

## Completing Transition to Explorer/Developer

### Mt Morgans care and maintenance will enable de-risking of future production and growth opportunities

#### Key points:

- Processing of historical dump leach material will be suspended at the end of March 2023
- Mt Morgans processing plant to be placed on care and maintenance
- A number of initiatives are underway that provide significant opportunities for future sustainable production and growth, including:
  - Resource and Reserve growth
  - Mining studies including review of a low-cost open-pit owner mining model
  - Expansion of water supply and tailings storage capacity for long life operations
  - Exploration upside
  - Further consolidation of the Leonora-Laverton District
- Processing infrastructure to be maintained in excellent working order to ensure a short lead time when production resumes

As previously announced, Dacian Gold Limited (ASX: DCN) (The Company) has halted mining at its Mt Morgans Gold Operation and exhausted run of mine stocks and low-grade stockpiles. The Company is currently processing historical dump leach material and is appropriately funded to complete the transition announced in June 2022 from miner to explorer/developer.

Processing of historical dump leach material will be suspended at the end of March 2023 and the ~2.9Mtpa Mt Morgans mill will be placed on care and maintenance. This decision has been taken by the Board in light of a number of factors, including:

- uncertainty regarding the stockpile grade,
- lead times to improve longer term water security,
- ongoing industry input costs and supply chain challenges and risks,
- the prospect that the Ulysses ore will now be processed at Gwalia, and
- retention of suitable low-grade stockpiles for a future restart of operations.

The operational hiatus will enable Dacian to pursue a number of optimisation initiatives (refer “future-proofing” section) in the absence of production and cost pressures. **The targeted outcome is a robust, low risk, sustainable mine plan that will underpin the resumption of operations.**

Dacian Non-Executive and Independent Chair Craig McGown said:

*“The decision to place Mt Morgans on care and maintenance was not taken lightly, especially given the impact on our loyal employees and contractors, and the community in which we operate.*

*“However, a period of care and maintenance will ultimately benefit all stakeholders by providing time to develop a robust, low risk, sustainable plan, necessary to underpin the future resumption of operations.*

*“On behalf of the Dacian Board and senior management, I would like to thank our people for their effort and dedication, and I look forward to the day when Mt Morgans is brought back on-line.*

*“While there will unfortunately be redundancies, where possible Dacian will re-deploy employees under the shared management services agreement with Genesis”.*

### **Retention of Critical Skills**

The mining industry is in a state of heightened activity with skilled resources and input supplies in high demand. The Company has developed an exceptional team at Mt Morgans and has been supported by strong supplier relationships, which Dacian and Genesis Minerals Limited (Genesis) (ASX – GMD) are keen to work with as the Group executes its growth strategy. A program of work is underway with Genesis to establish arrangements to maximise retention of employees with critical skills and knowledge within the Group. Opportunities to second team members to Genesis to complement the Group’s growth strategy are being investigated.

The Company is engaging with its workforce and with contractors and suppliers to the Company to minimise the disruption to individuals and businesses and to facilitate a smooth transition to care and maintenance.

### **Processing of historical dump leach material**

Dacian’s testwork on the historic dump leach stockpile identified the potential for treatment of up to 1.4 million tonnes at 0.49 g/t, which could potentially sustain processing through to June 2023. Beyond this the grade of this material is expected to fall to below marginal cashflow levels. This has also contributed to the Company’s decision to cease processing dump leach material at the end of March 2023 and ensures preservation of sufficient stockpile material for a future restart of operations.

### **“Future-proofing” opportunities**

Numerous optimisation initiatives are underway that capitalise on recent drilling and exploration success including:

- Resource and Reserve growth, particularly at Jupiter, where recent drill results highlight the potential for a larger, bulk mining opportunity adjacent to the Mt Morgan mill (Jupiter Resource update due in the current quarter)
- Mining studies, including review of application of a low-cost owner operator mining model for the restart of Jupiter and other open pit opportunities at Mt Morgans
- Exploration upside from multiple targets with potential for large scale discovery, including the Southern Tenement package and the Chatterbox Shear Zone
- Further consolidation within the Leonora-Laverton District, including the intended merger of St Barbara Limited (ASX: SBM) and Genesis to form Hoover House<sup>1</sup>

A period of care and maintenance will enable these initiatives to be pursued in the absence of production and cost pressures. The targeted outcome is a robust, low risk, sustainable mine plan, necessary to underpin the resumption of operations.

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<sup>1</sup> GMD/SBM ASX Release dated 12 December 2022 “Presentation - Creating a leading Australian gold house”

**Preservation of the residual stockpiles will “future-proof” a re-start by taking the pressure off the ramp-up of mining, thereby enabling consistent milling.**

The operational hiatus will also provide time to expand the tailings storage facility and identify additional long-life sources of processing water.

### **Mt Morgans Mill and the EoI process for third party access**

Dacian recently sought expressions of interest (EoI) for third parties to access the ~2.9Mtpa mill, for some or all of the period from the current March quarter 2023 through to ~September quarter 2024<sup>2</sup>.

The proposed merger of Genesis with St Barbara, and comments from Genesis and St Barbara<sup>3</sup> that ore from the Ulysses gold project may now be re-directed<sup>4</sup> to Gwalia mill (rather than Mt Morgans mill) creates uncertainty in Dacian’s development plan.

Further to this, in the event the Genesis - St Barbara merger does not complete, St Barbara and Genesis are working together on an ore purchase agreement to potentially enable Ulysses or other Genesis ore sources to be processed at the Gwalia mill. The uncertainty surrounding the processing of Genesis’ Ulysses ore has increased the minimum threshold required by the Company for near-term volumes from third parties to optimise mill throughput, while industry-wide shortages of people and equipment place pressure on near term ore delivery.

The EoI process has not yet identified an equivalent replacement ore source and risks around approvals timing and general project delivery for multiple third-party ore sources complicate scheduling. Consequently, the Company has decided to pause the EoI process and complete its transition to exploration and development during March 2023.

### **Financial impact of care and maintenance**

The cost of placing Mt Morgans on care and maintenance is estimated at between A\$4M and \$5M. These costs will be incurred over March and April and will be funded from existing cash and gold on hand and final draw down of gold in circuit.

Capital investment required beyond the June 2023 quarter to expand the water sources and tailings storage facility will be deferred to align with the future recommencement of operations, to further preserve the Company’s cash position.

### **High performing strategic asset**

The Mt Morgans mill is a highly strategic asset, given its status as the only large, low-cost, operating processing plant in the Laverton District not owned by a major gold producer.

Since delivering first gold in March 2018, the mill has consistently achieved nameplate throughput and high gold recoveries.

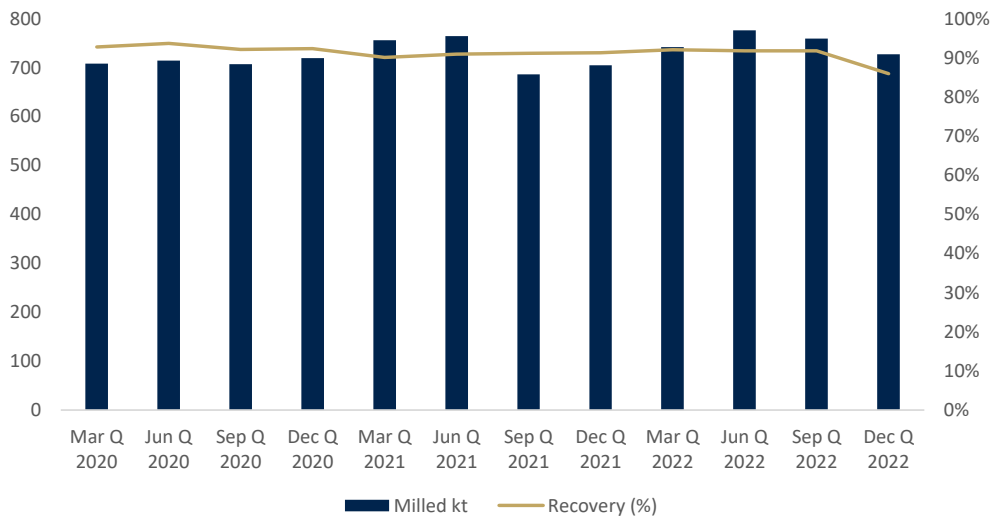
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<sup>2</sup> DCN ASX Release date 16 November 2022 “Opportunity for third parties to access Mt Morgans Plant”

<sup>3</sup> SBM ASX Release dated 25 January 2023 “Quarterly Report Q2 FY23”

<sup>4</sup> GMD ASX Release dated 12 December 2022 “Presentation - Creating a leading Australian gold house”

Figure 2 - Mill throughput and recovery (last three years)



The consistent performance has continued with the recent milling of stockpile material, with robust throughput and recoveries translating into strong gold production and balance sheet strength over the last two quarters.

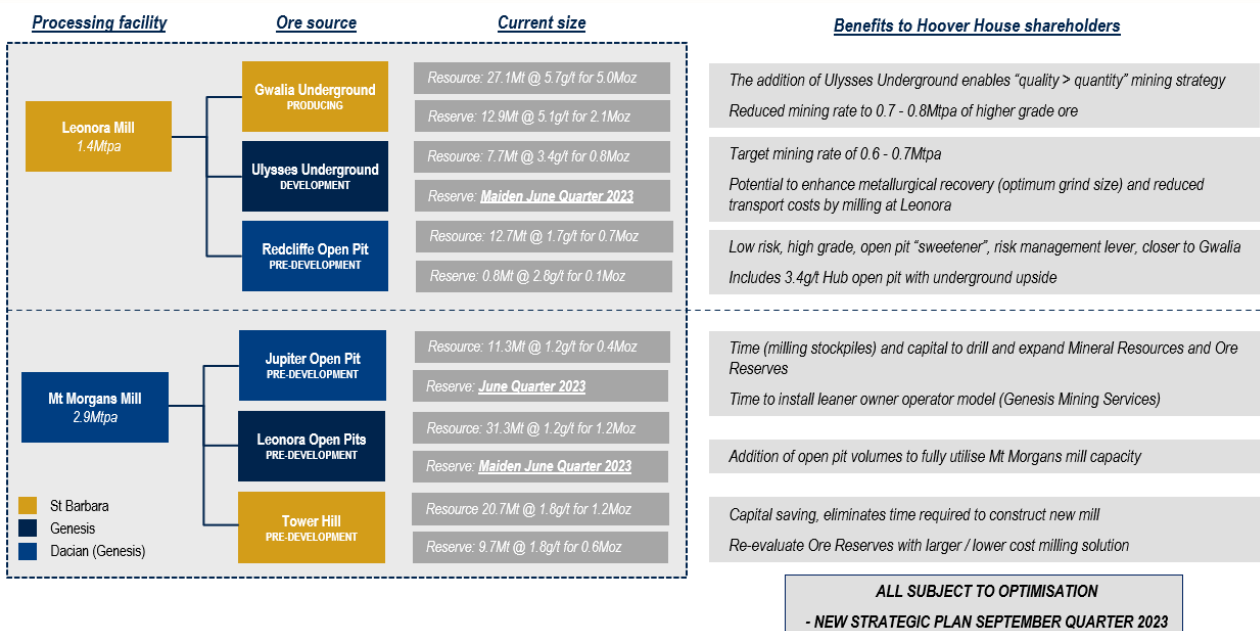
**Potential impact of Hoover House**

Genesis controls Dacian and had a relevant interest in 78.3% of Dacian’s shares at 16th January 2023.

In December 2022, Genesis and St Barbara agreed to a merger to form Hoover House.

Genesis has advised that it has not formed any definitive intentions in relation to the processing of ore from its Ulysses Project but, if the St Barbara Scheme is completed, Genesis (which at that point would be wholly owned by Hoover House) would have the option of processing some or all of the Ulysses ore through St Barbara’s Gwalia Mill, with Dacian’s Mt Morgans Mill potentially used to process ore from St Barbara’s Tower Hill and Genesis’ Admiral deposits.

Figure 1 - Hoover House - Right ore in the right mills



Source: Genesis ASX announcement 12th December 2022 “Presentation - Creating a leading Australian gold house”.

Dacian will work with its major shareholder Genesis, towards maximising group synergies to further reduce Dacian corporate outflows for the benefit of all shareholders and will keep the market updated on the progress of the portfolio optimisation initiatives.

Importantly, the Mt Morgans mill can be readily brought back on-line when a robust, low risk, sustainable mine plan for the resumption of operations is in place.

This announcement has been approved and authorised for release by the board of Dacian Gold Limited.

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