIEW OF OPERATIONS

## Mt McKenzie

The Mt McKenzie project is located approximately 3.5km north of the Westralia underground. A number of RC drilling campaigns were completed between 1992 and 1998 targeting BIF hosted mineralisation associated with a series of cross-cutting north-south striking shears. This historic drilling identified a number of high-grade trends (see Figure 8 below) which have not been followed up since 1998.

Dacian has commenced a broad diamond drilling program composed of 12 diamond holes for approximately 3,000m of drilling that aims to test for the continuation of mineralisation at depth, better understand the style of mineralisation and provide structural and stratigraphic data for future targeting.



**Figure 8:** West facing longitudinal section across the Mt McKenzie project depicting RC intercepts within the first BIF within each RC hole. Pale yellow lines represent the interpreted position of mapped D3a structures that correlate with a number of historic RC intercepts. There is a major structural offset to the North where the BIF is folded along a large scale north-south trending structure

Dacian has refreshed its exploration approach to include discrete strategies for greenfields and advanced targets alongside dividing the tenement holdings into geologically separate packages.

Greenfields exploration across the defined geological packages requires an improved targeting resolution, utilizing multi-faceted mineralisation indicators. These include geophysical and geochemical datasets. The company plans to have all older geophysical datasets evaluated and supplemented with additional data and subsequently introduce new geophysical programmes. Remote sensing based structural and geomechanical modelling is also planned to supplement the targeting process. Presently, the regional geochemistry dataset does not provide comprehensive coverage, an evaluation of the existing multi-element data will be undertaken and consequently a strategic exploration programme is planned.

The objective of acquiring new geophysical, geochemical and geological data is to comprehensively test gold mineralised prospects both quicker and more cost effectively due to improved targeting.

# REVIEW OF OPERATIONS

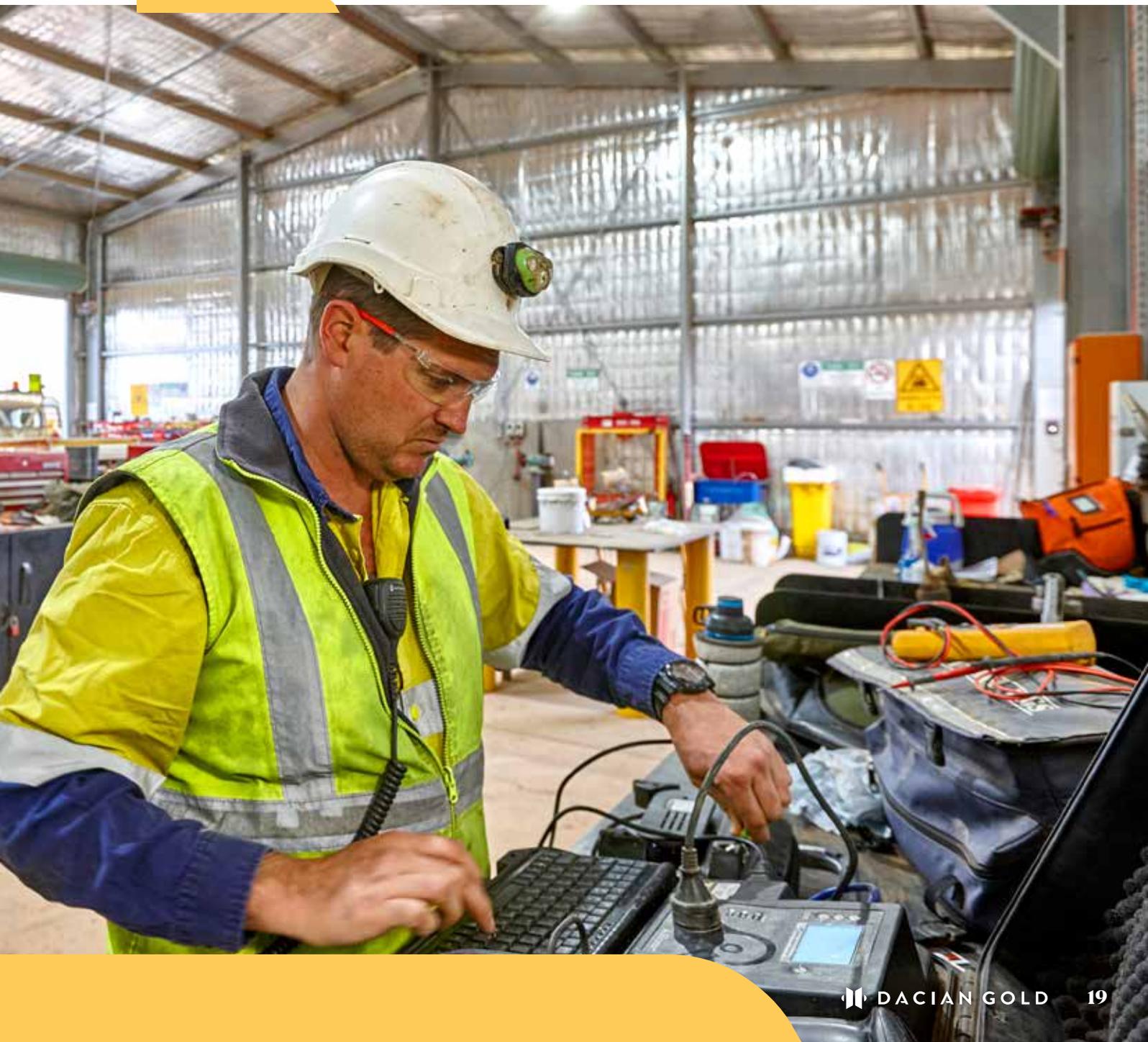
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## HUMAN RESOURCES

Dacian currently employs 129 direct employees across the mining operations, exploration, processing and support services. In addition to the direct employees, the Mt Morgans Gold Operation and Exploration division engages contractors to perform specialist mining operations and drilling services.

Our recruitment, selection and engagement strategy is based on selecting and retaining the best person for the role, irrespective of age, sex or cultural background. We value honesty and integrity, doing every job safely and working collaboratively as part of a team.

We have a commitment to the development of leaders for the future which is evidenced by our leadership development program and succession through the employment of graduates, university vacation students and apprentices. Employment opportunities continue to be offered to local and regional communities, including our participation in the 1000 Jobs package.



# REVIEW OF OPERATIONS

## COMMUNITY ENGAGEMENT

Dacian's aim is to build on its engagement with its local communities, respecting their diversity and culture and collaborating in various initiatives.

This collaboration has been in the capacity of providing support for employment opportunities, sporting events or funding assistance and has included:

- + Working with the National Indigenous Australians Agency and the Community Development Program (CDP) provider, Wirrpanda Foundation, to provide employment opportunities for members of the Yaaliku region (incorporating Laverton and Leonora) through the 1,000 Jobs Package. The 1,000 Jobs Package has been designed to increase employment opportunities in remote Australia for CDP participants.
- + Sponsorship of sporting and community events through the Mt Margaret Community School, Laverton School, Laverton Sports Club and Laverton Leonora Cross Cultural Association.



*Managing Director, Leigh Junk and General Manager of Mt Morgans Gold Operation, Ben McAllister, presented to the Mt Margaret Community School Principal, Debra Lamont, a much needed defibrillator for the Community.*

# RESOURCES AND RESERVES STATEMENT

## Mineral Resources

Mt Morgans Gold Operation (MMGO) total Mineral Resources estimate as of 31 December 2019 is shown in Table 7 below.

**Table 7: Total Mineral Resource estimate for MMGO as of 31 December 2019**

Deposit	Cut-off grade (Au g/t)	Measured			Indicated			Inferred			Total		
		Tonnes	g/t	Oz	Tonnes	g/t	Oz	Tonnes	g/t	Oz	Tonnes	g/t	Oz
Westralia UG	2.0	303,000	5.5	53,000	1,950,000	6.0	375,000	1,648,000	4.3	227,000	3,902,000	5.2	655,000
Ramornie UG	2.0	-	-	-	212,000	3.2	22,000	61,000	3.1	6,000	274,000	3.1	27,000
Transvaal UG	2.0	367,000	5.8	68,000	404,000	5.3	69,000	482,000	4.7	73,000	1,253,000	5.2	210,000
Morgans North	2.0	27,000	3.5	3,000	174,000	3.2	18,000	306,000	3.5	34,000	507,000	3.4	55,000
Phoenix Ridge UG	2.0	-	-	-	-	-	-	481,000	8.1	125,000	481,000	8.1	125,000
Jupiter UG	2.0	-	-	-	583,000	3.0	57,000	615,000	2.4	47,000	1,197,000	2.7	104,000
Jupiter OP*	0.5	917,000	1.2	35,000	13,891,000	1.3	584,000	1,182,000	1.1	42,000	15,990,000	1.3	661,000
Mt Marven OP*	0.5	-	-	-	469,000	1.8	27,000	42,000	1.5	2,000	511,000	1.8	29,000
Cameron Well OP*	0.5	-	-	-	2,511,000	1.1	89,000	373,000	1.3	16,000	2,884,000	1.1	105,000
Maxwells OP*	0.5	-	-	-	250,000	1.4	11,000	40,000	1.6	2,000	290,000	1.3	12,000
Mine Stockpiles	0.5	241,000	0.6	5,000	-	-	-	-	-	-	241,000	0.6	5,000
LG Stockpiles	0.5	938,000	0.7	22,000	-	-	-	-	-	-	938,000	0.7	22,000
Jupiter LG Stockpiles	0.5	3,494,000	0.5	57,000	-	-	-	-	-	-	3,494,000	0.5	57,000
<b>TOTAL</b>		<b>6,287,000</b>	<b>1.2</b>	<b>243,000</b>	<b>20,444,000</b>	<b>1.9</b>	<b>1,252,000</b>	<b>5,323,000</b>	<b>3.4</b>	<b>574,000</b>	<b>31,962,000</b>	<b>2.0</b>	<b>2,067,000</b>

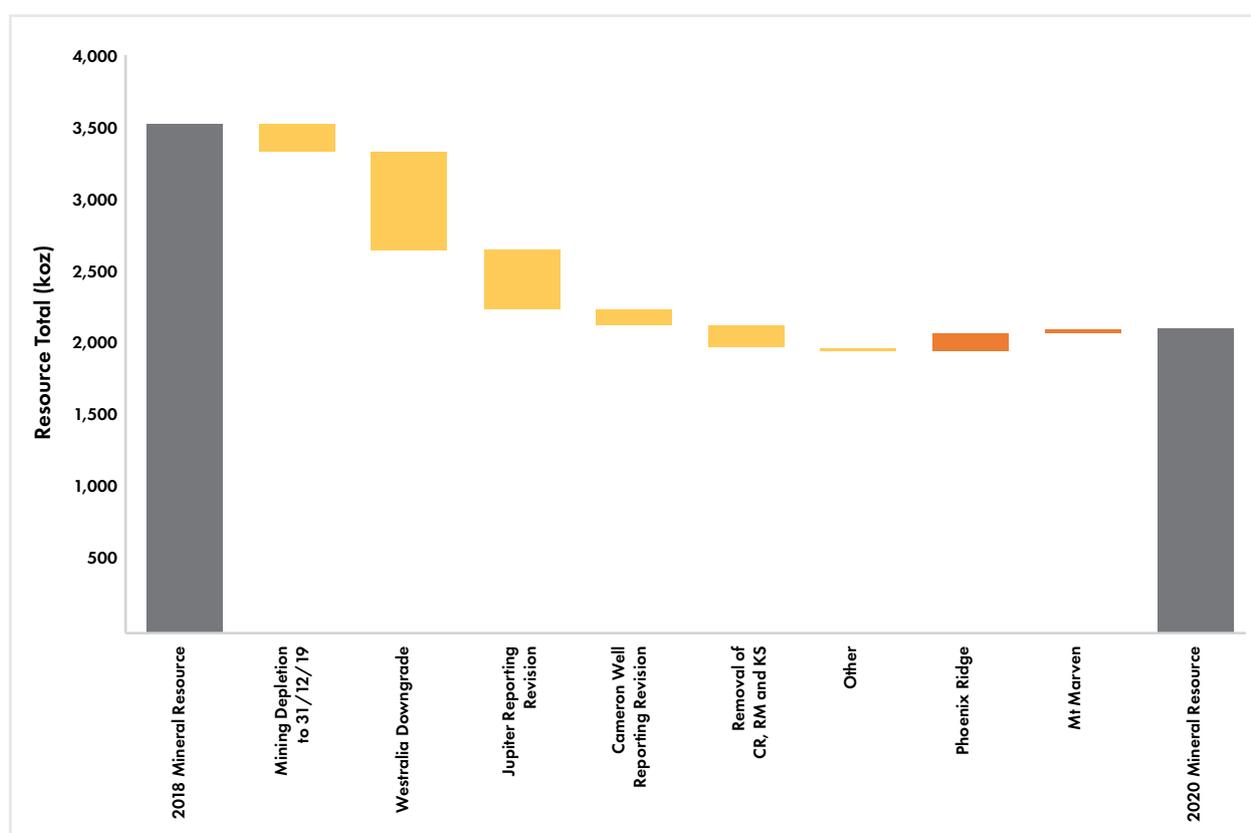
Please note totals may differ due to rounding

\*Reported within an A\$2,400/oz pit optimisation

# RESOURCES AND RESERVES STATEMENT

Key changes versus the 2018 Mineral Resource estimate are primarily driven by material reductions at the Westralia underground and a change in reporting method (to within an optimised pit shell) for open pit Mineral Resources, and include (post mining depletion) (refer to ASX announcement, 27 February 2020):

- + Total Mineral Resources reduced by 40% from 3.5Moz to 2.1Moz (including 52% reduction at Westralia from 1.5Moz to 0.7Moz)
- + Total Measured and Indicated (M&I) Mineral Resources reduced by 39% from 2.4Moz to 1.5Moz, including 55% reduction at Westralia from 989koz to 428koz
- + Total Inferred Mineral Resources reduced from 1.1Moz to 0.6Moz, including 50% reduction at Westralia from 528koz to 227koz
- + Jupiter M&I Mineral Resources reduced from 1.0Moz to 0.7Moz (reported within an optimized pit shell)
- + Cameron Well Total Mineral Resources reduced from 245koz to 105koz (reported within an optimized pit shell)
- + Maiden total Mineral Resource estimate for Mt Marven of 0.5Mt @ 1.8 g/t for 29koz



**Figure 9:** Key variances between 2018 versus 2019 Mineral Resources estimate for MMGO

The significant changes in the Mineral Resource versus the Company's 2018 Mineral Resource estimate are shown in Figure 9. In summary, post mining depletion, the reductions are primarily the result of:

- + Westralia:
  - + Increased diamond drilling densities across the Beresford and Allanson deposits with approximately 175,500m and 964 holes completed since the 2018 Mineral Resource estimate, resulting in reductions in previously assumed high grade domains, as well as reduced strike extent across the mine
  - + A revision in Mineral Resource classification methods applied to the Beresford and Allanson deposits, including tightening of classification boundaries between M&I and Inferred material
- + Jupiter and Cameron Well:
  - + In line with industry best practice for open pit resource estimation, the Company has revised its reporting methods for open pit resources. All open pit Mineral Resources are reported within an optimized pit shell using a A\$2,400/oz gold price and current mining parameters from the Jupiter operation

# RESOURCES AND RESERVES STATEMENT

## Ore Reserves

MMGO total Ore Reserve estimate as of 1 January 2020 is shown in Table 8 below.

**Table 8: Total Ore Reserve estimate for MMGO as of 1 January 2020**

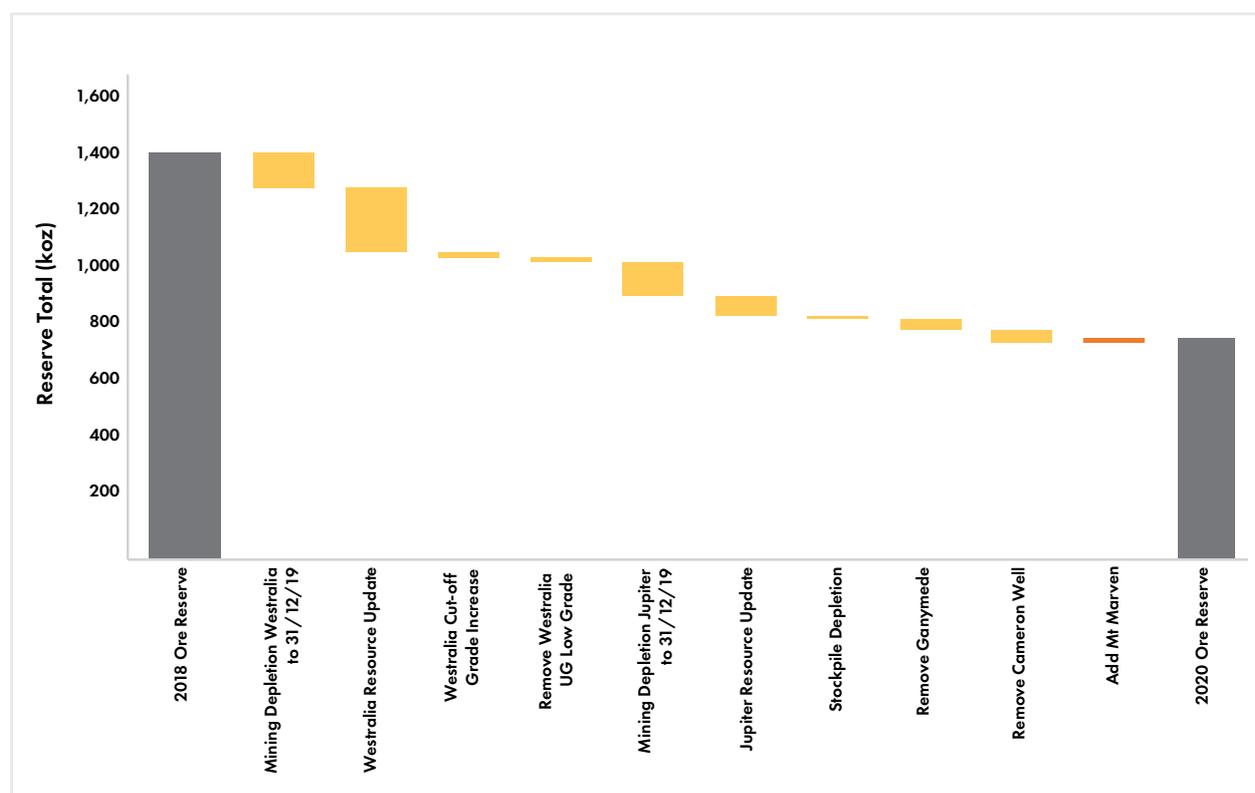
Deposit	Cut off Grade	Proved			Probable			Total		
	Au g/t	Tonnes t	Au g/t	Au oz	Tonnes t	Au g/t	Au oz	Tonnes t	Au g/t	Au oz
Jupiter OP	0.5	956,000	1.0	32,000	8,754,000	1.3	358,000	9,711,000	1.3	390,000
Mt Marven OP	0.5	-	-	-	460,000	1.4	20,000	460,000	1.4	20,000
Westralia UG	*0.5/2.2	172,000	3.6	20,000	1,332,000	4.1	175,000	1,504,000	4.0	195,000
Transvaal UG	1.4	193,000	4.7	29,000	325,000	3.4	36,000	518,000	3.9	65,000
Mine Stockpiles	0.5	241,000	0.6	5,000	-	-	-	241,000	0.6	5,000
Historical LG Stockpiles	0.5	938,000	0.7	22,000	-	-	-	938,000	0.7	22,000
Jupiter LG Stockpile	0.5	3,494,000	0.5	57,000	-	-	-	3,494,000	0.5	57,000
<b>TOTAL</b>		<b>5,994,000</b>	<b>0.9</b>	<b>165,000</b>	<b>10,871,000</b>	<b>1.7</b>	<b>589,000</b>	<b>16,866,000</b>	<b>1.4</b>	<b>754,000</b>

\* Development and stoping grades respectively. Rounding errors will occur.

Compared to the July 2018 Ore Reserve estimate, the updated Ore Reserves see a decrease in total Ore Reserves of 46%, from 1.4Moz to 0.8Moz. This is inclusive of a 65% decrease to the Westralia Underground Ore Reserve, from 557koz to 195koz. (Refer to ASX announcement, 27 February 2020).

The change in the updated Ore Reserves estimate compared to the July 2018 Ore Reserve is as shown in Figure 10. After mining depletion, the key variances are primarily driven by:

- + A material decrease to the Westralia Underground Mineral Resource
- + Removal of the Ganymede sub-pit from the Jupiter Open Pit Ore Reserve
- + Removal of Cameron Well from Ore Reserves



**Figure 10: Key variances between 2018 versus 2019 Ore Reserve estimate for MMGO**

# RESOURCES AND RESERVES STATEMENT

Since publishing the Ore Reserve estimate as at 1 January 2020, mining has been carried out at the Jupiter open pits and the Westralia underground. Table 9 and Table 10 provide the Ore Reserve estimate for the Jupiter open pit and Westralia underground (respectively) as at 30 June 2020 after depletion for mining.

**Table 9: Estimated Ore Reserves for the Jupiter Open Pit as at 30 June 2020 after depletion for mining**

<b>Ore Reserves - Jupiter OP</b>	<b>Tonnes (t)</b>	<b>Grade (g/t)</b>	<b>Contained Metal (oz)</b>
As at 1 Jan 2020	9,711,000	1.3	390,000
Depletion for mining	1,289,000	1.1	47,000
As at 30 Jun 2020	8,422,000	1.3	343,000

**Table 10: Estimated Ore Reserves for the Westralia Underground as at 30 June 2020 after depletion for mining**

<b>Ore Reserves - Westralia UG</b>	<b>Tonnes (t)</b>	<b>Grade (g/t)</b>	<b>Contained Metal (oz)</b>
As at 1 Jan 2020	1,503,715	4.0	195,120
Depletion for mining	399,850	3.4	44,105
As at 30 Jun 2020	1,103,865	4.3	151,015

## Governance

Dacian Gold maintains strong governance and internal controls in respect of its estimates of Mineral Resources and Ore Reserves and the estimation process.

Dacian Gold ensures its sampling techniques, data collection, data veracity and the application of the collected data is at a high level of industry standard. Contract RC and diamond drilling with QA/QC controls approved by Dacian Gold, are used routinely. All completed holes are subject to downhole gyro or EMS surveys and collar coordinates surveyed with DGPS. All drill holes are logged by Dacian Gold geologists. Diamond core is oriented and photographed. Dacian Gold employs field QC procedures, including addition of standards, blanks and duplicates ahead of assaying which is undertaken using industry standards including fire assay at Intertek and Bureau Veritas laboratories in Perth and Kalgoorlie.

Assay data is continually validated and stored in DataShed. Geological models and wireframes are built using careful geological documentation and interpretations, all of which are validated by peer review. Resource estimation is undertaken by independent consultants and reported under JORC 2012. Estimation techniques are industry standard and include block modelling using Ordinary Kriging. Application of other parameters including cut off grades, top cuts and classification are all dependent on the style and nature of mineralisation being assessed.

Ore Reserve estimation is overseen by in-house mining engineers using third party consultants to complete feasibility studies in mining, metallurgical, geotechnical, environmental and social matters. Results are verified by independent third party ore reserve specialist consultancies.

## Competent Person Statement

The Mineral Resources and Reserves Statement as a whole has been approved by Mr Alex Wishaw a full-time employee of the Company, and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wishaw has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Wishaw has approved the Mineral Resources as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

# RESOURCES AND RESERVES STATEMENT

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## Mineral Resources

The information in this report that relates to Mineral Resources for Cameron Well, Morgans North and Maxwells is based on information compiled by Mr Christopher Oorschot who is a member of the Australasian Institute of Mining and Metallurgy. Mr Oorschot held options in and was a full-time employee of Dacian Gold Ltd. Mr Oorschot has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).

The information in this report that relates to Mineral Resources for Beresford, Allanson, Jupiter, Mt Marven and Low Grade Stockpiles is based on information compiled by Mr Calvin Ferguson who is a member of the Australasian Institute of Mining and Metallurgy. Mr Ferguson was a full-time employee of Dacian Gold Ltd. Mr Ferguson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Where the Company refers to the Mineral Resources and Ore Reserves in this report (referencing previous releases made to the ASX), it confirms that it is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the Mineral Resource estimate and Ore Reserve estimate with that announcement continue to apply and have not materially changed.

The Company confirms that the form and context in which the Competent Persons findings are presented have not materially changed from the original announcement.

All information relating to the Mineral Resources and Ore Reserves were prepared and disclosed under the JORC Code 2012.

## Ore Reserves

The information in this report that relates to Open Pit Ore Reserves is based on information compiled by Mr Mathew Lovelock who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Lovelock has been employed by Mt Morgans WA Mining Pty Ltd. (a subsidiary of Dacian Gold Ltd.) since February 2018 and is based at the Mount Morgans Gold Operation (MMGO). Mr Lovelock has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the mining activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The information in this report that relates to Westralia Underground Ore Reserves is based on information compiled by Dr Kelly Fleetwood (BSc, MSc, PhD MinEng) who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Dr Fleetwood was employed by Mt Morgans WA Mining Pty Ltd. (a subsidiary of Dacian Gold Ltd.) and was based at the Mount Morgans Gold Operation (MMGO). Dr Fleetwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the mining activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The information in this report that relates to Transvaal Underground Ore Reserves (see ASX announcement 21 November 2016) is based on information compiled or reviewed by Mr Matthew Keenan and Mr Shane McLeay. Messrs. Keenan and McLeay have confirmed that they have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition). They are Competent Persons as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which they are accepting responsibility. Messrs Keenan and McLeay are both a Member of the Australasian Institute of Mining and Metallurgy and fulltime employees of Entech Pty Ltd.

# CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of the Company, including the establishing and monitoring of key performance goals. It is committed to attaining standards of corporate governance that are commensurate with the Company's needs. In this regard, the Board has created a framework for managing the Company, including internal controls and a business risk management process. This framework is reflected, in part, in the policies and charters described below.

The Board has adopted, and endorses *The ASX Corporate Governance Council Principles and Recommendations (3rd Edition)* as amended from time to time (**ASX Recommendations**) and has adopted the ASX Recommendations that are considered appropriate for the Company given its size and the scope of its activities. Details of the Company's compliance with the ASX Recommendations are set out below.

In light of the Company's current stage of development, the Board considers that its current composition is appropriate. As the Company's activities change in nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed and may change.

The 2020 Corporate Governance Statement was adopted by the Board on 29 September 2020.



**Ian Cochrane**  
Non-Executive Chairman



**Leigh Junk**  
Managing Director



**Robert Reynolds**  
Non-Executive Director



**Barry Patterson**  
Non-Executive Director



**Kevin Hart**  
Company Secretary

The Company's corporate governance policies and practices as at the date of this Report are outlined below and are available on the Company's website ([www.daciangold.com.au](http://www.daciangold.com.au)).

## Board Charter

The Board guides and monitors the business and management of the Company. Under its Charter, the Board is responsible for, amongst other things:

1. corporate governance and the strategic direction of the Company;
2. protecting and enhancing Shareholder value;
3. supervising the Company's framework of control and accountability systems;
4. reviewing performance and responsibilities within the Company to ensure division of functions are appropriate to the Company's needs and that the Company is properly managed;
5. monitoring and managing the financial performance of the Company;
6. approving the annual budget and statutory reports;
7. developing and implementing the Company's policies and procedures and assessing their adequacy;
8. monitoring and ensuring compliance with the Company's continuous disclosure obligations;
9. convening and attending general meetings of Shareholders; and
10. assessing and approving all transactions which would impact on Shareholder value and, where relevant, make recommendations to shareholders.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully informed basis.

# CORPORATE GOVERNANCE STATEMENT

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## Audit Committee Charter

The Board has adopted an Audit Committee Charter which outlines the composition of the committee, its purpose, its responsibilities and requirements of its meetings. In summary, the Audit Committee is responsible for ensuring the integrity of the Company's financial statements, the effectiveness of financial reporting and liaison with the Company's auditor.

## Remuneration Committee Charter

The Board has adopted a Remuneration Committee Charter which outlines the composition of the committee, its role, its responsibilities, its authority, and requirements of its meetings. In summary, the Remuneration Committee is responsible for preparing and reviewing the Company's strategy with regard to remunerating, recruiting, incentivising, retaining and, where appropriate, terminating the Company's executives, Non-Executive Directors and employees.

## Nomination Committee Charter

The Board has adopted a Nomination Committee Charter which outlines the composition of the committee, its role, its responsibilities, its authority, and requirements of its meetings. In summary, the Nomination Committee is responsible for ensuring that the Board, and its various Committees, are comprised of the required skills, experience and competencies, to induct and educate new Directors, and the evaluation of the performance of the Board and its Committees.

## Code of Conduct for Directors, Senior Executives and Employees

The Board has adopted a Code of Conduct for Directors, senior executives and employees to promote ethical and responsible decision making and execution of their roles and responsibilities. The code is based on a code of conduct prepared by the Australian Institute of Company Directors.

## Continuous Disclosure Policy

The Company is, subject to the exceptions contained in the Listing Rules, required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material impact on the price or value of Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and the Listing Rules. The policy encourages a culture of openness which is conducive to fulfilment of the Company's disclosure obligations and creates clear lines of communication and authority with regard to the dissemination of information and continuous disclosure issues. In accordance with this policy, all information provided to ASX is made available on the Company's website ([www.daciangold.com.au](http://www.daciangold.com.au)).

## Share Trading Policy

The Company has adopted a Share Trading Policy to maintain investor confidence in the integrity of Company's internal controls and procedures, and to provide guidance on avoiding any breach of insider trading laws.

Under the policy, all employees and Directors are prohibited from trading in the Company's securities, except during a 10 day trading window that opens 24 hours after the Company makes a public announcement on ASX, including, but not limited to, after a general meeting, and on disclosure of half year, full year and quarterly results.

An employee or Director who is in possession of price sensitive information which is not generally available to the market must not deal in the Company's securities at any time, or if the Chairman directs, even if a trading window is open.

In addition, a Director who wishes to trade in the Company's securities must first obtain the consent of the Chairman.

# CORPORATE GOVERNANCE STATEMENT

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## Directors' Disclosure Obligations

This policy provides that, in addition to Corporations Act disclosures, any change in a Director's direct or indirect interest in Company securities must be disclosed to the Company so that appropriate disclosure can be made by the Company to ASX in accordance with the Listing Rules.

## Shareholder Communications Policy

This policy details how the Company is committed to keeping Shareholders apprised of the Company's activities, including by providing regular communications that are balanced and understandable, ensuring information is easily accessible, and facilitating Shareholder participation in the Company's general meetings.

## Risk Management Policy

The Chief Executive Officer is primarily responsible for administering this policy, which sets out the way in which various types of risk are to be managed, including by reviews of internal controls, financial reporting, operational activities, investment proposals, environmental and safety risks and continuous improvement.

## Environment Policy

The Company recognises that it has a fundamental requirement to conduct its proposed activities in an environmentally responsible manner. Under this policy, the Company will develop an environmental management system to ensure legislative compliance, high levels of employee awareness, stakeholder participation when developing project systems, best practice performance by contractors and continual improvement in respect of environmental protection issues and hazard minimisation.

## Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled board and workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, and a work environment that values and utilises the contributions of all employees, irrespective of gender, culture, disability, age or religion.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2020:

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	<b>Proportion of female / total number of persons employed</b>
Females employed in the Company as a whole	29/141
Females employed in the Company in senior executive positions*	0/2
Females appointed as a Director of the Company	0/4

\*The Board considers that other than the Managing Director, the Company has only two Senior Executives, being the Chief Financial Officer and the Chief Operating Officer.

The Company is a "relevant employer" for the purposes of the Workplace Gender Equality Act. Our recent Workplace Gender Equality Agency Report for 2020 which includes the "Gender Equality Indicators" is available on the Company's website <https://www.daciangold.com.au/site/sustainability/governance>

# CORPORATE GOVERNANCE STATEMENT

The recommendations of the Corporate Governance Council relating to reporting, require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

<b>Measurable Objective</b>	<b>Objective Satisfied</b>	<b>Comment</b>
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the ASX and the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company will, where considered reasonable and where compatible with the Company's operations, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

The Company has not at this time implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implement requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not necessarily consistent with the merit and ability-based policies currently implemented by the Company.

The Board will consider the future implementation of gender-based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

# CORPORATE GOVERNANCE STATEMENT

## Compliance with ASX Recommendations

The Company's compliance with, and departures from, the ASX Recommendations as at the date of the Report are set out below:

ASX RECOMMENDATION	COMPANY'S COMMENT
<b>1. Lay solid foundations for management and oversight</b>	
1.1. A listed entity should disclose:  (a) The respective roles and responsibilities of its board and management; and  (b) Those matters expressly reserved to the board and those delegated to management.	<p>The Board assumes ultimate responsibility for providing leadership and setting the strategic objectives of the Company. The Board Charter, which is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>, provides details on the board's specific responsibilities.</p> <p>Management of the Company's activities is delegated by the Board to the CEO, Mr Leigh Junk. Mr Junk commenced as Managing Director and CEO on 6 January 2020. Prior to that date, Mr Rohan Williams was the CEO. The CEO is assisted by the Company Secretary and other senior executives in managing and reporting on corporate and operational matters.</p>
1.2. A listed entity should:  (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  (b) Provide security holders with all material relevant information in its possession relevant to a decision on whether or not to elect or re-elect a director.	<p>As part of the process for the identification of suitable future candidates for appointment as a director of the Company, the Board will take into consideration the person's character, experience, education, criminal record and bankruptcy history.</p> <p>Candidate details, as recommended by the ASX Corporate Governance Principles and Recommendations, are included in the relevant notice of meeting at which the Company seeks approval from security holders for the election or re-election of an individual as a director of the Company.</p> <p>During the 2020 financial year Mr Leigh Junk was appointed by the Company as Managing Director and CEO.</p> <p>The 2020 Annual General Meeting notice will contain relevant details of any director subject to election by shareholders. Mr Barry Paterson has advised the Company that he will retire from the Board at the 2020 AGM.</p>
1.3. A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>Executive directors and other senior executives of the Company are engaged subject to the terms of written service contracts, key details of which are published in the Company's Annual Report.</p> <p>Non-executive directors are required to enter into written agreements for the provision of their services.</p> <p>The respective executive and Non-Executive Director agreements set out the terms of their respective appointments, including but not limited to, duties and responsibilities, remuneration (and where appropriate, any termination provisions) and indemnity and insurance arrangements.</p>
1.4. The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>The Company Secretary attends all board and shareholder meetings, and provides advice as required on governance matters.</p> <p>In addition, each individual director is able to communicate directly with the Company Secretary, or vice versa, as required.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
<p>1.5. A listed entity should:</p> <ul style="list-style-type: none"><li>(a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li><li>(b) Disclose that policy or a summary of it; and</li><li>(c) Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:<ul style="list-style-type: none"><li>(1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation; or</li><li>(2) If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li></ul></li></ul>	<p>The Company has adopted a diversity policy which is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p> <p>A brief summary of the policy and its aims are disclosed in this corporate governance statement.</p> <p>The measurable objectives adopted by the Board are disclosed in this corporate governance statement.</p> <p>The measurable objectives, which seek to allow and promote diversity by ensuring that the Company's selection, remuneration and promotion practices are merit based, do not at this stage include any specific numerical targets for gender, or any other, diversity measures.</p> <p>This corporate governance statement includes disclosure regarding gender diversity within the Company as at 30 June 2020.</p> <p>The Company is a "relevant employer" for the purposes of the Workplace Gender Equality Act.</p>
<p>1.6. A listed entity should:</p> <ul style="list-style-type: none"><li>(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li><li>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li></ul>	<p>The Company has a formal process for the evaluation of the performance of the Board and as such, does comply with Recommendation 1.6 of the Corporate Governance Council.</p> <p>The Board undertakes an annual formal review of its performance. The process includes the completion of individual questionnaires focussed on Board processes, effectiveness and structure as well as the effectiveness and contribution made by each Director. The responses are collated and discussed with a view to considering recommendations for improvement.</p> <p>A formal performance evaluation has not been undertaken during the year ended 30 June 2020.</p>
<p>1.7. A listed entity should:</p> <ul style="list-style-type: none"><li>(a) Have and disclose a process for periodically evaluating the performance of its senior executives; and</li><li>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li></ul>	<p>The Company has complied with Recommendation 1.7 of the Corporate Governance Council.</p> <p>The Managing Director/CEO currently conducts annual performance appraisal meetings with senior executives incorporating a formal appraisal form and review of each individual's performance and contribution during the year. The Managing Director/CEO performance is assessed by the independent Non-Executive Directors through the Remuneration Committee. Mr Junk commenced as Managing Director in January 2020.</p> <p>A formal performance evaluation has not been undertaken during the year ended 30 June 2020.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
<b>2. Structure the board to add value</b>	
<p>2.1. The board of a listed entity should:</p> <p>(a) Have a nomination committee which:</p> <ol style="list-style-type: none"> <li>(1) Has at least three members, a majority of whom are independent directors; and</li> <li>(2) Is chaired by an independent director; and disclose;</li> <li>(3) The charter of the committee;</li> <li>(4) The members of the committee; and</li> <li>(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Company did have a separate nomination committee for the whole of the 2019 financial year, and as such does comply with Recommendation 2.1.</p> <p>The Company has adopted a formal Nomination Committee Charter which is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p> <p>The Nomination Committee comprises the Company's three independent Non-Executive Directors.</p> <p>Mr Patterson has been appointed as the Chair of the Nomination Committee.</p> <p>The Nomination Committee did not formally meet during the 2020 financial year. The full Board of the Company met to consider and appoint Mr Junk as Managing Director/CEO.</p>
<p>2.2. A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Company has developed a board skills matrix and as such complies with Recommendation 2.2.</p> <p>Skill sets currently included on the Company's Board include technical, financial, managerial, legal, corporate and commercial.</p> <p>Key specific skill sets identified include:</p> <ul style="list-style-type: none"> <li>+ Mining and exploration geology</li> <li>+ Mine engineering</li> <li>+ Accounting, treasury and corporate finance</li> <li>+ Gold industry knowledge</li> <li>+ Business strategy and planning</li> <li>+ Risk management</li> <li>+ Mergers and acquisitions</li> <li>+ Project studies and construction</li> <li>+ Legal</li> <li>+ Management of public listed companies</li> </ul> <p>Details of the respective directors' relevant experience and qualifications is included in the Annual Report.</p> <p>The Nomination Committee and the Board will consider the skill, knowledge, experience and independence of the Company's directors in response to any actual or proposed changes in the Company's activities or operations.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
2.3. A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) The names of the directors considered by the board to be independent directors;</li> <li>(b) If a director has an interest, position, association or relationship that may cause doubts about the independence of a director, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</li> <li>(c) The length of service of each director.</li> </ul>	<p>The Board considers its Non-Executive Directors, Mr Barry Patterson, Mr Robert Reynolds and Mr Ian Cochrane to be independent directors.</p> <p>The Board does not consider that Mr Patterson, Mr Reynolds or Mr Cochrane are party to any interests, positions, associations or relationships that would compromise their status as independent directors.</p> <p>The current directors of the Company commenced office on the following dates:</p> <p>Mr Leigh Junk – 6 January 2020</p> <p>Mr Barry Patterson – 9 January 2012</p> <p>Mr Robert Reynolds – 26 October 2012</p> <p>Mr Ian Cochrane – 26 February 2016</p>
2.4. A majority of the board of a listed entity should be independent directors.	The Company confirms that a majority of its Board is comprised of independent directors.
2.5. The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>The Chair of the Company, Mr Ian Cochrane was appointed as Chair on 6 January 2020 and is considered to be independent. Prior to that date Mr Rohan Williams was Executive Chairman and was not considered independent due to his executive status as CEO of the Company.</p> <p>As such the Company did not comply with Recommendation 2.5 for the full year. From January 2020 the Company was in compliance with this recommendation.</p>
2.6. A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>Familiarity with the entity's operations by the directors is encouraged and facilitated by regular board meetings, and through direct contact with the Company Secretary and senior staff members.</p> <p>The Company will provide resources to directors to enable them to improve on their skills and knowledge base to enable them to carry out their duties as directors effectively.</p>
<b>3. Act ethically and responsibly</b>	
3.1. A listed entity should: <ul style="list-style-type: none"> <li>(a) Have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) Disclose that code or a summary of it.</li> </ul>	<p>The Company has adopted a Code of Conduct that applies to all directors, executives and employees.</p> <p>A copy of the code is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
<b>4. Safeguard integrity in corporate reporting</b>	
<p>4.1. The board of a listed entity should:</p> <p>(a) Have an audit committee which:</p> <p>(1) Has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent directors; and</p> <p>(2) Is chaired by an independent director, who is not the chair of the board; and disclose;</p> <p>(3) The charter of the committee;</p> <p>(4) The relevant qualifications and experience of the members of the committee; and</p> <p>(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Company did have a separate audit committee for the whole of the 2020 financial year, and as such does comply with Recommendation 4.1.</p> <p>The Company has adopted a formal Audit Committee Charter which is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p> <p>The Audit Committee comprises the Company's three independent Non-Executive Directors.</p> <p>Mr Reynolds, who is a qualified and experienced Chartered Accountant has been appointed as the Chair of the Audit Committee. In addition, Mr Patterson and Mr Cochrane have extensive experience as directors of publicly listed companies.</p> <p>The Audit Committee formally met twice during the 2020 financial year.</p>
<p>4.2. The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial statements of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Board requires that the CEO and CFO provide a declaration that satisfies the requirements of section 295A of the Corporations Act and that confirms that their opinion has been formed on the basis that a sound system of risk management and internal control is operating effectively, prior to approving the annual and half yearly financial statements, and quarterly cash flow reports.</p>
<p>4.3. A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The Company ensures that the engagement audit partner, or their representative, attends the AGM.</p> <p>The Company will make arrangements to enable security holders to ask questions relevant to the audit at, or ahead of, its AGM.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
<b>5. Make timely and balanced disclosure</b>	
5.1. A listed entity should: <ul style="list-style-type: none"> <li>(a) Have a written policy for complying with its continual disclosure obligations under the Listing Rules; and</li> <li>(b) Disclose that policy or a summary of it.</li> </ul>	The Company has adopted a formal Continuous Disclosure Policy which is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a> .
<b>6. Respect the rights of security holders</b>	
6.1. A listed entity should provide information about itself and its governance to investors via its website.	Information regarding the Company's management, corporate governance, projects and other information relevant to investors and prospective investors is updated regularly on its website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a> .
6.2. A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>The Company has adopted a formal shareholder communication policy and strategy, and seeks to inform investors of developments regularly by communicating through ASX announcements and by providing information on its website.</p> <p>Investors are encouraged to attend the Company's security holder meetings and are able to contact management by email <a href="mailto:info@daciangold.com.au">info@daciangold.com.au</a> or by phone (08) 6323 9000.</p>
6.3. A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>The Company has adopted a formal shareholder communication policy regarding participation at its security holder meetings.</p> <p>The Company does provide meeting documents in a timely manner and seeks to hold meetings that may be attended by security holders in convenient locations and at times considered to be reasonable. Security holders attending such meetings are encouraged to attend and participate, both during and after the formal notified business.</p>
6.4. A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>All security holders are encouraged to provide the Company's share registry with email addresses to enable electronic communication, in addition provision is made, where possible, for security holders to be able to vote on AGM and general meeting matters electronically.</p> <p>The Company has implemented a newsletter service whereby investors may subscribe via the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a> to receive relevant Company updates by email.</p> <p>Security holders may contact the Company electronically by email <a href="mailto:info@daciangold.com.au">info@daciangold.com.au</a>.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
<b>7. Recognise and manage risk</b>	
<p>7.1. The board of a listed entity should:</p> <p>(a) Have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>(1) Has at least three members, a majority of whom are independent directors; and</li> <li>(2) Is chaired by an independent director; and disclose;</li> <li>(3) The charter of the committee;</li> <li>(4) The members of the committee; and</li> <li>(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company has not established a formal committee for the overseeing of risk and has not adopted a committee charter, therefore does not comply with Recommendation 7.1. Risk is managed at the Board level with all members included in the process.</p> <p>Day to day risk management is delegated to the Managing Director/CEO, who is supported in monitoring and managing risks by the Company Secretary and senior employees.</p> <p>The Company's Risk Management Policy, which sets out a framework for a system of risk management and internal compliance and control, is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p> <p>The Company seeks to ensure that risks relating to exploration and mining activities are monitored and mitigated with reference to generally accepted industry practice and by adherence to laws and recommendations provided by regulatory bodies.</p> <p>Potential and actual material risks identified are reported on, and considered by directors, at each board meeting.</p> <p>The Company considers that a formal risk committee is not essential at this stage and the duties can be effectively carried out by the Board, with the assistance of senior management.</p>
<p>7.2. The board or a committee of the board should:</p> <p>(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) Disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Board and senior management review and identify risks to the Company and its assets on an ongoing basis. Any new risks identified, or material changes to existing risks are reported on at subsequent board meetings.</p> <p>The Company has not undertaken a formal review of the entity's risk management framework at board level, therefore does not comply with Recommendation 7.2.</p>
<p>7.3. A listed entity should disclose:</p> <p>(a) If it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have an internal audit function.</p> <p>The Board does not consider that the Company's operations are of a size or complexity to require a dedicated internal audit function and that processes and inherent risks are sufficiently transparent as to be identified by board members.</p> <p>Board members have direct access to management and employees to request any information regarding the Company's internal control processes.</p>

# CORPORATE GOVERNANCE STATEMENT

ASX RECOMMENDATION	COMPANY'S COMMENT
<p>7.4. A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company is subject to a number of economic, environmental and occupational health and safety risks, typical of those associated with a publicly listed entity engaged in the mineral exploration industry. The Company is not aware of any material social sustainability risks in the local communities in which it operates.</p> <p>All business risks are managed by the CEO with the support of employees and consultants where appropriate.</p> <p>Potential and actual material risks identified are reported on, and considered by directors, at each board meeting.</p>
<p><b>8. Remunerate fairly and responsibly</b></p>	
<p>8.1. The Board of a listed entity should:</p> <p>(a) Have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) Has at least three members, a majority of whom are independent directors; and</li> <li>(2) Is chaired by an independent director; and disclose;</li> <li>(3) The charter of the committee;</li> <li>(4) The members of the committee; and</li> <li>(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Company did have a separate remuneration committee for the whole of the 2020 financial year, and as such does comply with Recommendation 8.1.</p> <p>The Company has adopted a formal Remuneration Committee Charter which is available on the Company's website <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p> <p>The Remuneration Committee ensures that no individual director or senior executive is involved in deciding their own remuneration.</p> <p>The Company's annual remuneration report, which is published in the annual report, provides comment on the relationship between remuneration and performance and how it is aligned to the creation of value for security holders.</p> <p>The Remuneration Committee comprises the Company's three independent Non-Executive Directors.</p> <p>With the appointment of Mr Ian Cochrane as Chairman of the Company in January 2020, Mr Robert Reynolds has assumed the role as the Chair of the Remuneration Committee.</p> <p>The Remuneration Committee formally met twice during the 2020 financial year.</p>
<p>8.2. A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives.</p>	<p>The Company's annual remuneration report, which is published in the annual report, provides information regarding the remuneration of executive director and other senior executives, and Non-Executive Directors.</p> <p>The Company's annual reports are available for review on <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p>
<p>8.3. A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) Disclose that policy or a summary of it.</p>	<p>The Company's policy for trading in its securities by directors, senior executives and employees is available on <a href="http://www.daciangold.com.au">www.daciangold.com.au</a>.</p> <p>The policy does not include a specific prohibition in entering into transactions which limit the economic risk of participating in the scheme, where the remuneration is unvested, or vested but remains subject to a holding lock.</p> <p>A prohibition into entering into such arrangements is provided for in the Corporations Act.</p>



## **DACIAN GOLD LIMITED**

ABN 61 154 262 978

Annual Financial Statements  
for the  
Year Ended 30 June 2020

# ANNUAL FINANCIAL STATEMENTS



## DACIAN GOLD LIMITED

ABN 61 154 262 978

### FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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## DIRECTORS' REPORT

The Directors present the financial statements of Dacian Gold Limited ("the Company") and its controlled subsidiaries ("the Group") for the year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

### Directors

The Directors of the Company in office since 1 July 2019 and up to the date of this report are:

#### Ian Cochrane BCom LLB

*(Non-Executive Chairman – previously a Non-Executive Director until his appointment as Chairman on 6 January 2020)*

Mr Cochrane is a corporate lawyer and was widely regarded as one of Australia's leading M&A lawyers until his retirement from the practice of law in December 2013.

Educated in South Africa where he completed degrees in Commerce and Law, he immigrated to Australia in 1986 and joined national law firm Corrs Chambers Westgarth and then Mallesons Stephen Jaques, specialising in Mergers & Acquisitions.

In 2006, Mr Cochrane co-established boutique law firm Cochrane Lishman, which was eventually acquired by the global law firm Clifford Chance in early 2011.

Mr Cochrane is currently the Chairman of diversified ASX-listed mining services group Perenti Global Limited (ASX: PRN).

Other than as stated above, Mr Cochrane has not served as a Director of any other listed companies in the three years immediately before the end of the 2020 financial year.

#### Leigh Junk Dip Surv, GDip MinEng, Msc MinEcon, GAICD

*(Managing Director & CEO – appointed 6 January 2020)*

Mr Junk is a Mining Engineer with over 25 years of operational and executive management experience in numerous Australian mining companies across multiple commodities including gold, nickel and manganese.

Mr Junk has been a Director of several public companies in the Mining and Financial sectors in Australia and Canada, and most recently was the CEO and Managing Director of Doray Minerals Ltd until its merger with Silver Lake Resources in 2019.

Mr Junk was a co-founder of Donegal Resources which was successful in purchasing and recommissioning several Nickel operations around Kambalda WA until it was sold to Canadian miner Brilliant Mining Corp.

In 2003, Mr Junk was the recipient of the Ernst & Young WA "Young Entrepreneur of the Year Award" and in 2007 was a winner in the WA Business News "40 Under 40 Award".

Other than as stated above, Mr Junk has not served as a Director of any other listed companies in the three years immediately before the end of the 2020 financial year.



## DIRECTORS' REPORT

**Robert Reynolds MAusIMM**

***(Non-Executive Director)***

Mr Reynolds was the Non-Executive Chairman of Avoca Resources Ltd from 2002 until it merged with Anatolia Minerals to form Alacer Gold Corp in 2011. Mr Reynolds was Non-Executive Chairman of Alacer Gold Corp until 23 August 2011.

With over 35 years' commercial experience in the mining sector, Mr Reynolds has worked on mining projects in a number of locations including Australia, Africa and across the Oceania region and has extensive experience in mineral exploration, development and mining operations.

Mr Reynolds was a long term Director of Delta Gold Limited and was a Director of Extorre Gold Mines Limited when it was acquired by Yamana Gold for CAD\$414 million on 22 August 2012. Mr Reynolds was also previously a Director of Canadian company Exeter Resource Corporation when it was acquired by Goldcorp Inc. on 2 August 2017 for CAD\$184 million. Mr Reynolds currently holds a Directorship with Canadian company Rugby Mining Limited.

Other than as stated above, Mr Reynolds has not served as a Director of any other listed companies in the three years immediately before the end of the 2020 financial year.

**Barry Patterson ASMM, MAusIMM, FAICD**

***(Non-Executive Director)***

Mr Patterson is a mining engineer with over 50 years of experience in the mining industry and is co-founder, and Non-Executive Director, of ASX listed GR Engineering Limited.

Mr Patterson was also a founding shareholder of leading engineering services provider JR Engineering, which became Roche Mining after being taken over by Downer EDI in 2002. He also co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management.

Mr Patterson has served as a Director of a number of public companies across a range of industries. He was formerly the Non-Executive Director of Sonic Healthcare Limited for 8 years and Chairman for 11 years, during which time the company's market capitalisation increased from \$20 million to \$4 billion, and Silex Systems Limited.

Other than as stated above, Mr Patterson has not served as a Director of any other listed companies in the three years immediately before the end of the 2020 financial year.

**Rohan Williams BSc (Hons), MAusIMM**

***(Executive Chairman & CEO – retired 6 January 2020)***

Mr Williams has over 30 years of experience in exploration, mine development and operations in both Australia and overseas. Mr Williams also serves on the Board of the Telethon Kids Institute.

On 14 March 2014, Mr Williams became Executive Chairman of the Company. Prior to this date, Mr Williams undertook the Chairman's role on a Non-Executive basis.

Other than as stated above, Mr Williams has not served as a Director of any other listed companies in the three years immediately before the end of the 2020 financial year.

Mr Williams was the CEO and Executive Chairman until his retirement on 6 January 2020.

**Kevin Hart B.Comm, FCA**

**Company Secretary**

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 27 November 2012. He has over 35 years' experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He is currently a partner in an advisory firm, Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to ASX listed entities.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

Director	Board Meetings		Remuneration & Nomination Committee		Audit Committee	
	A	B	A	B	A	B
Leigh Junk <sup>(i)</sup>	8	7	-	-	-	-
Rohan Williams <sup>(ii)</sup>	7	7	-	-	-	-
Robert Reynolds	15	15	2	2	2	2
Barry Patterson	15	14	2	2	2	2
Ian Cochrane	15	15	2	2	2	2

A = the number of meetings the Director was entitled to attend

B = the number of meetings the Director attended

<sup>(i)</sup> Mr Junk was appointed Managing Director & CEO with effect from 6 January 2020.

<sup>(ii)</sup> Mr Williams retired with effect from 6 January 2020.

### Directors' interests

The following relevant interests in shares, options and performance rights of the Company were held by the Directors as at the date of this report:

Director	Number of fully paid ordinary shares	Number of options vested and exercisable	Number of rights over ordinary shares
Leigh Junk	959,076	-	8,333,334
Robert Reynolds	3,063,888	-	-
Barry Patterson	19,915,307	-	-
Ian Cochrane	530,590	300,000	-

During the period, 1,499,893 shares were issued to Rohan Williams on the cashless exercise of 2,000,000 options which had an exercise price of \$0.39. The options were exercised for nil consideration pursuant to the cashless exercise provisions of the Dacian Gold Limited Employee Option Plan.

Further details of the vesting conditions applicable to the options and performance rights are disclosed in the remuneration report section of this Directors' Report.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Securities

#### Options

At the date of this report, unissued ordinary shares of the Company under option are:

Number of options	Exercise price	Expiry date
400,000	\$0.60	30 September 2020
40,000	\$0.61	31 January 2021
300,000	\$1.44	28 February 2021
500,000	\$3.11	30 June 2021

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued). All options were exercised for nil consideration pursuant to the cashless exercise provisions of the Dacian Gold Limited Employee Option Plan.

Date options granted	Exercise price	Number of shares issued
25 September 2014	\$0.58	267,294
18 November 2014	\$0.39	1,499,893
5 February 2016	\$1.16	460,298

#### Performance Rights

On 23 August 2019 the Company issued 1,601,019 performance rights to employees. These performance rights are subject to performance conditions and expire on 30 June 2026.

On 16 June 2020, following shareholder approval, the Company issued 8,333,334 performance rights to the Managing Director and CEO Mr Leigh Junk. These performance rights are subject to performance conditions and expire between 30 June 2023 and 30 June 2025.

Shares issued on exercise of performance rights during the year are detailed in the following table:

Date performance rights granted	Performance rights value	Number of shares issued <sup>(i)</sup>
17 October 2016	\$544,500	165,000
30 August 2017	\$251,944	129,534

<sup>(i)</sup> At 30 June 2020 there were no rights that had vested during the year and were unissued at year end. At 30 June 2019, 165,000 rights had vested during the year and were unissued at year end.

A reconciliation of performance rights outstanding at the date of this report appears below.

	Number of Rights
Rights outstanding at 30 June 2019	299,893
Rights issued during the year	9,934,353
Rights vested during the year	(129,534)
Rights forfeited during the year	(556,366)
Rights vested and issued post year end	(51,921)
Rights forfeited post year end	(13,268)
Rights outstanding at the date of this report	9,483,157

### Dividends

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Nature of Operations and Principal Activities

Dacian Gold Limited is an Australian mid-tier gold producer with its head office in Perth, Western Australia. The Company operates the Mt Morgans Gold Operation ("MMGO") near Laverton, Western Australia. The operation comprises a 2.5 Mtpa CIL treatment plant, the Jupiter open pit and Westralia underground mining areas.

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

### Operating and Financial Review

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

Key Financial Data	2020 \$'000	2019 <sup>(ii)</sup> \$'000	Change \$'000	Change %
<i>Financial Performance</i>				
Sales revenue	270,047	132,821	137,226	103%
Costs of sales (excluding D&A) <sup>(i)</sup>	(210,785)	(90,278)	(120,507)	(133%)
Exploration costs expensed and written off	(9,148)	(12,247)	3,099	25%
Corporate, admin and other costs	(11,346)	(10,277)	(1,069)	(10%)
Adjusted EBITDA <sup>(i)</sup>	38,768	20,019	18,749	94%
Impairment losses on assets	(68,537)	-	(68,537)	(100%)
Losses on derivative instruments	(6,808)	-	(6,808)	(100%)
Depreciation & amortisation (D&A)	(54,646)	(18,889)	(35,757)	(189%)
Net interest expense	(4,864)	(2,462)	(2,402)	(98%)
Loss before tax <sup>(i)</sup>	(96,087)	(1,332)	(94,755)	(7,114%)
Income tax (expense) / benefit	(20,377)	4,350	(24,727)	(568%)
Reported (loss)/ profit after tax	(116,464)	3,018	(119,482)	(3,959%)
<i>Financial Position</i>				
Cash flow from operating activities	22,959	47,186	(24,227)	(51%)
Cash flow from investing activities	(46,033)	(77,322)	31,289	40%
Cash and cash equivalents	51,976	35,515	16,461	46%
Net assets	162,642	184,875	(22,233)	(12%)
Basic earnings per share (cents per share)	(40.6)	1.4	(42.0)	(3,000%)
Diluted earnings per share (cents per share)	(40.6)	1.3	(41.9)	(3,223%)

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

<sup>(ii)</sup> During the financial year ended 30 June 2019, the Group declared commercial production at the MMGO. This declaration was made on 1 January 2019. During the commissioning phase (prior to the commencement of commercial production) expenditure of an operating nature was capitalised to mine properties in development. Revenue from the sale of gold was treated as pre-production income and credited to capitalised mine properties in development.

### Results

Consolidated net loss after tax for the year was \$116.5 million (30 June 2019: Net profit \$3.0 million).

The financial result for the year ending 30 June 2020 has been impacted by the following significant cash and non-cash adjustments:

- \$68.5 million of MMGO asset impairments;
- losses on derivative instruments from deferred premium put options of \$6.8 million;
- immediately expensed exploration expenditure of \$9.1 million; and
- a net tax expense of \$20.4 million which includes the derecognition of deferred tax assets for previously recognised carried forward tax losses offset by the recognition of a timing deferred tax asset on impairments.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Operating and Financial Review (continued)

#### Results (continued)

To provide clarity in relation to the operating result of the Group, the following additional unaudited information has been presented.

	2020 \$M	2019 \$M
Net (loss)/profit for the year	(116.5)	3.0
Impairment	68.5	-
Add back: Tax adjustments <sup>(i)</sup>	28.3	-
Add back: Loss on derivative financial instruments (put options)	6.8	-
Add back: Debt refinancing costs	1.2	2.3
Adjusted unaudited profit / (loss)	(11.7)	5.3

<sup>(i)</sup> 2020 Tax adjustments comprise negative \$20.6 million for income tax benefits from asset impairments offset by addbacks of \$34.1 million for the derecognition of carried forward tax losses and \$14.8 million for current period tax losses not recognised.

#### Mt Morgans Gold Operation (MMGO)

The MMGO achieved full year production of 138,814 ounces of gold at an MMGO All-In Sustaining Cost ("AISC") of \$1,619 per ounce (30 June 2019: 138,911 ounces of gold produced). The processing plant milled 2.96 million tonnes for the year at a head grade of 1.6 g/t Au and recovery of 92.7%.

Gold sales revenue of \$269.5 million (30 June 2019: \$132.6 million) was generated from the sale of 140,946 ounces of gold at an average price of \$1,912 per ounce (30 June 2019: 75,000 ounces from 1 January at an average price of \$1,767 per ounce following the achievement of commercial production on 1 January 2019). Total cost of goods sold inclusive of amortisation and depreciation was \$264.9 million (30 June 2019: \$108.9 million). The increase in revenue and costs compared to the prior year reflects the commencement of commercial production on 1 January 2019.

	UOM	FY2020	FY2019	Change	Change %
<i>Underground</i>					
Stope Ore Mined	Kt	499	596	(97)	(16%)
Development Ore Mined	Kt	258	241	(17)	(7%)
Mined Ore Grade	g/t	2.8	3.2	(0.4)	(12%)
Contained Gold	oz	68,758	85,520	(16,762)	(20%)
<i>Open Pit Operations</i>					
Ore Mined	Kt	2,060	1,997	63	3%
Mined Ore Grade	g/t	1.1	1.0	(0.1)	10%
Contained Gold	oz	71,937	64,888	7,049	11%
Waste Mined	Kbcm	6,708	8,295	(1,587)	19%
<i>Processing</i>					
Ore Milled	Kt	2,964	2,664	300	11%
Head Grade	g/t	1.6	1.7	(0.1)	(6%)
Recovery <sup>(i)</sup>	%	92.7%	95.1%	(2.4%)	(3%)
Gold recovered	oz	138,814	138,911	(97)	(0%)
Gold Sold	oz	140,946	138,304	(2,642)	2%
Realised average gold price	A\$/oz	1,912	1,752	160	9%
Gold on Hand	oz	2,980	5,026	(2,046)	(41%)
MMGO AISC <sup>(ii)</sup>	A\$/oz	1,619	-	-	-%

<sup>(i)</sup> The reduction in recovery in FY2020 is due to reporting tails by Fire Assay, FY2019 was from the PAL method.

<sup>(ii)</sup> Prior to the commencement of commercial production on 1 January 2019 AISC was not reported. During this time expenditure of an operating nature was capitalised to mine properties in development. Revenue from the sale of gold was treated as pre-production income and credited to capitalised mine properties in development.



## DIRECTORS' REPORT

### Operating and Financial Review (continued)

#### *Mt Morgans Gold Operation (MMGO) (continued)*

Mine production at the Jupiter open pit for the year totalled 2,060kt at 1.1 g/t for 71,937 ounces of contained gold. Mine planning activities continued during the year, with pre-stripping of the Doublejay open pit commencing during April 2020. The initial mining activities involve a cut back of the historical Jupiter open pit and associated waste stripping activities. Preparations for the commencement of mining at the Mt Marven open pit were also progressed during the year, with mining commencing during July 2020.

A total of 70,610 metres of RC grade control drilling was completed during the year, across Heffernans, Doublejay and Ganymede pits at Jupiter and at the Mt Marven open pit.

Underground mine production at Westralia for the year totalled 499kt at 2.8 g/t for 68,758 ounces of contained gold. During February 2020, the Company announced a Mineral Resource and Ore Reserve update which included a 40% reduction in Mineral Resource at the MMGO from 3.5 million to 2.1 million ounces. The resource reduction related primarily to the Westralia underground mine where the Mineral Resource decreased by 52% from 1.5 million ounces to 0.7 million ounces. As a result of the work undertaken to update the Westralia underground resource, together with an assessment of the forecast mine plan, it was announced by the Company that underground production from the Westralia mine was scheduled to conclude in December 2020.

The Group undertook an impairment assessment of the carrying value of its assets at 31 December 2019. The primary impairment indicators were the decision to suspend mining at the Westralia underground mine based on performance during the period and the overall reduction in the Group's Mineral Resources and Reserves. This gave rise to an impairment charge of \$68.5 million and a net tax expense of \$20.4 million primarily for the derecognition of deferred tax assets for previously recognised tax losses offset by the recognition of a timing deferred tax asset on the value of the impairments. Full details of the impairment charge and tax benefit are included in the Notes to the Financial Statements.

Subsequent to year end, the Company ceased mining activities at Westralia in August 2020 ahead of the previously scheduled timeline (December 2020), preserving the 195,000 ounce (before 2HFY2020 mining depletion) Ore Reserve remaining as part of its optimisation studies. The decision was made to suspend Westralia early pending a strategic review across all underground MMGO operations including the Westralia, Phoenix Ridge and Transvaal deposits as well as the Craic project. An optimisation study has been commissioned with several work streams now underway to evaluate the recommencement of underground mining operations.

As a result of the cessation of mining activities at Westralia four months earlier than planned and the rescheduling of the Jupiter open pit, FY2021 production guidance was revised to 110,000-120,000 ounces (previously 120,000-130,000 ounces). ASIC guidance for FY2021-2023 was also updated to reflect updated FY2021 production and new expenditure for the Mt Marven expansion and Morgans North open pits.

#### *COVID-19 Response*

The Group has been proactive in its response to the COVID-19 pandemic and has implemented a range of protective and preventative measures. MMGO, through its COVID-19 management plan is continuing to operate unaffected by the pandemic, however, a number of changes have been made at the operations such that persons employed at the site have reduced exposure to potential sources of COVID-19, are able to abide by social distancing requirements and improve hygiene standards. In a worst-case event requiring a scaling-back of the operation, Dacian has multiple strategies that it can initiate including the processing of stockpile material totalling 4.4Mt @ 0.6g/t for 79,000 ounces (approximately 19 months of processing material), providing a level of insulation for the business.

#### *Exploration*

During the year, a total of 38,044 metres of exploration drilling was completed. The majority of this drilling was conducted across the Phoenix Ridge project located 650m north of the Allanson underground deposit.

On 3 October 2019, the Company announced a Maiden Inferred Mineral Resource for the Phoenix Ridge deposit at the MMGO of 481,000t @ 8.1g/t for 125,000 ounces. During the year, infill drilling continued at Phoenix Ridge as work progressed towards a Mineral Resource update with mining studies shortly after. The Resource was unchanged at 31 December 2019 and was confirmed in the Mineral Resource and Ore Reserve update announcement to the ASX on 27 February 2020.



## DIRECTORS' REPORT

### Operating and Financial Review (continued)

#### *Financial Position*

The Group held cash on hand as at 30 June 2020 of \$52.0 million (30 June 2019: \$35.5 million). As at 30 June 2020, the Group has a working capital surplus of \$18.3 million (30 June 2019: \$21.1 million deficit).

At 30 June 2020, the Group's net asset position decreased to \$162.6 million (30 June 2019: \$184.9 million). The decrease is attributable to a \$86.9 million reduction in non-current assets from asset impairments and the derecognition of carry forward tax losses offset by a \$44.9 million reduction in borrowings, a \$22.9 million reduction in trade and other payables and a \$16.5 million increase in cash and cash equivalents.

At 30 June 2020, committed hedging totalled 84,589 ounces at a weighted average delivery price of A\$2,055 per ounce on hedge contracts for delivery over the period to 30 June 2021. Project Debt Facility repayments during the year were made totalling \$41.4 million, which reduced outstanding borrowings to \$64.1 million at 30 June 2020.

#### *Corporate*

In October 2019, the Group agreed to purchase 150,000 ounces in deferred premium gold put options at a strike price of \$2,100 per ounce expiring on 28 February 2020. These options were purchased at the time the Group and the Project Debt Facility Financiers ("the Financiers") were undertaking a review of certain terms within the Project Debt Facility. The options were purchased with the intention of setting a gold price floor such that the Group could restructure this hedging on or before 28 February 2020 having completed the review of certain Project Debt Facility Agreement terms with its Financiers. These options were held until expiry on the 28 February 2020.

In January 2020, at the request of the Financiers, the Group purchased a further 67,608 ounces in deferred premium gold put options at a strike price of \$2,100 per ounce expiring over the period April 2020 to June 2021. During the June 2020 quarter, 61,338 ounces were terminated early to reduce the overall cost of the regime. Total losses of \$6.8 million have been recognised on put option fair value movements during the year (30 June 2019: nil).

During the December 2019 quarter, the Group and its Financiers initiated and completed a review of certain terms under the Project Debt Facility. This resulted in the approval of an updated bank financial model, the re-scheduling of debt repayments over the existing tenor to 30 June 2022 and the other associated changes and waivers such that as at 31 December 2019 the Group was in financial compliance with its obligations under the Project Debt Facility.

On 27 February 2020, the Company announced updates to the Mineral Resource and Ore Reserve estimate and the suspension of capital development at the Westralia underground mine resulting in current underground mining activities being completed in the period to December 2020. As a result of these changes, the Group sought and received a number of approvals, waivers and concessions from its Financiers in respect to its Project Debt Facility Agreement. This resulted in changes to the debt repayment schedules including the deferral of the \$24.7 million debt repayment subject to conditions from 31 March 2020 so as to align the Company's funding plans with the repayment. The Group repaid the \$24.7 million on 30 April 2020, following the receipt of proceeds from a capital raising.

In May 2020, the Group completed a placement to institutional and sophisticated investors followed by completion of a retail entitlement offer during May 2020, raising a total of \$91.4 million (net of transaction costs), marking a significant recapitalisation of the Group.

On 13 July 2020, the Group released an Operational and Corporate Update, providing the market with June 2020 quarter and full financial year production, an updated three-year outlook to 30 June 2023 and an update on underground and exploration strategies for MMGO. As a consequence of these changes the Group sought and received further approvals, waivers and concessions from the Financiers related to financial covenant requirements of the Project Debt Facility Agreement. In addition, the Group breached certain non-financial requirements of the Project Debt Facility Agreement for which a waiver has also been received. These approvals, waivers and concessions were provided on the basis that the Group make a \$25.0 million debt repayment on 30 September 2020 inclusive of the \$14.5 million scheduled repayment. Total Project Debt Facility principal repayments following the capital raise, completed in May 2020, total \$55.6 million, inclusive of the \$25.0 million repayment on 30 September 2020. Following the \$25.0 million repayment on 30 September 2020, the Project Debt Facility balance decreased to \$39.1 million.

The Directors consider the going concern basis of preparation to be appropriate based on the cash flow forecasts. The achievement of cash flow forecasts is dependent upon the Group achieving forecast targets for gold revenue, mining operations and processing activities that are in accordance with management's plans and forecast gold price and foreign exchange assumptions to enable the cash flow forecast to be achieved. Critical to achieving forecast cash flows, and forecast covenant compliance under the Project Debt Facility Agreement, is the Group's ability to achieve forecast gold production in accordance with Board approved forecasts.



## DIRECTORS' REPORT

### Operating and Financial Review (continued)

#### *Corporate (continued)*

Should the cash flow forecasts and forecast covenant compliance under the Project Debt Facility Agreement not be achieved, the Group may require additional waivers, a rescheduling of the delivery of gold forward exchange contracts or rescheduling repayments under the Project Debt Facility Agreement with the Financiers, or additional funding which may include refinancing the Project Debt Facility with other parties, raising equity or a combination of these options. The Directors have a reasonable expectation that a suitable funding solution can be secured within the necessary timeframe, if required, in light of the current gold sector outlook and the past capacity of the Group to obtain funding as required.

#### *Cash flows*

At the end of the financial year the Group had \$52.0 million (30 June 2019: \$35.5 million) in cash and had a balance of \$64.1 million (30 June 2019: \$105.5 million) under the Project Debt Facility. Bullion on hand not sold at balance date comprised 2,980 ounces recognised at net realisable value of \$5.3 million (30 June 2019: at a cost of \$6.5 million). The above gives rise to a net debt position at 30 June 2020 of \$6.8 million (30 June 2019: \$63.5 million).

Cash inflows from operating activities for the year were \$23.0 million (30 June 2019: \$47.2 million). Cash flows from operating activities were impacted by true-up payments to ensure all creditors are aligned with agreed commercial terms.

Cash flow used in investing activities amounted to \$46.0 million (30 June 2019: \$77.3 million) and mainly comprised mine properties, plant and infrastructure expenditure at MMGO. The decrease resulted in the suspension of mine development activities at the Westralia underground mine from the end of February 2020.

Cash flow from financing activities totalled \$39.5 million (30 June 2019: \$2.8 million) which during the year included proceeds from the placement to institutional and sophisticated investors completed during April 2020 and the retail entitlement offer completed during May 2020, raising a total of \$91.4 million (net of transaction costs) net of deferred premium put option payments of \$6.7 million and Project Debt Facility repayments of \$41.4 million (30 June 2019: \$44.5 million).

Gold sales receipts comprise 140,946 ounces of gold at an average price of \$1,912 per ounce (30 June 2019: 75,000 ounces from 1 January at an average price of \$1,767 per ounce). The Company delivered gold produced into a combination of forward contracts and the prevailing spot price.



## DIRECTORS' REPORT

### Significant Changes in the State of Affairs

The formal strategic review announced to the ASX on 5 June 2019 concluded during February 2020. The review validated the Group's strategy to focus on its existing operations, making the necessary changes to establish a profitable, sustainable operation with a strengthened balance sheet. The planned suspension of underground mining activities at Westralia (detailed in the preceding section) was an outcome of this review.

The Group has also developed plans to investigate, assess and establish operations at dormant historical mining areas owned by the Group. The Mt Marven open pit, which commenced mining operations in the September 2020 quarter is an example of this.

During the year, the Group completed a placement to institutional and sophisticated investors followed by completion of a retail entitlement offer during May 2020, raising a total of \$91.4 million (net of transaction costs), marking a significant recapitalisation of the Group. Following receipt of the capital raising proceeds, the Group repaid \$24.7 million in debt during April 2020, followed by scheduled repayments of \$5.9 million during June 2020, leaving total debt of \$64.1 million at 30 June 2020.

Other than the matters noted above, there were no other significant changes in the state of affairs of the Group during the financial year, not otherwise disclosed in this report.

### Events Subsequent to the Reporting Date

Subsequent to year end, the Company ceased mining activities at Westralia during August 2020 ahead of the previously scheduled timeline (December 2020), preserving the 195,000 ounce (before 2HFY2020 mining depletion) Ore Reserve remaining as part of its optimisation studies. As a result of the cessation of mining activities at Westralia four months earlier than planned and the rescheduling of the Jupiter open pit, FY2021 production guidance was revised to 110,000-120,000 ounces (previously 120,000-130,000 ounces).

As a consequence of these changes the Group sought and received further approvals, waivers and concessions from the Financiers related to financial covenant requirements of the Project Debt Facility Agreement. In addition, the Group breached certain non-financial requirements of the Project Debt Facility Agreement for which a waiver has also been received. These approvals, waivers and concessions were provided on the basis that the Group make a \$25.0 million debt repayment on 30 September 2020 inclusive of the \$14.5 million scheduled repayment. Total Project Debt Facility principal repayments following the capital raise, completed in May 2020, total \$55.6 million, inclusive of the \$25.0 million repayment on 30 September 2020. Following the \$25.0 million repayment, on 30 September 2020, the Project Debt Facility balance decreased to \$39.1 million.

Other than the items 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.

### Likely Developments and Expected Results

There are no other likely developments of which the Directors are aware which could be expected to significantly affect the results of the Group's operations in subsequent financial years not otherwise disclosed in the Nature of Operations and Principal Activities and Operating and Financial Review or the Events Subsequent to the Reporting Date sections of the Directors' Report.

### Environmental Regulation and Performance

The Group's mining and exploration activities are subject to significant conditions and environmental regulations under the Commonwealth and Western Australia State Governments.

So far as the Directors are aware, all activities have been undertaken in compliance with all relevant environmental regulations.



## DIRECTORS' REPORT

### Officer's Indemnities and Insurance

During the year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

### Non-audit services

During the year KPMG, the Group auditor, provided the following non-audit services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

	30 June 2020 \$	30 June 2019 \$
Non-audit related services <sup>(i)</sup>	93,150	-
Total	93,150	-

<sup>(i)</sup> Relates to Investigating Accountant services for the capital raising in May 2020.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is attached to the Directors' Report.

### Rounding off

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



## DIRECTORS' REPORT

### Remuneration Report (Audited)

Remuneration paid to Directors and Officers of the Group is set by reference to such payments made by other ASX listed companies of a similar size and operating in the mining and mineral exploration industry. In addition, reference is made to the specific skills and experience of the Directors and Officers.

Details of the nature and amount of remuneration of each Director, and other Key Management Personnel if applicable, are disclosed annually in the Company's Annual Report.

#### Key Management Personnel

Details of the Key Management Personnel ("KMP") of the Company and their movements during the year ended 30 June 2020 are set out below:

Mr Ian Cochrane <sup>(i)</sup>	<i>(Non-Executive Chairman)</i>
Mr Leigh Junk <sup>(ii)</sup>	<i>(Managing Director &amp; CEO)</i>
Mr Barry Patterson	<i>(Non-Executive Director)</i>
Mr Robert Reynolds	<i>(Non-Executive Director)</i>
Mr Grant Dyker <sup>(iii)</sup>	<i>(Chief Financial Officer)</i>
Mr James Howard <sup>(iv)</sup>	<i>(Chief Operating Officer)</i>
Rohan Williams <sup>(v)</sup>	<i>(Executive Chairman)</i>

<sup>(i)</sup> Ian Cochrane was a Non-Executive Director until his appointment as Chairman on 6 January 2020.

<sup>(ii)</sup> Leigh Junk was appointed on 6 January 2020 and continues in office at the date of this report.

<sup>(iii)</sup> Grant Dyker resigned from his position as Chief Financial Officer subsequent to year end on 15 July 2020.

<sup>(iv)</sup> James Howard was appointed Chief Operating Officer from 1 March 2020 coinciding with his appointment as KMP. Mr Howard previously held the role of Project Manager.

<sup>(v)</sup> Rohan Williams was Executive Chairman from the beginning of the financial year until his retirement on 6 January 2020.

#### Remuneration & Nomination Committee

The Board has adopted a formal Remuneration & Nomination Committee Charter which provides a framework for the consideration of remuneration matters.

The Remuneration & Nomination Committee is responsible for reviewing and making recommendations to the Board which has ultimate responsibility for the following remuneration matters:

1. Setting remuneration packages for Executive Directors, Non-Executive Directors and other KMP; and
2. Implementing employee incentive and equity based plans and making awards pursuant to those plans.

#### Non-Executive Remuneration

The Company's policy is to remunerate Non-Executive Directors, at rates comparable to other ASX listed companies in the same industry, for their time, commitment and responsibilities.

Non-Executive Remuneration is not linked to the performance of the Company, however, to align Directors' interests with shareholders' interests, remuneration may be provided to Non-Executive Directors in the form of equity based long-term incentives.

1. Fees payable to Non-Executive Directors are set within the aggregate amount approved by shareholders at the Company's Annual General Meeting;
2. Non-Executive Directors' fees are payable in the form of cash and superannuation benefits;
3. Non-Executive superannuation benefits are limited to statutory superannuation entitlements; and
4. Participation in equity based remuneration schemes by Non-Executive Directors is subject to consideration and approval by the Company's shareholders.

The maximum Non-Executive Directors' fees, payable in aggregate, are currently set at \$500,000 per annum.



## DIRECTORS' REPORT

### Remuneration Report Audited (Continued)

#### Executive Director and Other Key Management Personnel Remuneration

Executive remuneration consists of base salary, plus other performance incentives to ensure that:

1. Remuneration packages incorporate a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives; and
2. A proportion of remuneration is structured in a manner to link reward to corporate and individual performances.

Executives are offered a competitive level of base salary at market rates (based on comparable ASX listed companies) and are reviewed regularly to ensure market competitiveness.

#### Use of Remuneration Consultants

To date the Company has not engaged external remuneration consultants to advise the Board on remuneration matters.

#### Incentive Plans

The Company provides long-term incentives to Directors and Employees pursuant to the Dacian Gold Limited Employee Option Plan, which was last approved by shareholders on 26 November 2018. Short term incentives are also awarded to Employees to align remuneration with the strategy and performance of the Company.

The Board, acting in remuneration matters:

1. Ensures that incentive plans are designed around appropriate and realistic performance targets and provide rewards when those targets are achieved;
2. Reviews and improves existing incentive plans established for employees; and
3. Approves the administration of the incentive plans, including receiving recommendations for, and the consideration and approval of grants pursuant to such incentive plans.

#### Engagement of Non-Executive Directors

Non-Executive Directors conduct their duties under the following terms:

1. A Non-Executive Director may resign from his/her position and thus terminate their contract on written notice to the Company; and
2. A Non-Executive Director may, following resolution of the Company's shareholders, be removed before the expiration of their period of office (if applicable). Payment is made in lieu of any notice period if termination is initiated by the Company, except where termination is initiated for serious misconduct.

In consideration of the services provided by Mr Robert Reynolds and Mr Barry Patterson as Non-Executive Directors, the Company will pay them \$80,000 plus statutory superannuation per annum.

In consideration of the services provided by Mr Ian Cochrane as Non-Executive Chairman, the Company will pay \$150,000 inclusive of statutory superannuation per annum. Prior to Mr Cochrane being appointed Non-Executive Chairman, the Company paid him \$80,000 inclusive of statutory superannuation per annum.

Messrs Cochrane, Reynolds and Patterson are also entitled to fees for other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company.

During the financial year ended 30 June 2020, the Company incurred no costs in respect of additional services provided by Directors.



## DIRECTORS' REPORT

### Remuneration Report Audited (continued)

#### Engagement of Executive Directors

##### *Mr Leigh Junk*

The terms of Mr Leigh Junk's Executive Services Agreement governing his role as Managing Director and CEO were disclosed via the ASX platform on 20 December 2019 and are summarised below.

In respect of his engagement as Managing Director and CEO, Mr Junk will receive a salary of \$602,250 per annum inclusive of statutory superannuation (Total Fixed Remuneration). Any increase in salary is subject to the discretion of the Board.

Mr Junk is eligible to participate in the Company's short-term incentive program, with the reward in the form of a cash bonus up to 40% of Base Salary. The reward of short-term incentives is associated with operational key performance indicators (KPIs) as determined by the Board. Accordingly, 100% of the short-term incentive is at risk.

Mr Junk may participate in the Company's long-term incentive program which provides for performance rights to be issued under the Company's Performance Rights Plan up to a maximum annual incentive of 120% of Base Salary. Performance Rights issued are subject to measurement against performance criteria. Accordingly, 100% of the long-term incentive is at risk.

Mr Junk's Executive Services Agreement also included a one-off on boarding issue of 191,856 shares and a further 191,856 shares contingent to his continuing employment 6 months after his commencement date. The second tranche of shares were issued on 1 September 2020.

The Company or Mr Junk may terminate the contract at any time by the giving of six months' notice. Mr Junk may be required to serve out all or part of this notice period or be paid in lieu of notice at the Board's election.

##### *Mr Rohan Williams*

The terms of Mr Rohan Williams' Executive Services Agreement governing his role as Executive Chairman and CEO prior to his resignation on 6 January 2020 are summarised below.

In respect of his engagement as Executive Chairman and CEO, Mr Williams received a salary of \$629,625 per annum inclusive of statutory superannuation (Total Fixed Remuneration). Any increase in salary is subject to the discretion of the Board.

The Company or Mr Williams may terminate the contract at any time by the giving of six months' notice. In addition, there are certain specific termination notice periods applicable to Company change of control events or ill health. The Company may elect to pay Mr Williams in lieu of part or all of the notice period specified in the contract.

Mr Williams may also receive a short-term performance based reward in the form of a cash bonus up to 40% of the Total Fixed Remuneration. The performance criteria, assessment and timing of which are determined at the discretion of the Board.

Mr Williams may participate in the Dacian Gold Limited Employee Option Plan and other long-term incentive plans adopted by the Board.

On Mr Williams' resignation on 6 January 2020, termination payments totalling \$314,813 in lieu of notice were paid.

#### Shareholding Qualifications

The Directors are not required to hold any shares in Dacian Gold Limited under the terms of the Company's constitution.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Remuneration Report Audited (continued)

#### Engagement of Executives

##### *Mr Grant Dyker*

The terms of Mr Dyker's employment contract governing his role as Chief Financial Officer, are summarised below.

In respect of his engagement as Chief Financial Officer, Mr Dyker will receive a salary of \$383,250 per annum inclusive of statutory superannuation (Total Fixed Remuneration).

The Company or Mr Dyker may terminate the contract at any time by the giving of six months' notice. In addition, there are certain specific termination notice periods applicable to Company change of control events or ill health. The Company may elect to pay Mr Dyker in lieu of part or all of the notice period specified in the contract.

Mr Dyker may be invited to participate in short-term and long-term incentive schemes. The performance criteria, percentage of base salary, assessment and timing of which are determined at the discretion of the Board.

Mr Dyker may participate in the Dacian Gold Limited Employee Option Plan and other long-term incentive plans adopted by the Board.

Mr Dyker resigned from his position as Chief Financial Officer subsequent to year end on 15 July 2020.

##### *Mr James Howard*

Mr Howard previously held the role of Project Manager until his appointment of Chief Operating Officer on 1 March 2020. The terms of Mr Howard's employment contract governing his role as Chief Operating Officer are summarised below.

In respect of his engagement as Chief Operating Officer, Mr Howard will receive a salary of \$383,250 per annum inclusive of statutory superannuation (Total Fixed Remuneration).

The Company or Mr Howard may terminate the contract at any time by the giving of three months' notice. In addition, there are certain specific termination notice periods applicable to Company change of control events or ill health. The Company may elect to pay Mr Howard in lieu of part or all of the notice period specified in the contract.

Mr Howard may be invited to participate in short-term and long-term incentive schemes. The performance criteria, percentage of base salary, assessment and timing of which are determined at the discretion of the Board.

Mr Howard may participate in the Dacian Gold Limited Employee Option Plan and other long-term incentive plans adopted by the Board.

#### Voting and comments made at the Company's 2019 Annual General Meeting ("AGM")

At the last AGM 75.94% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### Consequences of Company Performance on Shareholder Wealth

The Company aims to align executive remuneration to strategic and business objectives and the creation of shareholder wealth. The table below outlines indicators of Company performance over the last five years as required by the Corporations Act 2001.

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Revenue	\$270,047	\$132,821	-	-	-
Net profit/(loss) after tax	(\$116,464)	\$3,018	(\$5,402)	(\$18,858)	(\$21,833)
Net assets	\$162,642	\$184,875	\$132,866	\$134,313	\$13,259
Share Price	\$0.44	\$0.53	\$2.85	\$1.98	\$2.90
Market Capitalisation	\$244,756	\$119,628	\$586,658	\$399,430	\$386,588

These indicators are not always consistent with those used to determine variable amounts of remuneration awarded to KMP, as discussed below. As a result, there may not always be a correlation between these statutory performance indicators and the quantum of variable remuneration awarded to KMP.

# ANNUAL FINANCIAL STATEMENTS

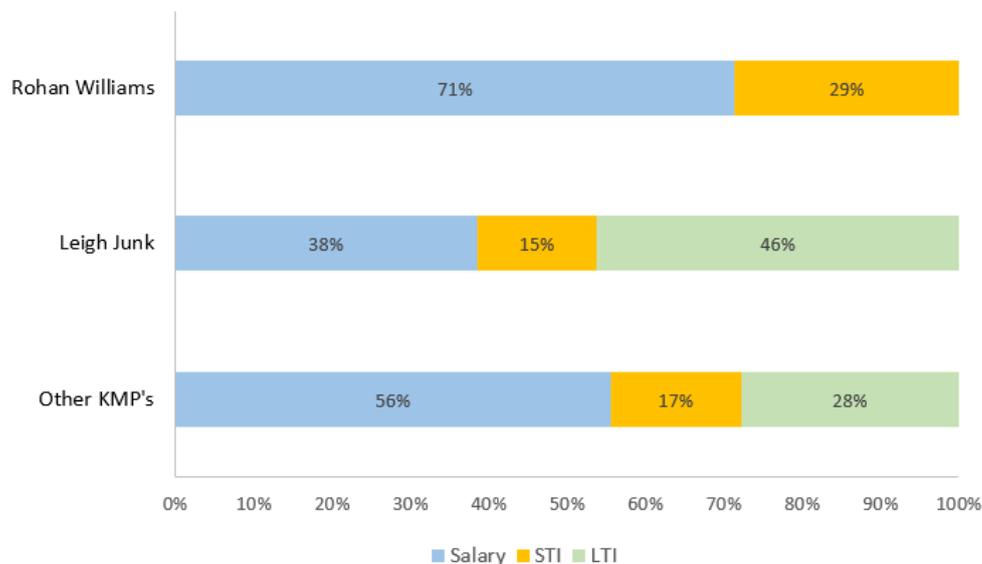


## DIRECTORS' REPORT

### Remuneration Report Audited (continued)

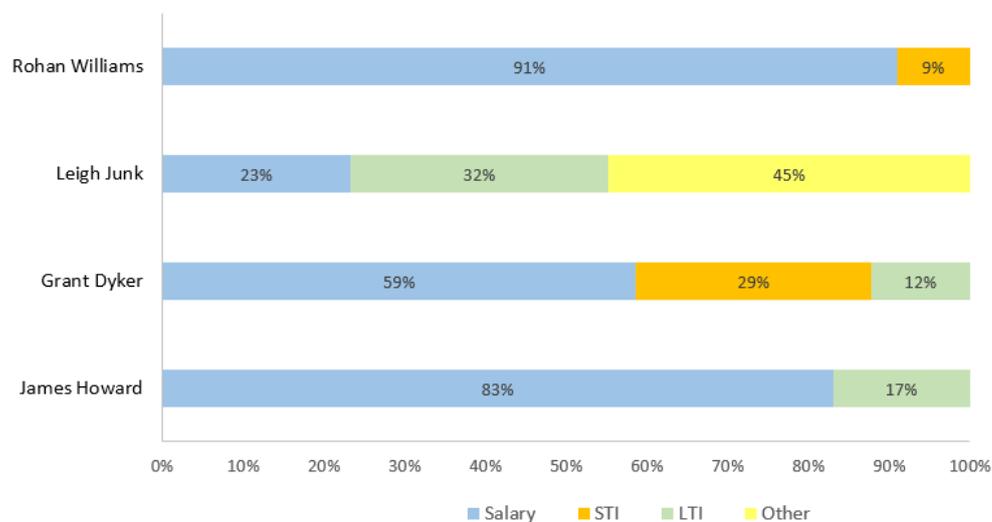
In accordance with the Company's objective to ensure that executive remuneration is competitive and performance focused, a portion of Executives' remuneration is placed "at risk". The relative proportion of target FY20 and actual FY20 total remuneration packages split between fixed and variable remuneration is shown below.

#### Target Remuneration Mix



The on-boarding rights awarded to Leigh Junk and the retention bonus paid to Grant Dyker have been excluded from the target remuneration analysis above. Refer to 'Shares Granted as Remuneration' and 'Short-Term Incentives' sections below for further discussion.

#### Actual Remuneration Mix





## DIRECTORS' REPORT

### Remuneration Report Audited (continued)

#### Short-Term Incentives

The Remuneration and Nomination Committee may, at its sole discretion, set the Key Performance Indicators (“KPIs”) for the Executive Directors or other Executive Officers. The KPIs are chosen to align the reward of the individual Executives to the strategy and performance of the Company. Performance objectives, which may be financial or non-financial, or a combination of both, are determined by the Board. No short-term incentives are payable to Executives where it is considered that the actual performance has fallen below the minimum requirement.

The Short Term Incentive (“STI”) plan provides eligible employees with the opportunity to earn a cash bonus if certain financial hurdles and agreed key KPIs are achieved. The board has determined that the Company will not pay an STI if there is a fatality within the business and the Company, as a whole, is not cash-flow positive in any relevant performance period, which takes into account any repayment of scheduled debt obligations.

All KMP are eligible to participate in the STI plan with awards capped at 100% of the target opportunity. The target opportunity for KMP is 40% of total fixed remuneration for the Managing Director and 30% for other KMP. A summary of the KPI targets which are assessed on a quarterly basis for FY20 and their respective weightings is as follows:

KPI	Weighting	Measure
1. Safety & Environment	20%	<ul style="list-style-type: none"> <li>Leading Indicators, Field Interactions, High Impact Frequency audits and critical risk reviews completed</li> <li>Investigations relating to safety and environmental incidents which occurred have been closed out</li> </ul>
2. Production	40%	Production is at least that which is forecasted in the budget and / or performance period
3. Costs	40%	Production occurs at or below the forecast / budget AISC

Based on an assessment, STI payments for FY20 to Executives were as follows:

Name	Position	Maximum STI opportunity	Achieved STI	Awarded STI
Rohan Williams	Executive Chairman & CEO	40% of TFR	25%	\$57,500
Grant Dyker	Chief Financial Officer	30% of TFR	25%	\$26,250
James Howard <sup>(i)</sup>	Chief Operating Officer	30% of TFR	0%	\$-

<sup>(i)</sup> Mr Howard was appointed to Chief Operating Officer on 1 March 2020.

The achieved STI was in respect of the September 2019 quarter where the KPI metrics were met.

In addition to the amounts detailed in the table above, the Remuneration and Nomination Committee awarded a retention bonus to Grant Dyker of \$175,000 (representing 50% of TFR). The retention bonus which was offered in August 2019 related to continuing employment during the strategic review process which was announced to the market on 5 June 2019. The review process was completed in February 2020 following the release to the market of the updated 3 year production outlook.

#### Long-Term Incentives

Under the Dacian Gold Limited Employee Option plan, performance rights are made to executives to align remuneration with the creation of shareholder wealth. Historically options were also issued to KMP under the same plan.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Remuneration Report Audited (continued)

#### Options over Unissued Shares

No options were granted during the 2019 and 2020 financial years. No options lapsed during the 2020 financial year. The table below outlines movements in options during 2020 and the balance held by each KMP at 30 June 2020.

The options were granted free of charge and are exercisable at a fixed price in accordance with the Plan. Options issued under the Plan have vesting periods prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period.

Name	Grant date	Number of options held at 1 July 2019	Fair value of options	Exercise price	Vesting date	Expiry date	Number vested & Exercisable	Number exercised during the year	Balance at the end of the year
Rohan Williams	18/11/2014	2,000,000	\$201,320	\$0.39	18/11/2016	17/11/2019	2,000,000	(2,000,000)	-
Grant Dyker	05/02/2016	750,000	\$247,828	\$1.16	31/01/2018	31/01/2021	750,000	(750,000)	-
	05/02/2016	375,000	\$123,914	\$1.16	31/01/2019	31/01/2021	375,000	(375,000)	-
Ian Cochrane	05/02/2016	375,000	\$123,914	\$1.16	31/07/2019	31/01/2021	375,000	(375,000)	-
	26/02/2016	300,000	\$173,695	\$1.44	26/02/2016	28/02/2021	300,000	-	300,000
<b>Total</b>		<b>3,800,000</b>					<b>3,800,000</b>	<b>(3,500,000)</b>	<b>300,000</b>

All options were granted for nil consideration. Options lapse if the KMP ceases employment with the Company. The fair value of options is calculated at the date of grant using the Black Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date.

#### Exercise of Options Granted as Compensation

During the year, the following shares were issued on cashless exercise of options previously granted as compensation, pursuant to the cashless exercise provision of the Dacian Gold Limited Employee Option Plan.

Name	Number of options exercised	Number of shares issued	Amount paid \$/share
Rohan Williams	2,000,000	1,499,893	-
Grant Dyker	1,500,000	460,298	-

#### Performance Rights Granted as Remuneration

Performance rights were introduced during the 2017 financial year with effect from October 2016.

Performance rights were issued to KMP during the 2020 financial year pursuant to the Dacian Gold Limited Employee Option Plan. No performance rights were issued during the 2019 financial year.

The performance rights are granted for nil consideration and vest subject to certain operational and market performance conditions being met. The fair value of the performance rights granted were determined using Monte Carlo simulation, a review of historical share price volatility and correlation of the share price of the Company to its Peer Group. The fair value is allocated to each reporting period evenly over the period from grant date to vesting date.

During the year the Company issued 8,428,962 Performance Rights to KMP in respect of the LTI component of their FY20 remuneration.

Name	Maximum LTI Opportunity	Number of Performance Rights granted during FY20	Fair Value of Performance Rights
Leigh Junk <sup>(i)</sup>	120% of total fixed remuneration	8,333,334	\$0.42
Grant Dyker	50% of total fixed remuneration	95,628	\$1.04

<sup>(i)</sup> The performance rights issued to Mr Junk were approved by shareholders on 16 June 2020.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Remuneration Report Audited (continued)

#### Performance Rights Granted as Remuneration (continued)

During the year the Company issued 9,934,353 Performance Rights to employees (including 8,428,962 Performance Rights to KMP) in respect of the LTI component of their FY20 remuneration. The table below outlines the movements in performance rights during the 2020 financial year and the balance held by each Executive at 30 June 2020.

Name	Balance at 1 July 2019	Granted in FY20	Vested	Lapsed	Other <sup>(i)</sup>	Balance at 30 June 2020
Leigh Junk	-	8,333,334	-	-	-	8,333,334
Grant Dyker	76,296	95,628	(45,338)	(15,479)	-	111,107
James Howard	-	-	-	-	111,107	111,107
<b>Total</b>	<b>76,296</b>	<b>8,428,962</b>	<b>(45,338)</b>	<b>(22,669)</b>	<b>111,107</b>	<b>8,555,548</b>

<sup>(i)</sup> Relates to performance rights held at the date of Mr Howard's appointment to Chief Operating Officer on 1 March 2020.

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

The tables below detail the terms and conditions of the grant and the assumptions used in estimating fair value for performance rights issued to KMP during the 2020 financial year.

Item								
Grant date	23 August 2019	23 August 2019	16 June 2020					
KMP	G Dyker/ J Howard	G Dyker/ J Howard	L Junk					
Number of rights	64,071/ 64,071	31,557/ 31,557	916,667	1,861,111	916,667	1,861,111	916,667	1,861,111
Value of underlying security at grant date	\$1.09	\$1.09	\$0.465	\$0.465	\$0.465	\$0.465	\$0.465	\$0.465
Fair value	\$1.014	\$1.09	\$0.465	\$0.378	\$0.465	\$0.403	\$0.465	\$0.421
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk free rate	0.73%	0.73%	0.26%	0.26%	0.40%	0.40%	0.40%	0.40%
Volatility	55%	55%	60%	60%	60%	60%	60%	60%
Performance period (years)	1	1	3	3	4	4	5	5
Commencement of measurement period	1 July 2019	1 July 2019	1 July 2020					
Test date	1 July 2020	1 July 2020	30 June 2023	30 June 2023	30 June 2024	30 June 2024	30 June 2025	30 June 2025
Remaining performance period (years)	-	-	3	3	4	4	5	5

The performance rights granted to Mr Dyker and Mr Howard are subject to certain operational and market performance conditions being met, are subject to a 12 month service condition, and vest 1 year from the measurement date. The number of performance rights that vest will be subject to the Company's performance against total shareholder return and company performance vesting conditions.

The performance rights granted to Mr Junk are subject to certain operational and market performance conditions being met and will vest at the measurement date. The number of performance rights that vest will be subject to the Company's performance against total shareholder return and Company performance vesting conditions.



## DIRECTORS' REPORT

### Remuneration Report Audited (Continued)

#### Performance Rights Granted as Remuneration (continued)

Tranche	Amount	Weighting	Performance Conditions
Grant Dyker / James Howard	64,071/64,071	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over a 1 year period to 1 July 2020)
	31,557/31,557	33% of the Performance Rights	Reserve Growth (measured over a 1 year period to 1 July 2020)
Leigh Junk	1,861,111	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over the 3 year period to 30 June 2023)
	916,667	33% of the Performance Rights	Reserve Growth (measured over a 3 year period to 30 June 2023)
	1,861,111	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over the 4 year period to 30 June 2024)
	916,667	33% of the Performance Rights	Reserve Growth (measured over a 4 year period to 30 June 2024)
	1,861,111	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over the 5 year period to 30 June 2025)
	916,667	33% of the Performance Rights	Reserve Growth (measured over a 5 year period to 30 June 2025)

The Company's TSR performance for all share rights on issue during the financial year ending, are assessed against peer group companies.

#### Shares Granted as Remuneration

During the financial year the Company issued Mr Junk a one-off on-boarding issue of 191,856 shares. Mr Junk was issued a further 191,856 shares subject to continuing employment 6 months after commencement date. This award is considered a once off sign on bonus and therefore does not represent a defined percentage of salary. The terms of the share issue and fair value were as follows:

- Tranche 1: 191,856 shares (fair value of \$314,417 using a 5 day VWAP prior to the date of award), issued on commencement date of 6 January 2020;
- Tranche 2: 191,856 shares (fair value of \$314,417 using a 5 day VWAP prior to the date of award), issued on 1 September 2020.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Remuneration Report Audited (Continued)

#### Remuneration Disclosures

The details of the remuneration of each Director and member of KMP of the Company for the years ending 30 June 2020 and 2019 are as follows:

2020	Short-term		Post employment	Termination benefits	Long-term	Share-based payment	Total	Performance Related
	Cash Salary <sup>(i)</sup>	Cash Bonus <sup>(ii)</sup>	Super-annuation		Long Service Leave	Share rights <sup>(iii)</sup> & options <sup>(iv)</sup>		
	\$	\$	\$		\$	\$		
L Junk <sup>(v)</sup>	295,492	-	25,790	-	246	1,060,277	1,381,805	76.7%
R Williams <sup>(vi)</sup>	311,712	57,500	13,340	314,813	(63,973)	-	633,392	9.1%
I Cochrane	110,981	-	6,981	-	-	-	117,962	-
B Patterson	80,000	-	7,600	-	-	-	87,600	-
R Reynolds	80,000	-	7,600	-	-	-	87,600	-
G Dyker	377,894	201,250	18,523	-	8,749	84,466	690,882	41.4%
J Howard <sup>(vii)</sup>	134,949	-	3,124	-	4,049	29,052	171,174	17.0%
<b>Total</b>	<b>1,391,028</b>	<b>258,750</b>	<b>82,958</b>	<b>314,813</b>	<b>(50,929)</b>	<b>1,173,795</b>	<b>3,170,415</b>	<b>45.2%</b>

2019	Short-term		Post employment	Long-term	Share-based payment	Total	Performance Related
	Cash Salary <sup>(i)</sup>	Cash Bonus <sup>(ii)</sup>	Super-annuation	Long Service Leave	Share rights <sup>(iii)</sup> & options <sup>(iv)</sup>		
	\$	\$	\$	\$	\$		
R Williams	584,734	230,000	25,000	15,094	371,433	1,226,261	49.0%
I Cochrane	80,000	-	7,600	-	-	87,600	-
B Patterson	80,000	-	7,600	-	-	87,600	-
R Reynolds	80,000	-	7,600	-	-	87,600	-
G Dyker	355,814	87,500	20,172	2,424	134,197	600,107	36.9%
<b>Total</b>	<b>1,180,548</b>	<b>317,500</b>	<b>67,972</b>	<b>17,518</b>	<b>505,630</b>	<b>2,089,168</b>	<b>39.4%</b>

<sup>(i)</sup> Salary includes movements in annual leave provision during the year. Entitlements cashed out above the minimum statutory superannuation threshold have been included in salaries.

<sup>(ii)</sup> Cash bonus paid is inclusive of superannuation. Superannuation contributions on bonuses which exceed the minimum statutory superannuation threshold that are cashed out have been included in the cash bonus. Cash bonus paid to Mr Dyker is inclusive of a \$175,000 retention bonus. Refer to discussion on Short-Term Incentives for further detail on this retention bonus.

<sup>(iii)</sup> The fair value of performance rights is calculated at the date of grant using a Monte Carlo simulation, a review of historical share price volatility and correlation of the share price of the Company to its Peer Group. The fair value is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the above table is the portion of the fair value of the performance rights recognised in the reporting period.

<sup>(iv)</sup> The fair value of options is calculated at the date of grant using the Black Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the above table is the portion of the fair value of the options recognised in the reporting period.

<sup>(v)</sup> Mr Junk was appointed Managing Director and CEO on 6 January 2020.

<sup>(vi)</sup> Mr Williams was the CEO and Executive Chairman until his retirement on 6 January 2020.

<sup>(vii)</sup> Mr Howard was appointed Chief Operating Officer on 1 March 2020.

# ANNUAL FINANCIAL STATEMENTS



## DIRECTORS' REPORT

### Remuneration Report Audited (Continued)

#### Shareholdings

The number of shares in the Company held during the financial year by KMP of the Company, including their related parties, are set out below.

Name	Balance at start of the year	Vested and issued as remuneration	Other changes during the period <sup>(ii)</sup>	Balance at the end of the year
Leigh Junk	-	191,856	575,364	767,220
Rohan Williams <sup>(i)</sup>	8,317,851	1,664,893	(9,982,744)	-
Ian Cochrane	265,295	-	265,295	530,590
Barry Patterson	8,954,987	-	10,960,320	19,915,307
Robert Reynolds	2,730,555	-	333,333	3,063,888
Grant Dyker	137,455	505,636	(182,793)	460,298
James Howard	-	-	-	-

<sup>(i)</sup> Mr Williams was the CEO and Executive Chairman until his retirement on 6 January 2020.

<sup>(ii)</sup> Relates to on market purchases / sales during the year or movements upon appointment / cessation as a KMP.

#### Loans Made to Key Management Personnel

No loans were made to key personnel, including personally related entities during the reporting period.

#### Other Transactions with Key Management Personnel

For the year ended 30 June 2020, services totalling \$74,523 (30 June 2019: \$216,042) were provided on normal commercial terms to the Group by Perenti Global and its subsidiaries (previously Ausdrill Limited), of which Mr Cochrane is Non-Executive Chairman. The services provided related to open pit grade control drilling and mineral analysis. Mr Cochrane was not party to any contract negotiations for either party.

Other than the above, there have been no other transactions with, and no amounts are owing to or owed by KMP.

#### End of Remuneration Report



## DIRECTORS' REPORT

### 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 30<sup>th</sup> day of September 2020.

A handwritten signature in black ink, appearing to read 'LJ'.

**Leigh Junk**  
Managing Director & CEO



## 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 audit of Dacian Gold Limited for the financial year ended 30 June 2020 there have been:

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

KPMG

KPMG

GL + 177

Graham Hogg

*Partner*

Perth

30 September 2020

# ANNUAL FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		30 June 2020 \$'000	30 June 2019 \$'000
Revenue	2	270,047	132,821
Cost of goods sold	3	(264,996)	(108,943)
<b>Gross Profit</b>		<b>5,051</b>	<b>23,878</b>
Corporate employee expenses	3	(3,985)	(3,632)
Share-based employee expense	21	(1,712)	(760)
Borrowing and finance costs	3	(6,644)	(4,946)
Exploration costs expensed and written off	12	(9,148)	(12,247)
Losses on derivative instruments	10	(6,808)	-
Other expenses	3	(4,304)	(3,625)
Impairment loss on assets	14	(68,537)	-
<b>Loss before income tax</b>		<b>(96,087)</b>	<b>(1,332)</b>
Income tax (expense) / benefit	4	(20,377)	4,350
<b>Net (loss) / profit for the year attributable to the members of the parent entity</b>		<b>(116,464)</b>	<b>3,018</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive (loss) / profit for the year attributable to the members of the parent entity</b>	<b>19</b>	<b>(116,464)</b>	<b>3,018</b>
<b>Profit / (loss) per share</b>			
Basic (loss) / earnings per share attributable to ordinary equity holders of the parent (cents per share)	5	(40.6)	1.4
Diluted (loss) / earnings per share attributable to ordinary equity holders of the parent (cents per share)	5	(40.6)	1.3

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

# ANNUAL FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	51,976	35,515
Receivables	8	3,179	5,173
Inventories	9	20,382	20,674
Derivative financial instruments	10	45	-
<b>Total current assets</b>		<b>75,582</b>	<b>61,362</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	107,205	130,858
Exploration and evaluation assets	12	4,072	4,072
Mine properties	13	84,486	142,763
Deferred tax assets	20	13,374	32,573
<b>Total non-current assets</b>		<b>209,137</b>	<b>310,266</b>
<b>Total assets</b>		<b>284,719</b>	<b>371,628</b>
<b>Current liabilities</b>			
Trade and other payables	15	21,016	43,954
Provisions	16	1,420	1,151
Borrowings	17	34,585	37,395
Other financial liabilities	10	261	-
<b>Total current liabilities</b>		<b>57,282</b>	<b>82,500</b>
<b>Non-current liabilities</b>			
Provisions	16	21,195	18,608
Borrowings	17	43,600	85,645
<b>Total non-current liabilities</b>		<b>64,795</b>	<b>104,253</b>
<b>Total liabilities</b>		<b>122,077</b>	<b>186,753</b>
<b>Net assets</b>		<b>162,642</b>	<b>184,875</b>
<b>Equity</b>			
Issued capital	19	338,904	244,513
Share-based payments reserve	19	2,250	3,007
Accumulated losses	19	(178,512)	(62,645)
<b>Total equity</b>		<b>162,642</b>	<b>184,875</b>

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

# ANNUAL FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated			Attributable to owners of the parent \$'000
		Issued capital \$'000	Share reserve \$'000	Accumulated losses \$'000	
<b>Balance at 1 July 2018</b>		195,187	3,516	(65,837)	132,866
Reported profit for the year		-	-	3,018	3,018
Other comprehensive income		-	-	-	-
Total comprehensive profit for the year		-	-	3,018	3,018
Shares issued		48,429	-	-	48,429
Share issue transaction costs		(1,868)	-	-	(1,868)
Options exercised (cash)		1,670	-	-	1,670
Options exercised (non-cash)		458	(458)	-	-
Performance rights exercised		637	(637)	-	-
Performance rights forfeited		-	(174)	174	-
Share-based payments expense		-	760	-	760
<b>Balance at 30 June 2019</b>	<b>19</b>	<b>244,513</b>	<b>3,007</b>	<b>(62,645)</b>	<b>184,875</b>
Reported loss for the year		-	-	(116,464)	(116,464)
Other comprehensive income		-	-	-	-
Total comprehensive profit for the year		-	-	(116,464)	(116,464)
Shares issued		98,351	-	-	98,351
Share issue transaction costs		(7,011)	-	-	(7,011)
Deferred tax on share issue costs		1,179	-	-	1,179
Options exercised (non-cash)		761	(761)	-	-
Performance rights exercised		796	(796)	-	-
Performance rights forfeited		-	(597)	597	-
Share-based payments expense		315	1,397	-	1,712
<b>Balance at 30 June 2020</b>	<b>19</b>	<b>338,904</b>	<b>2,250</b>	<b>(178,512)</b>	<b>162,642</b>

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

# ANNUAL FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Gold sales		269,489	132,550
Interest received		330	1,046
Other income		557	272
Interest paid		(5,263)	(3,229)
Payments for exploration and evaluation		(8,820)	(13,009)
Payments to suppliers and employees		(233,334)	(70,444)
<b>Net cash from operating activities</b>	<b>7</b>	<b>22,959</b>	<b>47,186</b>
<b>Cash flows from investing activities</b>			
Payments for mine properties expenditure (2019: net of pre-production revenue)		(43,085)	(59,496)
Payments for plant and equipment		(2,993)	(3,432)
Payments for capitalised interest during development		-	(2,894)
Payments to acquire exploration assets <sup>(i)</sup>		-	(11,500)
Proceeds from sale of assets		45	-
<b>Net cash from investing activities</b>		<b>(46,033)</b>	<b>(77,322)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		98,351	48,330
Proceeds from issue of options		-	1,670
Share issue transaction costs		(6,954)	(1,948)
Repayment of borrowings		(41,400)	(44,500)
Transaction costs associated with borrowings		(1,269)	(767)
Repayment of lease liabilities		(2,481)	-
Premiums paid on put options		(6,712)	-
<b>Net cash from financing activities</b>		<b>39,535</b>	<b>2,785</b>
Net decrease in cash and cash equivalents		16,461	(27,351)
Cash and cash equivalents at the beginning of the year	7	35,515	62,866
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>51,976</b>	<b>35,515</b>

<sup>(i)</sup> Consideration paid to terminate a Jupiter life-of-mine royalty obligation accrued in the prior year.

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

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Basis of Preparation

Dacian Gold Limited (“Dacian” or the “Company”) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

A description of the nature of operations and principal activities of Dacian and its subsidiaries (collectively, the “Group”) is included in the Directors’ Report, which is not part of these financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 30 September 2020.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”);
- has been prepared on a historical cost basis except for assets and liabilities and share-based payments which are required to be measured at fair value. The basis of measurement is discussed further in the individual notes;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$’000) unless otherwise stated, in accordance with ASIC Instrument 2016/191;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2019. Refer to note 28 for further details;
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 28 for further details.

### 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.

The Group held cash on hand as at 30 June 2020 of \$52.0 million (30 June 2019: \$35.5 million). As at 30 June 2020 the Group has a working capital surplus of \$18.3 million (30 June 2019: \$21.1 million deficit).

For the year ended 30 June 2020 the Group incurred a loss after income tax of \$116.5 million including impairments of \$68.5 million, losses on derivative financial instruments of \$6.8 million and a net income tax expense of \$20.4 million relating to the derecognition of deferred tax assets. Cash inflows from operating activities were \$23.0 million and cash outflows from investing activities were \$46.0 million. Investing outflows included mine development expenditure of \$43.1 million. At 30 June 2020 the Group held total assets of \$284.7 million and net assets of \$162.6 million.

Cash flows for the year have been impacted by lower than expected gold production, continued capital investment in waste stripping activities at the Doublejay open pit and the cost of deferred premium options which were put into place at the request of the Project Debt Facility Financiers (“the Financiers”).

During February 2020, the Group announced two material changes to its business and future plans, being a reduction to its Mineral Resources and Reserves and to immediately suspend capital development at the Westralia underground mine resulting in current underground mining activities concluding in August 2020. As a consequence of these changes, the Group sought and received a number of approvals, waivers and concessions from the Financiers. A further rescheduling of debt repayments was agreed with Financiers in March 2020 to align debt repayments with the updated forecast mine plan and cash flow which included the deferral of the \$24.7 million debt repayment from 31 March 2020 to on or before 30 April 2020, so as to align the Company’s funding plans with the repayment.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Basis of Preparation (continued)

#### Going Concern Basis for Preparation of Financial Statements (continued)

The Group completed a placement and accelerated entitlement offer to institutional and sophisticated investors followed by completion of a retail entitlement offer during May 2020, raising a total of \$91.4 million (net of transaction costs), marking a significant recapitalisation of the Group. The capital raising proceeds were used to repay the deferred \$24.7 million debt repayment on 30 April 2020 and provide additional working capital to fund operations, the development of the Doublejay open pit and fund ongoing exploration activities.

Subsequent to year end, the Group ceased mining activities at Westralia in August 2020 ahead of the previously scheduled timeline (December 2020), preserving the 195,000 ounce (before 2HFY2020 mining depletion) Ore Reserve remaining as part of its optimisation studies. As a result of the cessation of mining activities at Westralia four months earlier than planned and the rescheduling of the Jupiter open pit, FY2021 production guidance was revised to 110,000-120,000 ounces (previously 120,000-130,000 ounces).

As a consequence of these changes the Group sought and received further approvals, waivers and concessions from the Financiers related to financial covenant requirements of the Project Debt Facility Agreement. In addition, the Group breached certain non-financial requirements of the Project Debt Facility Agreement for which a waiver has also been received. These approvals, waivers and concessions were provided on the basis that the Group make a \$25.0 million debt repayment on 30 September 2020 inclusive of the \$14.5 million scheduled repayment. Total Project Debt Facility principal repayments following the capital raise, completed in May 2020, total \$55.6 million, inclusive of the \$25.0 million repayment on 30 September 2020. Following the \$25.0 million repayment on 30 September 2020, the Project Debt Facility balance decreased to \$39.1 million.

The Directors consider the going concern basis of preparation to be appropriate based on the cash flow forecasts. The achievement of cash flow forecasts is dependent upon the Group achieving forecast targets for gold revenue, mining operations and processing activities that are in accordance with management's plans and forecast gold price and foreign exchange assumptions to enable the cash flow forecast to be achieved. Critical to achieving forecast cash flows, and forecast covenant compliance under the Project Debt Facility Agreement, is the Group's ability to achieve forecast gold production in accordance with Board approved forecasts.

Should the cash flow forecasts and forecast covenant compliance under the Project Debt Facility Agreement not be achieved, the Group may require additional waivers, a rescheduling of the delivery of gold forward exchange contracts or rescheduling repayments under the Project Debt Facility Agreement with the Financiers, or additional funding which may include refinancing the Project Debt Facility with other parties, raising equity or a combination of these options. The Directors have a reasonable expectation that a suitable funding solution can be secured within the necessary timeframe, if required, in light of the current gold sector outlook and the past capacity of the Group to obtain funding as required.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Basis of Preparation (continued)

#### Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note 24.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

#### Foreign Currencies

Both the functional currency of each entity within the Group and the Group's presentation currency is Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate of the day. Foreign currency monetary assets and liabilities are translated to Australian dollars at the reporting date exchange rate. Foreign exchange gains and losses are generally recognised in the profit or loss.

#### Other Accounting Policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements, are provided throughout the notes to the financial statements. Where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements.

#### COVID-19

As the COVID-19 pandemic continues to impact Australia and the world, the Group's focus remains on keeping its people well, and maintaining safe and reliable operations. The Group has considered the impact of COVID-19 on each of its significant accounting judgements and estimates, particularly with respect to assumptions used in determining receivables, impairment of non-current assets and going concern. At this stage, no further significant estimates have been identified as a result of COVID-19, however, management is monitoring the increased level of uncertainty in all future cash flow forecasts used in asset valuation and financial viability.

#### Key Estimates and Judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes.

- Note 3 Expenses
- Note 9 Inventories
- Note 12 Exploration and evaluation assets
- Note 13 Mine properties
- Note 14 Impairment
- Note 16 Provisions
- Note 20 Deferred tax
- Note 21 Share-based payments



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Basis of Preparation (continued)

#### The Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if, for example:

- the amount is significant due to its size or nature;
- the amount is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Performance for the year;
- Operating assets and liabilities;
- Capital structure and risk;
- Other disclosures.

A brief explanation is included under each section.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Performance for the Year

This section of the notes provides further information on key line items relevant to the financial performance of the Group. It includes profitability, the resultant return to shareholders via earnings per share and dividends.

### Note 1 Segment Information

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

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

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

### Note 2 Revenue

#### Accounting Policies

#### Gold Sales

The Group applied AASB 15 Revenue from Contracts with Customers from 1 July 2018.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. With the sale of gold bullion, this occurs when physical bullion, from a contracted sale, is transferred from the Company's account into the account of the buyer.

In the prior year, prior to the commencement of commercial production on 1 January 2019, revenue from the sale of gold and silver was treated as a pre-production income and credited to capitalised mine properties in development.

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Revenue from contracts with customers</i>		
Gold Sales	269,489	132,550
Silver Sales	558	271
	<b>270,047</b>	<b>132,821</b>

#### Gold forward contracts delivery commitments

The Group enters into gold forward sale contracts and put options to manage the gold price of a proportion of gold sales. Further details of put options which are classified at fair value through profit and loss can be found in note 10. The treatment of forward sale contracts are discussed further below.

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

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

	Gold for physical delivery oz	Average contract sale price A\$/oz	Value of committed sales \$'000
Due within 1 year	84,589	2,055	173,854
Due after 1 year but not more than 5 years	-	-	-
	<b>84,589</b>	<b>2,055</b>	<b>173,854</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 3 Expenses

#### Accounting Policies

##### Costs of production

Cash costs of production is a component of cost of goods sold and includes direct costs incurred for mining, processing and mine site administration, net of costs capitalised to mine properties, pre-strip and production stripping assets. This category also includes movements in the cost of inventory.

In the prior year, prior to the commencement of commercial production at the MMGO on 1 January 2019, expenditure of an operating nature was capitalised to mine properties in development including cash costs of pre-commercial production, depreciation and amortisation.

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Cost of goods sold</i>		
Costs of production	202,646	86,924
Royalties	8,139	3,354
Depreciation of mine plant and equipment	19,239	8,020
Amortisation of mine properties	34,972	10,645
	<b>264,996</b>	<b>108,943</b>

##### Depreciation & Amortisation

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

<u>Class of Fixed Asset</u>	<u>Useful Life</u>
▪ Office equipment and fixtures	3 - 4 years
▪ Computer equipment & software	2 - 4 years
▪ Motor Vehicles	3 years
▪ Plant and equipment	3 - 10 years / units of production

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Mine properties are amortised on a unit-of-production basis over the reserve of the relevant mining area. The unit of account is tonnes of ore mined.

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Depreciation and Amortisation</i>		
Depreciation expense – recognised in cost of goods sold	19,239	8,020
Depreciation expense – other	435	224
Amortisation expense	34,972	10,645
	<b>54,646</b>	<b>18,889</b>

### Key estimates and assumptions

#### Unit-of-production method of depreciation/amortisation

The Group uses the unit-of-production basis when depreciating / amortising life-of-mine specific assets which results in a depreciation / amortisation charge proportionate to the depletion of the anticipated remaining life-of-mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of the available reserve of the mine property at which it is located.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 3 Expenses (continued)

#### Borrowings and finance costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their use or sale. Other borrowing costs are expensed in the period in which they are incurred. In the prior year, prior to the commencement of commercial production on 1 January 2019, borrowing costs attributable to the MMGO have been capitalised and are amortised over the life of the qualifying asset.

	30 June 2020 \$'000	30 June 2019 \$'000
Unwind of rehabilitation and restoration provision	248	94
Transaction costs <sup>(i)</sup>	1,780	2,484
Interest expense on lease liabilities	578	657
Interest expense on borrowings	4,346	2,757
Interest income	308	1,046
	<b>6,644</b>	<b>4,946</b>

<sup>(i)</sup> Borrowing costs at 30 June 2019 includes an expense of \$2.3 million for previously capitalised transaction costs (2020: nil).

#### Employee expenses

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Corporate Employee expenses</i>		
Salaries and wages	3,113	2,829
Director fees and consulting expenses	271	240
Defined contribution superannuation	317	292
Other employment expenses	284	271
	<b>3,985</b>	<b>3,632</b>

#### Other expenses

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Other expenses</i>		
Administration & corporate	3,869	3,401
Non-production depreciation	435	224
	<b>4,304</b>	<b>3,625</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 4 Income Tax

#### Accounting Policy

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### (a) Income Statement

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Current income tax:</i>		
Current income tax benefit	-	(11,997)
<i>Deferred income tax:</i>		
Tax losses brought to account for the first time	-	(9,884)
Relating to origination and reversal of timing differences	(14,477)	17,531
Tax losses derecognised	34,138	-
Adjustment in respect of prior years	716	-
Income tax expense / (benefit) reported in the Statement of Profit or Loss and Other Comprehensive Income	20,377	(4,350)

#### (b) Statement of Changes in Equity

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Deferred income tax:</i>		
Capital Raising Costs	(1,179)	(80)

#### (c) Reconciliation of consolidated income tax expense to prima facie tax payable

	30 June 2020 \$'000	30 June 2019 \$'000
Accounting loss from continuing operations before income tax expense	(96,087)	(1,332)
Tax at the Australian rate of 30% (2019: 30%)	(28,826)	(400)
Non-deductible expenses	516	231
Capital raising costs claimed	(924)	(505)
Tax losses derecognised as deferred tax assets	34,138	-
Current year tax losses not recognised	14,757	-
Adjustment in respect of previous year <sup>(i)</sup>	716	(3,676)
Income tax expense / (benefit) reported in Profit or Loss and Other Comprehensive Income	20,377	(4,350)

<sup>(i)</sup> Following the commissioning of the treatment plant, management undertook a review of the effective lives of its assets which resulted in an income tax benefit in the 2019 financial year.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 5 Earnings per Share

#### Accounting Policy

Earnings per share ("EPS") is the amount of post-tax profit attributable to each share. The Group presents basic and diluted EPS data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being unlisted employee share options and performance rights on issue.

	30 June 2020	30 June 2019
<i>a) Basic earnings per share</i>	<b>Cents</b>	<b>Cents</b>
(Loss) / (profit) attributable to ordinary equity holders of the Company	<b>(40.6)</b>	<b>1.4</b>
<i>b) Diluted earnings per share</i>		
(Loss) / (profit) attributable to ordinary equity holders of the Company	<b>(40.6)</b>	<b>1.3</b>
<i>c) (Loss) / profit used in calculation of basic and diluted loss per share</i>	<b>\$'000</b>	<b>\$'000</b>
(Loss) / profit after tax from continuing operations	<b>(116,464)</b>	<b>3,018</b>
<i>d) Weighted average number of shares</i>	<b>No.</b>	<b>No.</b>
Issued Ordinary shares at 1 July	<b>225,713,403</b>	205,844,814
Effect of shares issued	<b>60,920,249</b>	18,071,798
Weighted average number of ordinary shares at 30 June	<b>286,633,652</b>	223,916,612
<i>Effect of dilution:</i>		
Share options <sup>(i)</sup>	-	528,302
Performance rights <sup>(i)</sup>	-	299,893
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>286,633,652</b>	224,744,807

<sup>(i)</sup> Share options and performance rights of 10,104,712 have been excluded from the 2020 financial year calculation as the Company was loss making and their effect would have been anti-dilutive.

### Note 6 Dividends

No dividends were paid or proposed during the financial year ended 30 June 2020 (30 June 2019: nil).

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Operating Assets and Liabilities

This section of the notes shows cash generation, the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in the Capital Structure, Financial Instruments and Risk section (refer to note 17).

### Note 7 Cash and Cash Equivalents

#### Accounting Policy

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

	30 June 2020 \$'000	30 June 2019 \$'000
Cash at bank	51,976	35,515
	<b>51,976</b>	<b>35,515</b>

#### Reconciliation of profit / (loss) after tax to net cash flow from operating activities:

	30 June 2020 \$'000	30 June 2019 \$'000
(Loss) / profit from ordinary activities after income tax	(116,464)	3,018
Depreciation and amortisation	54,646	18,889
Net gain on sale of assets	(28)	-
Impairment losses on assets	68,537	-
Bank facility fees	1,269	-
Premiums on put options	6,712	-
Share-based payments expense	1,712	760
Exploration write-off	-	91
Derivative financial instruments mark to market	216	-
Expense of previously capitalised borrowing costs	-	2,349
Unwind of rehabilitation interest	248	-
Inventory NRV adjustment	3,902	-
<i>Movement in assets and liabilities:</i>		
(Increase)/decrease in receivables	1,996	(1,941)
(Increase)/decrease in inventories	(3,612)	(1,231)
(Increase)/decrease in deferred tax assets	20,377	(4,349)
Increase/(decrease) in employee leave provisions	350	231
Increase/(decrease) in trade and other payables	(16,902)	29,369
<b>Net cash flow from operating activities</b>	<b>22,959</b>	<b>47,186</b>

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 8 Receivables

#### Accounting Policy

Receivables are initially recognised at fair value and subsequently at the amounts considered receivable (financial assets at amortised cost). Balances within receivables do not contain impaired assets, are not past due and are expected to be received when due.

The Group does not have trade receivables in relation to gold sales. The only material receivables at year end are for GST and fuel tax credits receivable from the Australian Taxation Office and therefore, the Group is not generally exposed to credit risk in relation to its receivables.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate fair value.

	30 June 2020 \$'000	30 June 2019 \$'000
Current receivables		
GST receivable	1,837	2,354
Prepayments	622	2,055
Other receivables	720	764
	<b>3,179</b>	5,173

### Note 9 Inventories

#### Accounting Policy

Gold bullion, gold-in-circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting ore into gold bullion. Net realisable value ("NRV") is the estimated selling price in the ordinary course of business, less estimated costs of completion, depreciation, amortisation and the costs of selling the final product, including royalties.

Consumable stores are valued at the lower of cost and net realisable value. The cost of consumable stores is measured on a first-in first-out basis. Inventories expected to be sold (or consumed in the case of stores) within 12 months after the balance sheet date are classified as current assets, all other inventories are classified as non-current.

	30 June 2020 \$'000	30 June 2019 \$'000
ROM inventory – at NRV	3,780	4,635
Crushed ore – at NRV	1,824	1,462
Gold in circuit– at NRV	5,773	4,292
Gold dore – at NRV	5,295	6,464
Mine spares and stores – at cost	3,710	3,821
	<b>20,382</b>	20,674

ROM inventory, crushed ore, gold in circuit and gold dore are valued at the lower of costs and NRV. The carrying value is modelled using assumptions with respect planned usage, future processing costs, and the anticipated gold price realised from the delivery of processed inventories into out of the money forward gold contracts. As a result, the Group has recognised a write down to NRV of \$3.902 million at 30 June 2020 within cost of goods sold in respect of these inventory balances.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 9 Inventories (continued)

#### Key Estimates and Assumptions

##### Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product based on the lower of the prevailing spot metals price or anticipated gold price realised from delivery into forward gold sales contracts at the reporting date, less estimated costs to complete production and bring the product to sale, including depreciation and amortisation.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified by periodic surveys.

### Note 10 Derivative Financial Instruments & Other Financial Liabilities

#### Accounting Policy

The put options held by the Group at period end do not qualify for hedge accounting and are therefore classified as fair value through profit and loss and accordingly, the fair value movements of all derivatives are recognised in the profit and loss.

	30 June 2020 \$'000	30 June 2019 \$'000
<i>(a) Derivative Financial Instruments - Assets</i>		
Current Assets:		
Gold put option fair value	45	-
<i>(b) Other Financial Liabilities</i>		
Current Liabilities:		
Gold put option premium payable	(261)	-

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange and gold price.

In October 2019, the Group agreed to purchase 150,000 ounces in deferred premium gold put options at a strike price of \$2,100 per ounce expiring on 28 February 2020. These options were purchased at the time the Group and Financiers were undertaking a review of certain terms within the Project Debt Facility Agreement. The options were purchased with the intention of setting a gold price floor such that the Group could restructure this hedging on or before 28 February 2020 having completed the review of certain Project Debt Facility Agreement terms with its Financiers. These options were held until expiry on the 28 February 2020.

In January 2020, at the request of the Financiers, the Group purchased a further 67,608 ounces in deferred premium gold put options at a strike price of \$2,100 per ounce expiring over the period April 2020 to June 2021. During the June 2020 quarter, 61,338 ounces were terminated early to reduce the overall cost of the regime. Total losses of \$6.808 million have been recognised on put option fair value movements during the year (30 June 2019: nil).

As at 30 June 2020, the Group has 5,070 deferred premium gold put options.

The Group also enters into gold forward contracts. Refer to note 2 for further details of gold forward contracts held at 30 June 2020.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 11 Property, Plant and Equipment

#### *Accounting Policy*

The value of property, plant and equipment is measured as the cost of the asset, less accumulated depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, the cost of major inspections and an initial estimate of the cost of dismantling and removing the item from site at the end of its useful life (rehabilitation provisions). Changes in the rehabilitation provisions resulting from changes in the size or timing of the cost or from changes in the discount rate are also recognised as part of the asset cost.

#### **Derecognition and Disposal**

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no further economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds on disposal and the carrying amount of the asset) is included in the income statement in the period the item is derecognised.

#### **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. Refer to note 14 for further discussion of impairment.

#### **Right-of-use assets**

The Group has lease contracts for various items of laboratory equipment and power infrastructure used in its operations as well as the corporate head office premises. These leases have lease terms between 5 and 8 years. The net book value of leased assets at 30 June 2020 is \$13.1 million. Further information about the leases for which the Group is a lessee is presented in the table on the next page.

The Group also has certain leases of assets with lease terms of 12 months or less for mining equipment and equipment for which the assets are of low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 11 Property, Plant and Equipment (continued)

	Office Equip & Fixtures \$'000	Computer Equipment & Software \$'000	Motor Vehicles \$'000	Plant & Equipment \$'000	Leased Equipment \$'000	Capital WIP \$'000	Total \$'000
<b>Year ended 30 June 2020</b>							
Cost	284	1,757	2,326	125,439	18,644	242	148,692
Accumulated depreciation	(191)	(1,456)	(1,880)	(32,406)	(5,554)	-	(41,487)
<b>Net Book Value</b>	<b>93</b>	<b>301</b>	<b>446</b>	<b>93,033</b>	<b>13,090</b>	<b>242</b>	<b>107,205</b>
<i>Movements</i>							
Opening net book value	114	659	1,020	113,734	15,145	186	130,858
Additions <sup>(i)</sup>	21	177	142	1,447	471	766	3,024
Disposals	-	(1)	(16)	-	-	-	(17)
Impairment (note 14)	-	(6)	(30)	(6,311)	-	(639)	(6,986)
Transfers	-	-	-	71	-	(71)	-
Depreciation expense	(42)	(528)	(670)	(15,908)	(2,526)	-	(19,674)
<b>Closing net book value</b>	<b>93</b>	<b>301</b>	<b>446</b>	<b>93,033</b>	<b>13,090</b>	<b>242</b>	<b>107,205</b>
<b>Year ended 30 June 2019</b>							
Cost	263	1,587	2,274	130,232	18,173	186	152,715
Accumulated depreciation	(149)	(928)	(1,254)	(16,498)	(3,028)	-	(21,857)
<b>Net Book Value</b>	<b>114</b>	<b>659</b>	<b>1,020</b>	<b>113,734</b>	<b>15,145</b>	<b>186</b>	<b>130,858</b>
<i>Movements</i>							
Opening net book value	130	1,128	1,668	129,082	17,462	603	150,073
Additions	30	139	36	2,513	-	186	2,904
Disposals	-	-	-	(54)	-	-	(54)
Transfers from mine development	-	-	-	(5,065)	-	(603)	(5,668)
Depreciation expense	(42)	(361)	(375)	(6,308)	(1,158)	-	(8,244)
Depreciation capitalised <sup>(ii)</sup>	(4)	(247)	(309)	(6,434)	(1,159)	-	(8,153)
<b>Closing net book value</b>	<b>114</b>	<b>659</b>	<b>1,020</b>	<b>113,734</b>	<b>15,145</b>	<b>186</b>	<b>130,858</b>

<sup>(i)</sup> Leased Equipment additions includes \$0.47 million for right-of-use assets relating to the Group's head office rental agreement recognised on initial implementation of AASB 16: Leases.

<sup>(ii)</sup> In the prior year, prior to the commencement of commercial production on 1 January 2019, depreciation has been capitalised to mine properties in development (refer to note 13).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 12 Exploration and Evaluation Assets

#### Accounting Policy

Exploration and evaluation costs are expensed 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 Ore Reserve.

Capitalised exploration and evaluation expenditures in relation to specific areas of interest continue to be recognised as an exploration and evaluation asset 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
  - (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 costs include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation 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.

	30 June 2020 \$'000	30 June 2019 \$'000
Deferred exploration costs at the start of the financial year	4,072	4,163
Exploration and evaluation costs incurred	9,148	12,156
Exploration and evaluation costs expensed and written off	(9,148)	(12,247)
	4,072	4,072

#### Impairment

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 mine properties in development.

No impairment loss (30 June 2019: \$0.1m) in relation to exploration and evaluation assets has been recognised during the period. The impairments relates to historical tenement acquisition costs.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 12 Exploration and Evaluation Assets (continued)

#### Key Estimates and Assumptions

##### Impairment of exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

#### 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.

### Note 13 Mine Properties

#### Accounting Policies

##### Mine Properties Under Development

Mine properties under development represents the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant, and are depreciated and amortised using the units-of-production method based on the estimated economically recoverable reserve to which they relate or are written off if the mine property is abandoned.

##### Mine Properties in Production

Other mine properties represent expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs incurred by the Group previously accumulated and carried forward in mine properties under development in relation to areas of interest in which mining has now commenced. Other mine properties are stated at cost, less accumulated amortisation and accumulated impairment losses.

Other mine properties are amortised on a unit-of-production basis over the economically recoverable reserve of the mine concerned. The unit of account is tonnes of ore mined. From 1 January 2020 amortisation has been calculated based on the published Reserve which forms the basis of the current 3 year mine plan.

##### Deferred Stripping

Stripping activity costs incurred in the development phase of an open pit mine are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis.

Stripping activity incurred during the production phase of a mine is assessed as to whether the benefit accruing from that activity is to provide access to ore that can be used to produce ore inventory, or whether it in addition provides improved access to ore that will be mined in future periods.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for those stripping activity costs in accordance with AASB 102 *Inventories*. A stripping activity asset is brought to account if it is probable that future economic benefits (improved access to that ore body) will flow to the Group, the component of the ore body for which access has been improved can be identified and costs relating to the stripping activity can be measured reliably.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 13 Mine Properties (continued)

#### Accounting Policies (continued)

#### Deferred Stripping (continued)

The amount of stripping activity costs that are capitalised is determined based on a comparison of the stripping ratio in the relevant period with the life-of-mine stripping ratio. To the extent that there is a period of sustained stripping that exceeds the average life-of-mine stripping ratio, mine waste stripping costs are capitalised to the stripping activity asset. Such capitalised costs are amortised over the life of that component on a units-of-production basis. Changes to the life-of-mine are accounted for prospectively.

	Mine Properties in Development \$'000	Mine Properties in Production \$'000	Deferred Stripping \$'000	Total
<b>Year ended 30 June 2020</b>				
Cost	-	99,445	30,658	130,103
Accumulated amortisation	-	(35,130)	(10,487)	(45,617)
<b>Net book value</b>	<b>-</b>	<b>64,315</b>	<b>20,171</b>	<b>84,486</b>
<i>Movements</i>				
Opening carrying amount	-	133,161	9,602	142,763
Additions	-	16,422	19,499	35,921
Impairment (note 14)	-	(61,551)	-	(61,551)
Change in rehabilitation provision	-	2,325	-	2,325
Amortisation expense	-	(26,042)	(8,930)	(34,972)
<b>Closing net book value</b>	<b>-</b>	<b>64,315</b>	<b>20,171</b>	<b>84,486</b>
<b>Year ended 30 June 2019</b>				
Cost	-	142,249	11,159	153,408
Accumulated amortisation	-	(9,088)	(1,557)	(10,645)
<b>Net book value</b>	<b>-</b>	<b>133,161</b>	<b>9,602</b>	<b>142,763</b>
<i>Movements</i>				
Opening carrying amount	103,004	-	-	103,004
Additions <sup>(i)</sup>	6,665	19,795	11,159	37,619
Transfers from PPE	5,467	201	-	5,668
Transfers	(122,234)	122,234	-	-
Change in rehabilitation provision	1,106	2,368	-	3,474
Amortisation expense	-	(9,088)	(1,557)	(10,645)
Borrowing costs capitalised / (expensed) <sup>(ii)</sup>	5,992	(2,349)	-	3,643
<b>Closing net book value</b>	<b>-</b>	<b>133,161</b>	<b>9,602</b>	<b>142,763</b>

<sup>(i)</sup> The 30 June 2019 additions include 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 were capitalised to mine properties in development. Revenue from the sale of gold prior to 1 January 2019 has been treated as pre-production income and was credited to capitalised mine properties in development.

<sup>(ii)</sup> Borrowing costs at 30 June 2019 include capitalised interest of \$2.9 million.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 13 Mine Properties (continued)

#### Key Estimates and Assumptions

##### Commencement of commercial production – Mt Morgans Gold Operation

On 1 January 2019 the Group announced the commencement of commercial production at MMGO. The criteria used to assess this were based on the unique nature of the mine including its complexity and location and requires judgement.

The assessment considered the following: (1) all major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by the Company have been completed; (2) the treatment plant and other surface infrastructure has been transferred to the control of the operations team from the commissioning team; (3) the power station is capable of delivering the required electricity; (4) the treatment plant's crushing and milling circuits are capable of running at design capacity; (5) gold recoveries are at or near expected production levels; and (6) underground and open pit mining operations have achieved their required production levels and have the ability to sustain the ongoing production of ore at the required volumes.

During the commissioning phase (prior to the commencement of commercial production) expenditures of an operating nature was capitalised to mine properties in development. Revenue from the sale of gold was treated as pre-production income and credited to capitalised mine properties in development.

##### Production Stripping Costs

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates, such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio) and amortisation which is calculated on a units of production basis. Any resulting changes are accounted for prospectively.

##### Determination of mineral resources and reserves

The Group uses the concept of life-of-mine as an accounting value to determine the amortisation of mine properties in production and deferred stripping costs. In determining life-of-mine, the Group prepares ore resource and reserve estimates in accordance with JORC Code 2012, guidelines prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. The estimate of these resources and ore reserves, by their very nature, require judgements, estimates and assumptions.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 14 Impairment of Assets

#### *Accounting Policy*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs of disposal 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 the fair value less cost of disposal, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit.

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 the re-valued amount, in which case the reversal is treated as a re-valuation increase.

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.

The Group assessed its cash generating unit ("CGU") for the half-year ended 31 December 2019 to determine whether any indication of impairment existed. Where an indicator of impairment existed, a formal estimate of the recoverable amount was made.

In assessing whether an impairment is required for the CGU, the carrying value is compared to its recoverable amount. The recoverable amount was assessed by determining the CGU's fair value less costs of disposal. Management of the Group has identified one CGU, the Mt Morgans Gold Operation ("MMGO").

#### *31 December 2019 Assessment*

On 27 February 2020 the Company announced an updated Mineral Resource and Ore Reserve estimate which included a 40% reduction in Mineral Resource at the MMGO from 3.5 million to 2.1 million ounces. The resource reduction related primarily to the Westralia underground mine where the Mineral Resource estimate decreased by 52% from 1.5 million ounces to 0.7 million ounces.

Subsequent to 31 December 2019, the Company also announced production from Westralia was expected to conclude in the first half of the 2021 financial year which has now ceased in August 2020. Whilst the Group intends to undertake optimisation studies on the underground throughout financial year 2021, the outcome of this work cannot be determined at this time and the results are uncertain.

As a result of these factors, it was determined that there were indicators of potential impairment of the MMGO CGU. The Group used the fair value less cost of disposal to determine the recoverable value of the MMGO CGU based on the following methodology and assumptions.

#### *Methodology*

The Group has impaired the assets within the MMGO CGU based on the fair values determined by a five year discounted cash flow assessment underpinned by the Group's revised life-of-mine outlook. The key assumptions in addition to the mine plans used in the discounted cash flow valuation are the USD gold price, the Australian dollar exchange rate against the US dollar and the discount rate (real terms).

Average forecast annual production between financial years 2021 and 2023 averages 110,000 ounces per annum at an average forecast AISC of \$1,350 per ounce.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 14 Impairment of Assets (continued)

#### Methodology (continued)

Gold price and AUD:USD exchange rate assumptions are estimated by management in real terms, with reference to external market forecasts. For this review, the forecast gold price was estimated at between US\$1,305 – US\$1,493, and the forecast exchange rate of US\$0.69 to US\$0.74 per A\$1.00, based on consensus forecasts over the life of the operation.

A discount rate of 5.6% was applied to post tax cash flows expressed in real terms. The discount rate was derived from the Company's post tax weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the CGU, that are not in the underlying cash flows.

The impairment testing at 31 December 2019 resulted in a total impairment charge to the CGU of \$68.537 million. This impairment charge is reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and is summarised in this note. The impairment is applied against the asset carrying values for the Westralia underground mine comprising mine properties and property plant and equipment.

A +/-10% change in average gold price would decrease/increase the impairment by between \$61.8 million and \$63.2 million and a +/- 10% change in gold production would impact the impairment by \$16.0 million, all other assumptions being equal.

	MMGO carrying value prior to impairment \$'000	Impairment loss \$'000	Recoverable amount \$'000
Property, plant and equipment	123,663	(6,986)	116,677
Mine properties	159,788	(61,551)	98,237
<b>Total impairment</b>	<b>283,451</b>	<b>(68,537)</b>	<b>214,914</b>

The carrying value of the MMGO CGU equals its recoverable amount. Significant changes to key assumptions including the forecast gold price, forecast exchange rate and operating assumptions will have an impact on the carrying value of the CGU in future periods.

The Group performed an impairment indicator assessment at 30 June 2020 and determined that no impairment or impairment reversal was required.

#### Key Estimates and Assumptions

##### Determination of Mineral Resources & Ore Reserves

The determination of mineral resources and ore reserves impacts the accounting for asset carrying values. The Group estimates its mineral resources and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012* (the "JORC" Code). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 15 Trade and Other Payables

#### Accounting Policy

Trade and other payables are initially recognised at the value of the invoice received from a supplier and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

	30 June 2020 \$'000	30 June 2019 \$'000
Current liabilities		
Trade and other payables	4,012	26,082
Accrued expenses	17,004	17,872
	<b>21,016</b>	<b>43,954</b>

### Note 16 Provisions

#### Accounting Policy

#### Rehabilitation and Restoration

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. To the extent that future economic benefits are expected to arise, these costs are capitalised and amortised over the remaining lives of mines.

Annual increases in the provision relating to the change in the net present value of the provision are recognised as finance costs. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clear-up closure.

#### Employee Benefits

The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees.

#### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

#### Long service leave

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service up to reporting date, plus related on costs. The benefit is discounted to determine its present value and the discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 16 Provisions (continued)

	30 June 2020 \$'000	30 June 2019 \$'000
Current:		
Employee leave liabilities	1,420	1,151
	<b>1,420</b>	1,151
Non-current:		
Employee leave liabilities	294	213
Rehabilitation provision	20,901	18,395
	<b>21,195</b>	18,608
<i>Provision for rehabilitation</i>		
Balance at the start of the financial year	18,395	14,827
Rehabilitation costs incurred during the year	(67)	-
Provisions recognised during the year	2,325	3,157
Unwinding of discount	248	411
Balance at the end of the financial year	<b>20,901</b>	18,395

### Key Estimates and Assumptions

#### Rehabilitation Obligations

The provision for rehabilitation and restoration costs is based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include an estimate of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Capital Structure, Financial Instruments and Risk

This section provides further information about the Group's contributed equity, financial liabilities, related financing costs and its exposure to various financial risks. It explains how these risks affect the Group's financial position and performance and what the Group does to manage these risks.

### Note 17 Borrowings and Finance Costs

#### *Accounting Policies*

#### *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of borrowings using the effective interest rate method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs and amortised over the period of the remaining facility.

#### *Finance Leases*

From 1 July 2019 the Group has applied the new AASB 16 Leases accounting standard. See note 28 for details of the impacts of this new standard which has increased the value of right-of-use assets and lease liabilities of the Group.

Prior to 1 July 2019, finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership for the lease item, were capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised as an expense in profit or loss. Capitalised leased assets were depreciated over the shorter of the estimated useful life of the asset and the lease term if there was no reasonable certainty that the Group will obtain ownership by the end of the lease term. The corresponding finance lease liability was reduced by the leased payments net of finance charges. The interest element of lease payments represented a constant proportion of the outstanding capital balance and was charged to profit or loss, as finance costs over the period of the lease. The carrying amounts of the Group's current and non-current borrowings approximated their fair value.

#### *Unwinding of discount on provisions*

The unwinding of discount on provisions represents the cost associated with the passage of time. Rehabilitation provisions are recognised at the discounted value of the present obligation to restore, dismantle and rehabilitate each mine site with the increase in the provision due to the passage of time being recognised as a finance cost in accordance with the policy described in note 16.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 17 Borrowings and Financing Costs (continued)

	30 June 2020 \$'000	30 June 2019 \$'000
Current		
Insurance premium funding liability	373	1,989
Lease Liabilities	2,412	2,106
Bank Loans	31,800	33,300
	<b>34,585</b>	<b>37,395</b>
Non-Current		
Lease Liabilities	11,300	13,445
Bank Loans	32,300	72,200
	<b>43,600</b>	<b>85,645</b>

#### Project Debt Facility

At 30 June 2020 the MMGO Project Debt Facility held with a syndicate of Financiers, comprising Westpac Banking Corporation, Australia and New Zealand Banking Group Limited and BNP Paribas, had an outstanding balance of \$64.1 million (30 June 2019: \$105.5 million).

During the year, debt repayments were made totalling \$41.4 million (30 June 2019: \$44.5 million). As a result, and in accordance with the loan agreement, the available debt limit was reduced by the same amount as all facilities had transitioned into the repayment phase.

Repayments under the Project Debt Facility are classified as current or non-current in the financial statements with reference to the fixed repayment schedule. Fixed repayments are scheduled on a quarterly interval and are determined based on the cash flow forecast from the approved bank financial model with the repayment amount set to achieve financial ratio compliance in each quarter. Fixed repayments are scheduled over the period to 30 June 2022, being the full tenor of the project debt facility. The information in the following table has been prepared on this basis and reflects the agreed fixed repayment schedule as at 30 June 2020.

	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000
Bank Loan	25,800	6,000	32,300

During the December 2019 quarter, the Group and its Financiers initiated and completed a review of certain terms under the Project Debt Facility agreement that resulted in the following changes.

- Fixed debt repayment schedule was modified to better align these repayment obligations with the cash flow forecast over the facilities remaining tenor to 30 June 2022. This included the deferral of the 31 December 2019 debt repayment to 31 March 2020 totalling \$7.05 million and the setting aside of cash totalling \$7.05 million to a restricted cash account to part fund the 31 March 2020 debt repayment amount of \$24.7 million.
- A new variable debt repayment schedule was agreed that had the potential to increase debt repayments from June 2020. The variable repayment each quarter was set up to a capped amount and subject to a 'pay if you can' condition. Variable repayments were to be made only when working capital funding levels and quarterly cash flows (after the payment of non-discretionary corporate and exploration costs) exceed certain minimum levels. The actual cash flows of the MMGO were a function of the gold price achieved (including hedging), gold production (including grade and recoveries) and the achievement of forecast operating and capital expenditure.
- The Group implemented an interim hedging program with the purpose of this hedging to give the Group and Financiers future gold price certainty ahead of finalising the review. The interim hedging comprised deferred premium gold put options covering 150,000 ounces at a strike price of \$2,100 per ounce expiring on 28 February 2020. This allowed the Group to lock in a minimum gold price floor whilst retaining upside participation in higher spot gold prices, which enabled Financiers to agree to changes to the debt repayment schedule (noted above) and approve an updated bank financial model.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 17 Borrowings and Financing Costs (continued)

#### Project Debt Facility (continued)

- Agreement that a final hedging program was to be undertaken on or before 28 February 2020 being the expiry date for the gold put options. This hedging was to comprise a combination of forward sale contracts and deferred premium put options executed with a delivery profile over the period to 30 June 2021. Hedge volumes and timing (up to a maximum 150,000 ounces) are to align with the forecast metal production in the approved bank model. Further details of this hedging program are disclosed in notes 3 and 10.
- The requirement to achieve compliance with the Project Completion Test under the Project Debt Facility by 31 December 2019 was permanently removed as a condition.

In January 2020, at the request of the Financiers, the Group:

- Implemented a put option regime, covering 67,608 ounces at a strike price of \$2,050 per ounce (net of costs) expiring over the period June 2021; and
- Gold forward sale contracts covering 49,788 ounces at an average delivery price of A\$2,266 per ounce over the period September 2020 to June 2021.

On 27 February 2020, the Company announced two material changes to its business and future plans, being:

- An updated Mineral Resources and Ore Reserve estimate which included a 40% reduction in the Mineral Resource from 3.5 million to 2.1 million ounces; and
- to immediately suspend capital development at the Westralia underground mine resulting in current underground mining activities to be completed during the period to December 2020.

As a consequence of these changes, the Group sought and received a number of approvals, waivers and concessions from the Financiers in relation to these changes. A further rescheduling of debt repayment schedules was agreed with the Financiers to align debt repayments with the updated forecast mine plan and cash flow including the deferral of the \$24.7 million debt repayment from 31 March 2020 to on or before 30 April 2020, so as to align the Company's funding plans with the repayment. The Company repaid the \$24.7 million on 30 April 2020, following the receipt of proceeds from a capital raising.

During the June 2020 quarter, 61,338 ounces of the put option regime were terminated early to reduce the overall cost of the regime.

The key terms of the Facility as at 30 June 2020 are:

- Fixed schedule of repayments through to 30 June 2022;
- Security is provided by a fixed and floating charge over the assets of Dacian Gold's operating subsidiary, Mt Morgans WA Mining Pty Ltd and a featherweight security over the assets of Dacian Gold Limited capped to a maximum value of \$5,000. The transaction banking accounts for the Group are secured assets. The security provided by the Parent Entity, Dacian Gold Limited supports the guarantee provided to Mt Morgans WA Mining Pty Ltd; and
- The Facility Agreement contains a number of typical financial covenants that are assessed and reported to Financiers on a quarterly basis.

The effective interest rate on the facility at 30 June 2020 is 4.1% (30 June 2019: 4.6%).

During the financial year, the Group incurred costs of \$1.2 million with respect to the various changes made to the debt repayment schedule of the Facilities Agreement.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 17 Borrowings and Financing Costs (continued)

#### Project Debt Facility (continued)

Subsequent to year end, the Group ceased mining activities at Westralia in August 2020 ahead of the previously scheduled timeline (December 2020), preserving the 195,000 ounce (before 2HFY2020 mining depletion) Ore Reserve remaining as part of its optimisation studies. As a result of the cessation of mining activities at Westralia four months earlier than planned and the rescheduling of the Jupiter open pit, FY2021 production guidance was revised to 110,000-120,000 ounces (previously 120,000-130,000 ounces).

As a consequence of these changes the Group sought and received further approvals, waivers and concessions from the Financiers related to financial covenant requirements of the Project Debt Facility Agreement. In addition, the Group breached certain non-financial requirements of the Project Debt Facility Agreement for which a waiver has also been received. These approvals, waivers and concessions were provided on the basis that the Group make a \$25.0 million debt repayment on 30 September 2020 inclusive of the \$14.5 million scheduled repayment. Total Project Debt Facility principal repayments following the capital raise, completed in May 2020, total \$55.6 million, inclusive of the \$25.0 million repayment on 30 September 2020. Following the \$25.0 million repayment on 30 September 2020, the Project Debt Facility balance decreased to \$39.1 million.

#### Financing facilities

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Total Facilities</b>		
Project Debt Facility	64,100	105,500
Bank Guarantee Facility	950	950
	<b>65,050</b>	<b>106,450</b>
<b>Facilities used at reporting date</b>		
Project Debt Facility	64,100	105,500
Bank Guarantee Facility	674	674
	<b>64,774</b>	<b>106,174</b>
<b>Facilities unused at reporting date</b>		
Project Debt Facility	-	-
Bank Guarantee Facility	276	276
	<b>276</b>	<b>276</b>

#### Lease Liabilities

Payment made under lease arrangements qualifying under AASB 16, but variable by nature and therefore not included in the minimum lease payments used to calculate lease liabilities of \$9.5 million were expensed during the period. These included costs for services, including labour charges, under those contracts that contained payments for right-of-use assets.

Payments of \$13.5 million for short term leases (lease term of 12 months or less) and leases of low value assets were expensed in the Statement of Profit or Loss for year ended 30 June 2020.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 18 Financial Instruments

The Group has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Group's exposure to the specific risks, and the policies and processes for measuring and managing those risks. The Board of Directors has the overall responsibility for the risk management framework and has adopted a Risk Management Policy.

#### (a) Credit risk

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

##### *Gold Bullion Sales*

Credit risk arising from the sale of gold bullion to the Group's customer is low as the payment by the customer (being The Perth Mint Australia) is guaranteed under statute by the Western Australian State Government. In addition, sales are made to high credit quality financial institutions, hence credit risk arising from these transactions is low.

##### *Trade and other receivables*

The nature of the business activity of the Group does not result in trading receivables. The receivables that the Group does experience through its normal course of business are short-term and the risk of non-recovery of receivables is considered to be negligible.

##### *Other*

In respect of derivative financial instruments, the Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the mark-to-market of these instruments. The Group does not hold any credit derivatives to offset its credit exposure.

The Directors do not consider that the Group's financial assets are subject to anything more than a negligible level of credit risk, and as such no disclosures are made.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 18 Financial Instruments (continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group 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 Group's current and future operations, and consideration is given to the liquid assets available to the Group before commitment is made to future expenditure or investment.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>							
Trade & other payables	21,016	21,016	21,016	-	-	-	-
Insurance premium funding liability	373	373	373	-	-	-	-
Lease liabilities	13,712	15,095	1,444	1,445	2,728	7,734	1,744
Bank Loan <sup>(i)</sup>	64,100	66,788	26,961	6,762	33,065	-	-
Derivative instruments	261	265	265	-	-	-	-
	<b>99,462</b>	<b>103,537</b>	<b>50,059</b>	<b>8,207</b>	<b>35,793</b>	<b>7,734</b>	<b>1,744</b>
<b>2019</b>							
Trade & other payables	43,954	43,954	43,954	-	-	-	-
Insurance premium funding liability	1,989	1,989	870	746	373	-	-
Lease liabilities	15,551	17,498	1,337	1,336	2,673	7,866	4,286
Bank Loan	105,500	113,310	19,973	17,221	34,442	41,674	-
	<b>166,994</b>	<b>176,751</b>	<b>66,134</b>	<b>19,303</b>	<b>37,488</b>	<b>49,540</b>	<b>4,286</b>

<sup>(i)</sup> 2020 Bank loan repayments are presented as per the Project Debt Facility repayment schedule presented in note 17 and have not been adjusted for the \$10.5 million unscheduled debt repayment made on 30 September 2020. Refer to the subsequent events note 27 for further discussion.

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group'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.

##### Commodity Price Risk

The Group's exposure to commodity price risk arises largely from Australian dollar gold price fluctuations. The Group's exposure to movements in the gold price is managed through the use of Australian dollar gold forward contracts. The gold forward sale contracts do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal purchase/sale exemption because physical gold will be delivered into the contract. Further information relating to these forward sale contracts is included in note 2. No sensitivity analysis is provided for these contracts as they are outside the scope of AASB 9 *Financial Instruments*.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 18 Financial Instruments (continued)

#### (c) Market risk (continued)

##### Interest rate risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. At the reporting date, the Group had the following exposure to interest rate risk on financial instruments.

	Carrying amount (\$)	
	30 June 2020 \$'000	30 June 2019 \$'000
<i>Variable rate instruments</i>		
Cash and cash equivalents	51,976	35,515
Borrowings	(64,100)	(105,500)
	(12,124)	(69,985)

##### Foreign Currency/Equity risk

The Group does not have any direct contact with foreign exchange or equity risks other than their effect on the general economy.

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Interest Revenue</b>		
Increase 1.0% (2019: 1.0%)	520	355
Decrease 1.0% (2019: 1.0%)	(520)	(355)
<b>Interest Expense</b>		
Increase 1.0% (2019: 1.0%)	(641)	(1,055)
Decrease 1.0% (2019: 1.0%)	641	1,055

#### (d) Fair values

##### Fair values versus carrying amounts

The carrying amounts and estimated fair values of all the Group's financial instruments recognised in the financial statements are materially the same. The methods and assumptions used to estimate the fair value of financial instruments are disclosed in the respective notes.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 19 Issued Capital and Reserves

#### Accounting Policy

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of shares or options are recognised as a deduction from equity, net of any related income tax effects.

	30 June 2020 No.	30 June 2019 No.	30 June 2020 \$'000	30 June 2019 \$'000
Issued share capital	556,264,777	225,713,403	338,904	244,513
<i>Share movements during the year</i>				
Balance at the start of the financial year	225,713,403	205,844,814	244,513	195,187
Share issue	328,029,358	17,948,339	98,626	48,429
Exercise of options (cash)	-	1,700,000	-	1,670
Exercise of options (non-cash)	2,227,482	-	761	458
Exercise of performance rights (non-cash)	294,534	220,250	796	637
Less share issue costs	-	-	(7,011)	(1,948)
Deferred tax on share issue costs	-	-	1,179	80
Share-based payments for the year	-	-	40	-
Balance at the end of the financial year	556,264,777	225,713,403	338,904	244,513

	30 June 2020		30 June 2019	
	Accumulated losses \$'000	Share-based payments reserve <sup>(i)</sup> \$'000	Accumulated losses \$'000	Share-based payments reserve <sup>(i)</sup> \$'000
Balance at the beginning of the year	(62,645)	3,007	(65,837)	3,516
(Loss) / profit for the year	(116,464)	-	3,018	-
Transfer to issued capital on exercise of options	-	(761)	-	(458)
Transfer to issued capital on exercise of performance rights	-	(796)	-	(637)
Transfer to accumulated losses due to market conditions not met	597	(597)	174	(174)
Share-based payments for the year	-	1,397	-	760
Balance at the end of the year	(178,512)	2,250	(62,645)	3,007

<sup>(i)</sup> The share-based payments reserve is used to recognise the fair value of options over unissued shares and performance rights provided to employees and Key Management Personnel.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Other Disclosures

This section provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.

#### Note 20 Deferred Tax

Deferred tax assets and liabilities are recognised for temporary timing differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to those timing differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Amounts receivable from the Australian Tax Office in respect of research and development tax concession claims are recognised when management have a reasonable basis to estimate claim proceeds.

#### Tax consolidation

The company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rate basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At reporting date, the possibility of default is remote. The head entity of the tax consolidated group is Dacian Gold Limited.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 20 Deferred Tax (continued)

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Deferred tax assets</i>		
Trade & other payables	17	17
Provisions	6,783	5,927
Borrowings – Finance lease liabilities	4,114	4,665
Borrowing costs	191	421
Business related costs – profit & loss	2,114	3,259
Other financial liabilities	78	-
Capital raising costs – equity	2,334	1,155
Tax Losses	17,669	52,450
<i>Deferred tax liabilities</i>		
Trade & other receivables	(235)	(283)
Inventories	(230)	(347)
Derivative financial instruments	(13)	-
Property, plant and equipment	(10,033)	(11,912)
Exploration and evaluation assets	(985)	(956)
Mine properties	(8,430)	(21,823)
<b>Net deferred tax assets</b>	<b>13,374</b>	<b>32,573</b>

Movement in temporary differences during the year:

	Balance 30 June 2019 \$'000	Recognised in income \$'000	Recognised in Equity \$'000	Balance 30 June 2020 \$'000
Trade and other receivables	(284)	49	-	(235)
Inventories	(347)	117	-	(230)
Derivative financial instruments	-	(13)	-	(13)
Property, plant & equipment	(11,912)	1,879	-	(10,033)
Exploration & evaluation	(956)	(29)	-	(985)
Mine properties in development	(21,823)	13,393	-	(8,430)
Trade & other payables	17	-	-	17
Provisions	5,927	856	-	6,783
Other financial liabilities	-	78	-	78
Borrowings	4,665	(551)	-	4,114
Borrowing costs	421	(230)	-	191
Business related costs – profit & loss	3,259	(1,145)	-	2,114
Capital raising costs – equity	1,155	-	1,179	2,334
Tax losses	52,450	(34,781)	-	17,669
	<b>32,572</b>	<b>(20,377)</b>	<b>1,179</b>	<b>13,374</b>

The decision by the Group to suspend mining operations at the Westralia underground mine in August 2020 has reduced the expected future taxable income to be generated by MMGO to utilise the tax losses brought to account at 30 June 2020. As a result, deferred tax assets of \$34.138 million (30 June 2019: nil) were derecognised at 31 December 2019. Deferred tax assets have not been recognised in respect of tax losses generated from January 2020 during the current period because the Group's cash flow forecasts indicate it is not sufficiently probable that future taxable profit will be available against which the Company can utilise these losses.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 20 Deferred Tax (continued)

The value of tax losses (gross basis not tax effected) available to the Group at 30 June 2020 for income tax purposes is \$221.9 million, which comprises (for accounting) recognised tax losses totalling \$58.9 million and unrecognised tax losses totalling \$163.0 million. Utilisation will be subject to relevant tax legislation associated with recoupment including the same business test and continuity of ownership test. The Group has a reasonable expectation that these losses can be carried forward to future years for income tax purposes.

### Key Estimates and Assumptions

#### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in the tax laws in Australia could limit the ability of the Group to obtain tax deductions in future periods.

### Note 21 Share-Based Payments

#### Accounting Policy

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based incentives, whereby employees render services in exchange for options and shares (equity-settled transactions).

There is currently a plan in place to provide these benefits, the Dacian Gold Limited Employee Option Plan, which provides benefits to Executive Directors and other employees.

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 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 equity instrument relates (market and non-vesting 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 award (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 Group'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 statement of profit or loss 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 share-based incentives that do not ultimately vest, except for incentives where vesting is only conditional upon market and non-vesting conditions.

If the terms of a share-based incentive 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 incentive, or is otherwise beneficial to the employee, as measured at the date of modification.

If a share-based incentive 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 incentive and designated as a replacement award on the date that it is granted, the cancelled incentive and new awards are treated as if they were a modification of the incentive, as described in the previous paragraph.

The Group provides benefits to employees (including Executive Directors) of the Group through share-based incentives. Information relating to these schemes is set out below.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 21 Share-Based Payments (continued)

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Recognised share-based payments expense</i>		
Employee share-based payments expense	638	131
Performance rights expense	1,074	629
Total share-based payments expense	1,712	760

### Dacian Gold Limited Employee Option Plan

The establishment of the Dacian Gold Limited Employee Option Plan ("the Plan") was last approved by a resolution of the shareholders of the Company on 26 November 2018. All eligible Directors, executive officers and employees of Dacian Gold Limited and its subsidiaries, who have been continuously employed by the Company are eligible to participate in the Plan. The Plan allows the Company to issue free options or performance rights to eligible persons.

#### Options over Unissued Shares

The options can be granted free of charge and are exercisable at a fixed price in accordance with the Plan. Options issued under the Plan have vesting periods prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period. The options are granted free of charge and vest subject to certain operational and market performance conditions being met. Options lapse if the employee ceases employment with the Company.

During the financial year no options over unissued shares were issued pursuant to the Company's Employee Option Plan (30 June 2019: nil). Options issued have been valued and included in the financial statements over the periods that they vest.

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

	30 June 2020		30 June 2019	
	No.	WAEP	No.	WAEP
Options outstanding at the start of the year <sup>(i)</sup>	5,250,000	\$0.96	6,950,000	\$1.07
Options exercised during the year	4,000,000	\$0.70	1,700,000	\$0.98
Options outstanding at the end of the year	1,250,000	\$1.81	5,250,000	\$1.10

<sup>(i)</sup> The number and the weighted average exercise price of options at 1 July 2019 has been adjusted in accordance with the terms and conditions of the Plan. Further details of the adjustment are noted below.

The terms of the unissued ordinary options at 30 June 2020 are as follows

Number of options	Exercise price	Expiry date
400,000	\$0.60	30 September 2020
50,000	\$0.61	31 January 2021
300,000	\$1.44	28 February 2021
500,000	\$3.11	30 June 2021

b) Subsequent to the reporting date

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 21 Share-Based Payments (continued)

#### Options over Unissued Shares (continued)

##### c) Adjustment to exercise price

As a result of the Company's placement and accelerated entitlement offer which was completed in May 2020, the exercise price of options over unissued shares in the Company issued prior to the offer has been recalculated. The resulting reduction in exercise price, reflected in the table below, was calculated in accordance with the terms and conditions of the options on issue and the Company's employee share option plan.

Date granted	Number of options	Original exercise price	Amended exercise price	Expiry date
5 October 2015	400,000	\$1.15	\$0.60	30 September 2020
5 February 2016	50,000	\$1.16	\$0.61	31 January 2021
26 February 2016	300,000	\$1.99	\$1.44	28 February 2021
28 June 2016	500,000	\$3.66	\$3.11	30 June 2021

Any vesting conditions in relation to the options on issue remain unchanged.

##### d) Weighted average contract life

The weighted average contractual life for vested and un-exercised options is 8 months (30 June 2019: 12 months).

#### Performance Rights

During the financial year ended 30 June 2020, 1,601,019 performance rights (30 June 2019: nil) were issued to employees, pursuant to the terms of the Plan. These performance rights vest one year from the measurement date subject to the completion of a 12 month service condition. These rights comprise tranches A and B in the table below.

On 16 June 2020, upon approval by the shareholders the company issued 8,333,334 performance rights to Leigh Junk (Managing Director & CEO) as per the terms of his Executive Services Agreement, pursuant to the terms of the Plan. These performance rights vest immediately at the measurement date and comprise tranches C to H in the table below.

The performance conditions that the Board has determined will apply to the Performance Rights are summarised below:

Tranche	Amount	Weighting	Performance Conditions
A	1,072,683	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over a 1 year period to 1 July 2020)
B	528,336	33% of the Performance Rights	Reserve Growth (measured over a 1 year period to 1 July 2020)
C	1,861,111	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over the 3 year period to 30 June 2023)
D	916,667	33% of the Performance Rights	Reserve Growth (measured over a 3 year period to 30 June 2023)
E	1,861,111	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over the 4 year period to 30 June 2024)
F	916,667	33% of the Performance Rights	Reserve Growth (measured over a 4 year period to 30 June 2024)
G	1,861,111	67% of the Performance Rights	TSR performance to peers above 50 <sup>th</sup> percentile (measured over the 5 year period to 30 June 2025)
H	916,667	33% of the Performance Rights	Reserve Growth (measured over a 5 year period to 30 June 2025)

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 21 Share-Based Payments (continued)

#### Performance Rights (continued)

The fair value of the performance rights granted were determined using Monte Carlo simulation, a review of historical share price volatility and correlation of the share price of the Company to its Peer Group. The table below details the terms and conditions of the grant and the assumptions used in estimating fair value:

Item	23 August 2019	23 August 2019	16 June 2020					
Grant date	23 August 2019	23 August 2019	16 June 2020					
Number of rights	1,072,683	528,336	916,667	1,861,111	916,667	1,861,111	916,667	1,861,111
Value of underlying security at grant date	\$1.09	\$1.09	\$0.465	\$0.465	\$0.465	\$0.465	\$0.465	\$0.465
Fair value	\$1.014	\$1.09	\$0.465	\$0.378	\$0.465	\$0.403	\$0.465	\$0.421
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk free rate	0.73%	0.73%	0.26%	0.26%	0.40%	0.40%	0.40%	0.40%
Volatility	55%	55%	60%	60%	60%	60%	60%	60%
Performance period (years)	1	1	3	3	4	4	5	5
Commencement of measurement period	1 July 2019	1 July 2019	1 July 2020					
Test date	1 July 2020	1 July 2020	30 June 2023	30 June 2023	30 June 2024	30 June 2024	30 June 2025	30 June 2025
Remaining performance period (years)	-	-	3	3	4	4	5	5

The movement in weighted average fair value ("WAFV") appears in the table below:

	30 June 2020		30 June 2019	
	No.	WAFV	No.	WAFV
Rights outstanding at the start of the year	299,893	\$2.24	711,068	\$2.61
Rights issued during the year	9,934,353	\$0.52	-	-
Rights vested during the year <sup>(i)</sup>	(129,534)	\$1.95	(165,000)	\$3.30
Rights lapsed during the year	-	-	(165,000)	\$2.78
Rights forfeited during the year	(556,366)	\$1.30	(81,175)	\$2.23
Rights outstanding at the end of the year	9,548,346	\$0.51	299,893	\$2.24

<sup>(i)</sup> At 30 June 2020, there were no rights that had vested during the year and were unissued at year end. At 30 June 2019 165,000 rights had vested during the year and were unissued at year end.

#### Shares

During the financial year, Mr Leigh Junk was issued a one-off on-boarding share issue as part of his Executive Services Agreement. The terms of the share issues were as follows:

- Tranche 1: 191,856 shares (fair value of \$314,417 using a 5 day VWAP prior to the date of award), issued on commencement date of 6 January 2020;
- Tranche 2: 191,856 shares (fair value of \$314,417 using a 5 day VWAP prior to the date of award), issued on 1 September 2020.

#### Key Estimates and Assumptions

##### Share-Based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model. The valuation basis and related assumptions are detailed above. The accounting estimates and assumptions relating to the equity settled transactions would have no impact on the carrying value of assets and liabilities within the next annual reporting period but may impact expenses and equity.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 22 Commitments

#### (a) Operating lease commitments

The Company leases assets for operations and office premises. As at 1 July 2019, with the adoption of AASB 16, operating leases as previously defined under AASB 117, have for the most part, been recognised and included as lease liabilities with future commitments disclosed in note 18. Any leases that did not meet the definition of finance leases, were either short-term in nature or did not meet the recognition requirements. Expenses from operating leases under AASB 117 for 30 June 2019 totalled \$0.2 million. See note 28 for further details of this change. The disclosure of prior period operating commitments is retained in these financial statements as follows:

	30 June 2019 \$'000
Due within 1 year	212
Due after 1 year but not more than 5 years	271
	483

### Note 23 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.

# ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 24 Related Party Disclosures

#### (a) Controlled Entities

	Ownership Interest	
	2020 %	2019 %
<b>Parent Entity</b>		
Dacian Gold Limited		
<b>Subsidiaries</b>		
Dacian Gold Mining Pty Ltd	100	100
Mt Morgans WA Mining Pty Ltd	100	100

#### (b) Parent Entity

Financial statements and notes for Dacian Gold Limited, the legal parent entity are provided below:

	Parent	
	30 June 2020 \$'000	30 June 2019 \$'000
<b>Financial position</b>		
Current assets	44,025	17,547
Non-current assets	183,109	225,436
Total assets	227,134	242,983
Current liabilities	945	802
Non-current liabilities	227	161
Total liabilities	1,172	963
<b>Shareholders' equity</b>		
Issued capital	338,904	244,513
Share-based payments reserve	2,250	3,007
Accumulated losses	(115,192)	(5,500)
Total equity	225,962	242,020
<b>Financial performance</b>		
Loss for the year	(110,289)	(20,721)
Other comprehensive (loss) / income	-	-
Total comprehensive loss	(110,289)	(20,721)

#### Commitments

The parent entity had lease commitments of \$0.3 million at 30 June 2020 (30 June 2019: \$0.5 million) relating to the lease of the Group's Perth office and car park. A featherweight security is in place over the assets of the Parent Entity capped to a maximum value of \$5,000 for the benefit of the MMGO project debt facility Financiers. The transaction banking accounts for the Parent Entity are secured assets. This security supports the guarantee provided by the Parent Entity to Mt Morgans WA Mining Pty Ltd.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 24 Related Party Disclosures (continued)

#### (c) Transactions with related parties

For the year ended 30 June 2020, services totalling \$74,523 (30 June 2019: \$216,042) were provided on normal commercial terms to the Group by Perenti Global and its subsidiaries (previously Ausdrill Limited), of which Mr Cochrane is Non-Executive Chairman. The services provided related to open pit grade control drilling and mineral analysis. Mr Cochrane was not party to any contract negotiations for either party.

Other than transactions with parties related to Key Management Personnel mentioned above and in the remuneration report, there have been no other transactions with parties related to the consolidated entity in the financial year ended 30 June 2020.

### Note 25 Key Management Personnel

#### (a) Directors and Key Management Personnel

The following persons were Directors or Key Management Personnel of the Company during the current and prior financial year:

Ian Cochrane	Non-Executive Chairman <sup>(i)</sup>
Leigh Junk	Managing Director & CEO <sup>(ii)</sup>
Robert Reynolds	Non-Executive Director
Barry Patterson	Non-Executive Director
Rohan Williams	Executive Chairman & CEO <sup>(iii)</sup>
Grant Dyker	Chief Financial Officer <sup>(iv)</sup>
James Howard	Chief Operating Officer <sup>(v)</sup>

<sup>(i)</sup> Ian Cochrane was a Non-Executive Director until his appointment as Non-Executive Chairman on 6 January 2020.

<sup>(ii)</sup> Leigh Junk was appointed on 6 January 2020 and continues in office at the date of this report.

<sup>(iii)</sup> Rohan Williams was Executive Chairman from the beginning of the financial year until his retirement on 6 January 2020.

<sup>(iv)</sup> Grant Dyker was Chief Financial Officer from the beginning of the financial year until his retirement on 15 July 2020.

<sup>(v)</sup> James Howard was appointed Chief Operating Officer from 1<sup>st</sup> March 2020 coinciding with his appointment as KMP.

There were no other persons employed by, or contracted to, the Company during the financial year, having responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

#### (b) Key management personnel compensation

Details of Key Management Personnel remuneration are contained in the Audited Remuneration Report in the Directors' Report. A summary of total compensation paid to Key Management Personnel during the year is as follows:

	30 June 2020 \$	30 June 2019 \$
Short-term employment benefits	1,649,778	1,498,048
Share-based payments	1,173,795	505,630
Other long-term benefits	(50,929)	17,518
Termination benefits	314,813	-
Post-employment benefits	82,958	67,972
Total Key Management Personnel remuneration	3,170,415	2,089,168



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 26 Auditors Remuneration

	30 June 2020 \$	30 June 2019 \$
<u>Grant Thornton</u>		
Fees in respect of prior year	-	21,588
<u>KPMG</u>		
Fees in respect of prior year	45,000	85,000
Audit and review of financial statements FY20	177,000	-
<u>Other Services</u>		
KPMG – other non-audit services <sup>(i)</sup>	93,150	-
<b>Total</b>	<b>315,150</b>	<b>106,588</b>

<sup>(i)</sup> Relates to Investigating Accountant services for capital raising in May 2020

### Note 27 Events Subsequent to the Reporting Date

Subsequent to year end, the Company ceased mining activities at Westralia during August 2020 ahead of the previously scheduled timeline (December 2020), preserving the 195,000 ounce (before 2HFY2020 mining depletion) Ore Reserve remaining as part of its optimisation studies. As a result of the cessation of mining activities at Westralia four months earlier than planned and the rescheduling of the Jupiter open pit, FY2021 production guidance was revised to 110,000-120,000 ounces (previously 120,000-130,000 ounces).

As a consequence of these changes the Group sought and received further approvals, waivers and concessions from the Financiers related to financial covenant requirements of the Project Debt Facility Agreement. In addition, the Group breached certain non-financial requirements of the Project Debt Facility Agreement for which a waiver has also been received. These approvals, waivers and concessions were provided on the basis that the Group make a \$25.0 million debt repayment on 30 September 2020 inclusive of the \$14.5 million scheduled repayment. Total Project Debt Facility principal repayments following the capital raise, completed in May 2020, total \$55.6 million, inclusive of the \$25.0 million repayment on 30 September 2020. Following the \$25.0 million repayment on 30 September 2020, the Project Debt Facility balance decreased to \$39.1 million.

Other than the items 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 28 New and Revised Accounting Standards

#### *Changes in accounting policy*

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have a significant impact on the Group.

#### **AASB 16 Leases**

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). AASB 16 replaces the previous lease standard, AASB 117 *Leases*, and related interpretations. AASB 16 has one model for lessees which will result in almost all leases being included on the Balance Sheet.

The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease repayments.

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The Group leases assets including property plant and equipment. As a lessee, the Group previously classified leases as operating or financial leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for some of these leases – i.e. they are on-Balance Sheet.

The Group presents right-of-use assets in property, plant and equipment together with the assets that it owns. The Group presents lease liabilities separately in the Balance Sheet.

The accounting policy changes have been outlined below.

#### *Definition of a lease*

In accordance with AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

#### *Practical expedients applied*

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application and;
- the use of hindsight in determining the lease's term where the contract contains options to extend or terminate the lease.

The Group has applied the grandfathering provisions and also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and *IFRIC 4 Determining whether an Arrangement contains a Lease*. This applies to the Group's mining services contracts.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 28 New and Revised Accounting Standards (continued)

#### *Changes in accounting policy (continued)*

#### **AASB 16 Leases (continued)**

##### *Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

##### *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Note 28 New and Revised Accounting Standards (continued)

#### Changes in accounting policy (continued)

#### AASB 16 Leases (continued)

##### Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 July 2019. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.9%.

	2019 \$'000
Operating lease commitments at 1 July 2019	483
Discounted using the lessee's incremental borrowing rate at the date of initial application	471
Lease liability recognised at 1 July 2019	471
Represented by:	
Current lease liabilities	202
Non-current lease liabilities	269
	471

Lease liabilities are classified in Borrowings on the Statement of Financial Position.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 \$'000	1 July 2019 \$'000
Land and buildings	261	471
Total right-of-use assets	261	471

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The impact of right-of-use assets and lease liabilities on transition to AASB 16 on the Statement of Profit or Loss was not material.

The right-of-use assets are classified as property, plant and equipment in the Statement of Financial Position. There was no impact on retained earnings at 1 July 2019.

#### IFRIC 23

IFRIC 23 became effective for the Group from 1 July 2019 and clarifies how the recognition and measurement requirements of AASB 12 – Income Taxes are applied where there is uncertainty over tax treatments. The Group has reviewed the accounting standard and has determined that there is no material impact.



## DIRECTORS' DECLARATION

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

- a. The accompanying financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year then ended; and
  - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 financial year ended 30 June 2020.

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

DATED at Perth this 30<sup>th</sup> day of September 2020.

A handwritten signature in black ink, appearing to read 'LJ', written over a light grey rectangular background.

**Leigh Junk**  
Managing Director & CEO



## Independent Auditor's Report

To the shareholders of Dacian Gold Limited

### Report on the audit of the Financial Report

#### Opinion

We have audited the **Financial Report** of Dacian Gold Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

#### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

#### Key Audit Matters

The **Key Audit Matters** we identified are:

- Impairment of property, plant and equipment and mine properties.
- Recoverability of deferred tax assets.
- Going concern basis of accounting.

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment of property, plant and equipment and mine properties (\$68.537 million)	
Refer to Note 11, 13 and 14 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The impairment of property, plant and equipment and mine properties was considered a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Size of the property, plant and equipment and mine properties balance (being 67% of total assets).</li> <li>• Level of judgement required by us in evaluating assumptions used by the Group in its valuation assessment.</li> <li>• The Group recording an impairment charge of \$68.537 million at 31 December 2019, against property, plant and equipment and mine properties. This resulted from the reduction in Mineral Resource and Ore Reserve Estimate relating primarily to the Westralia underground mine and the subsequent decision to suspend operations at the Westralia underground mine over the first half of the 2021 financial year. This further increased the sensitivity of the model and our audit effort in this key audit area.</li> </ul> <p>The impairment of the Group's property, plant and equipment and mine properties applies significant and judgmental assumptions in a fair value less costs of disposal model. These assumptions include:</p> <ul style="list-style-type: none"> <li>• Forecast sales and production output, production costs and capital expenditure. The Group's models are sensitive to changes in these assumptions indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.</li> <li>• Forecast gold prices experiencing volatility, increasing the risk of future fluctuations and inaccurate forecasting.</li> <li>• Discount rate, which is complicated in nature.</li> <li>• Life of mineral reserves. The Group uses internal and external experts to assist it in producing the Reserves statement which underlies the forecast production output within the model.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We considered the appropriateness of the Group's use of the fair value less costs of disposal methodology against the requirements of the accounting standards.</li> <li>• We, along with our valuation specialists, assessed the integrity of the fair value less costs of disposal model used, including the accuracy of the underlying calculation formulas.</li> <li>• We evaluated the sensitivity of the valuation of property, plant and equipment and mine properties by considering reasonably possible changes to the key assumptions, such as forecast sales and production output, forecast gold prices, production costs and the discount rate. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.</li> <li>• We assessed the historical accuracy of previous Group budgets by comparing to actual results to inform our evaluation of forecasts incorporated in the model. We evaluated the impact on the business, to determine further testing required.</li> <li>• We assessed key assumptions underlying the discounted cash flows in the fair value less costs of disposal model (including forecast sales and production output, production costs and capital expenditure) using our knowledge of the Group, their past performance, and our industry experience. We challenged the Group's significant forecast cash flows and we applied increased skepticism to forecasts in the areas where previous budgets were not achieved. We compared key events to the Board approved budget and strategy.</li> <li>• We compared expected forecast gold prices to published views of market commentators on future trends.</li> <li>• We assessed the scope, competence and objectivity of the Group's internal and external experts involved in the estimation process of mineral reserves.</li> <li>• We compared the life of mineral reserves and production output assumptions in the Group's model to the Reserves statement commissioned by the Group for consistency.</li> </ul>

# ANNUAL FINANCIAL STATEMENTS



<p>These conditions necessitate additional scrutiny and professional scepticism by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. In assessing this key audit matter, we involved senior team members and valuation specialists.</p>	<ul style="list-style-type: none"> <li>Working with our valuation specialists, we independently developed a discount rate range considered comparable, using publicly available market data for comparable entities.</li> <li>We recalculated the impairment charge against the recorded amount disclosed and assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.</li> </ul>
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## Recoverability of deferred tax assets (\$13.374 million)

Refer to Note 4 and 20 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group has recognised deferred tax assets of \$13.374 million as at 30 June 2020, which includes tax losses carried forward in Australia.</p> <p>Accounting standards state deferred tax assets are only recognised if certain conditions under Australian tax law are satisfied and if it is probable that sufficient taxable profits will be generated in the future in order for the benefits of the deferred tax assets to be realised.</p> <p>The recoverability of deferred tax assets was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The significant judgement to assess the probability the Group can generate sufficient taxable profits in light of the tax losses recorded in the current and previous financial years.</li> <li>As described in the impairment of property, plant and equipment and mine properties key audit matter above, the Group recognised a reduction in Mineral Resource and Ore Reserve Estimate relating primarily to the Westralia underground mine which has subsequently resulted in the suspension of mining activities at the Westralia underground mine over the first half of the 2021 financial year. This has resulted in the derecognition of \$34.1 million of deferred tax assets during the year and raises our focus on the reliability of forecasts and increasing the possibility that deferred tax assets are not recoverable.</li> <li>The risk of the Group incorrectly applying the requirements of the accounting standards and Australian tax law to recognise deferred tax assets for tax losses, which could result in a substantial effect on the Group's statement of profit or loss and other comprehensive income.</li> </ul>	<p>Working with our tax specialists, our procedures included:</p> <ul style="list-style-type: none"> <li>We examined the documentation prepared by the Group underlying the availability of tax losses and annual utilisation allowances for consistency with Australian tax law.</li> <li>We assessed the factors that led to the Group incurring tax losses in the current year and previous years, and challenged the Group's assessment of future taxable profits.</li> <li>We compared the forecasts included in the Group's estimate of future taxable profits used in their deferred tax asset recoverability assessment to those used in the Group's assessment of the impairment of property, plant and equipment and mine properties. Our approach to testing these forecasts was consistent with the approach detailed above in relation to the impairment of property, plant and equipment and mine properties. We challenged the differences between forecast cash flows and taxable profits by evaluating the adjustment of cash flows, for differences between accounting profits, as presented in the Group's forecasts, to taxable profits, against Australian tax law.</li> <li>Understanding the timing of future taxable profits and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans. We placed increased scepticism where there was a longer timeframe of expected recovery.</li> <li>We assessed the disclosures in the financial report using the results from our testing and against the requirements of the accounting standards.</li> </ul>

# ANNUAL FINANCIAL STATEMENTS



We involved tax specialists to supplement our senior team members in assessing this key audit matter.

## Going concern basis of accounting

Refer to Going Concern Basis for Preparation of Financial Statements Note to the Financial Report

### The key audit matter

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Going Concern Basis for Preparation of Financial Statements Note.

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:

- The Group's forecast sales, production volumes, production costs and capital expenditure levels including within the Group's cash flow forecasts. This include feasibility to achieve forecasts in light of previous production challenges.
- Impact of expected gold prices and forecast exchange rates to cash flows projected.
- The Group's ability to meet financing commitments and covenants. This included nature of planned methods to achieve this, feasibility and status/progress of those plans. As disclosed in the Going Concern Basis for Preparation of Financial Statements Note, subsequent to year end, the Group has sought and received certain approvals, concessions and waivers of financial and non-financial requirements of the Project Debt Facility agreement, from the Financiers.

### How the matter was addressed in our audit

Our procedures included:

- We analysed the cash flow projections by:
  - Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those tested by us, as set out in the impairment of property, plant and equipment and mine properties key audit matter, their consistency with the Group's intentions and their comparability to past results.
  - Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. We assessed the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from our test results of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions.
  - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group.
- We assessed historical trends and read correspondence with existing and potential financiers to understand and assess the options available to the Group including renegotiation or rolling forward of existing debt facilities, waivers in meeting financial loan covenants and negotiation of additional/revised funding arrangements.
- We read and assessed the impact of concessions, approvals and waivers of certain financial and non-financial requirements of the Project Debt Facility received from the Financiers subsequent to year end, on the cash flow projections.



<ul style="list-style-type: none"> <li>The Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof. This included source of funds, availability of fund type, feasibility and status/progress of securing those funds.</li> </ul> <p>In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.</p>	<ul style="list-style-type: none"> <li>We read relevant correspondence with the Group's advisors to understand and assess the Group's ability to raise additional shareholder funds.</li> <li>We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.</li> </ul>
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## Other Information

Other Information is financial and non-financial information in Dacian Gold Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's Letter, Managing Director's Letter, Review of Operations, Corporate Governance Statement, ASX Additional Information and Tenement Schedule are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Dacian Gold Limited for the year ended 30 June 2020, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Graham Hogg

Partner

Perth

30 September 2020

# ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 29 September 2020.

## A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Securities Held
1-1,000	829	411,882
1,001-5,000	2,039	5,785,127
5,001-10,000	1,138	9,062,437
10,001-100,000	2,293	78,170,760
More than 100,000	402	463,078,348
<b>TOTALS</b>	<b>6,701</b>	<b>556,508,554</b>

There are 1,204 shareholders holding less than a marketable parcel of ordinary shares.

## B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Shareholder Name	Number of Shares	% of Shares
Franklin Resources Inc and its Affiliates	42,119,173	7.57%

## C. Twenty Largest Shareholders

	Shareholder Name	Number of Shares	% of Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	109,988,039	19.76
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	77,851,711	13.99
3	CITICORP NOMINEES PTY LIMITED	44,584,155	8.01
4	POLLY PTY LTD <B S PATTERSON FAMILY A/C>	19,915,307	3.58
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	11,356,003	2.04
6	NATIONAL NOMINEES LIMITED	9,923,763	1.78
7	TODTONA PTY LTD	6,887,374	1.24
8	MR CARL ERIC HOLT + MRS LORRAINE HOLT <HOLT SUPER FUND A/C>	6,775,000	1.22
9	SGJ INVESTMENTS PTY LTD	6,250,000	1.12
10	ARIKI INVESTMENTS PTY LIMITED	5,320,102	0.96
11	KINGARTH PTY LTD	5,280,682	0.95
12	SANPOINT PTY LTD <THE FIORE FAMILY A/C>	4,800,000	0.86
13	GJJ GROUP PTY LTD	4,602,240	0.83
14	DALRAN PTY LTD <SMITH FAMILY A/C>	4,445,000	0.80
15	ARIKI INVESTMENTS PTY LIMITED	4,400,000	0.79
16	VITESSE PTY LTD <VITESSE INVESTMENT A/C>	3,885,000	0.70
17	ROGO INVESTMENTS PTY LIMITED	3,063,888	0.55
18	VITESSE PTY LTD <VITESSE INVESTMENT A/C>	3,048,606	0.55
19	REDLAND PLAINS PTY LTD <BRIAN BERNARD RODAN S/F A/C>	2,861,570	0.51
20	REDASO PTY LTD <REDASO FAMILY A/C>	2,293,940	0.41
	<b>TOTALS</b>	<b>337,532,380</b>	<b>60.65</b>

# ASX ADDITIONAL INFORMATION

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## D. Unquoted Securities

### Options:

Number of Options	Exercise Price	Expiry Date	Number of Holders
400,000	\$0.60	30 September 2020	2
50,000	\$0.61	30 September 2021	2
300,000	\$1.44	28 February 2021	1
500,000	\$3.11	30 June 2021	1

### Performance Rights:

Number of Performance Rights	Expiry Date	Number of Holders
1,163,090	1 July 2021	136
2,777,778	30 June 2023	1
2,777,778	30 June 2024	1
2,777,778	30 June 2025	1

## E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

## F. Restricted Securities

The Company has no restricted securities.

# TENEMENT SCHEDULE

As at 30 June 2020

Tenement Type	Tenement	Status	Location	Ownership
E	39/1950	Granted	Lake Carey	Dacian Gold Ltd (100%)
E	39/1951	Granted	Lake Carey	Dacian Gold Ltd (100%)
E	39/1967	Granted	Lake Carey	Dacian Gold Ltd (100%)
E	39/2002	Granted	Lake Carey	Dacian Gold Ltd (100%)
P	38/4486	Application	Mt Jumbo	Dacian Gold Ltd (100%)
E	38/2951	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	39/1310	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	39/1713	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	39/1787	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	39/2004	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	39/2017	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	39/2020	Granted	Mt Morgans	Dacian Gold Ltd (100%)
E	38/3211	Granted	Mt Morgans	Dacian Gold Ltd (90%) & Jindalee Resources Ltd (10%)
E	38/3272	Granted	Mt Morgans	Dacian Gold Ltd (90%) & Jindalee Resources Ltd (10%)
M	39/1135	Application	Mt Morgans	Dacian Gold Ltd (90%) & Jindalee Resources Ltd (10%)
L	39/0057	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
L	39/0244	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
L	39/0246	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
L	39/0286	Application	Mt Morgans	Dacian Gold Ltd (100%)
M	38/0395	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	38/0396	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	38/0548	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	38/0595	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	38/0848	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0018	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0036	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0208	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0228	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0236	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0240	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0248	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0250	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0261	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0264	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0272	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0273	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)

# TENEMENT SCHEDULE

Tenement Type	Tenement	Status	Location	Ownership
M	39/0282	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0287	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0291	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0295	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0304	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0305	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0306	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0333	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0380	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0390	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0391	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0392	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0393	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0394	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0395	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0403	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0441	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0442	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0443	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0444	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0497	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0501	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0502	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0503	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0504	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0513	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0745	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/0746	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0747	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0799	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0937	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0938	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/0993	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/1107	Granted	Mt Morgans	Mt Morgans WA Mining Pty Ltd (100%)
M	39/1120	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/1122	Granted	Mt Morgans	Dacian Gold Ltd (100%)
M	39/1129	Granted	Mt Morgans	Dacian Gold Ltd (100%)

## TENEMENT SCHEDULE

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

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