DGO Gold Limited

ACN 124 562 849

Financial Report for the half-year ended 31 December 2019

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Corporate directory

Directors:	Mr. E. Eshuys (Executive Chairman) Mr. J. B. Parncutt AO (Non-Executive Director) Mr. M. J. Ilett (Non-Executive Director) Mr. R. C. Hutton (Non-Executive Director)
Company secretary	Mr. Mark Licciardo
Chief Financial Officer	Ms. C. Jupp
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Stock exchange listings:	DGO Gold Limited shares are quoted on ASX Limited (ASX Code: DGO).
Website:	www.dgogold.com.au
ABN:	96 124 562 849
Corporate Governance Statement	https://www.dgogold.com.au

Directors' report

The Directors of DGO Gold Limited (the Company or "DGO") submit herewith the consolidated financial report of DGO Gold Limited and its controlled entity (the Group) for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names and details of the Directors of the Company in office during the half-year and until the date of this report are:

Mr. Eduard Eshuys (Executive Chairman)
Mr. J. Bruce Parncutt AO (Non-Executive Director)
Mr. Michael J. Ilett (Non-Executive Director)
Mr. Ross C. Hutton (Non-Executive Director)

Principal activities

The principal activity of the Group is to provide participation in a discovery leveraged exposure to gold by investing in listed brownfield explorers that satisfy key selection criteria and building strategic greenfields land positions. Focussing on building a portfolio of Western Australian brownfield discovery opportunities, through strategic equity investment and tenement acquisitions and joint ventures.

Operating results

The Group recorded a net profit after income tax of $2,510,246 for the half-year ended 31 December 2019 (31 December 2018: net loss after income tax of $2,298,860). The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2019:

- Non-cash share based payments expense of $305,011 relating to performance rights issued to directors, employees and consultants during the half year.
- Net gain of $3,743,458 on investments classified as financial assets at fair value through profit or loss
- Share of net loss of associates $244,211 as a result of adopting AASB128
- Finance costs amounting to $110,437 which comprise of $98,912 accrued interest on loans payable and $11,525 interest on lease liabilities as a result of adopting AASB 16.

Review of operations

DGO continues to advance its strategy of building a portfolio of strategic investments in the Australian gold exploration sector. Whilst holding projects owned directly by DGO together with stakes in ASX-listed companies with prospective gold exploration projects, the emphasis is on creating wealth for DGO shareholders by capitalising on the substantial difference between the relatively low cost of gold discovery and the significantly higher market valuations applied to growing gold resource inventories.

Brownfield Investments

Investment in De Grey Mining Limited (DGO 9.71%)

At 31 December 2019, DGO held 100,845,935 quoted shares in De Grey Mining Limited (DEG) with a market value of $5,143,143 based on the closing share price on the ASX (30 June 2019 25,000,000 shares $1,925,000 market value). During the period, DGO invested $3.9 million and committed to contribute a further $0.5 million (approved by to DEG shareholders 21 February, 2020) as part of De Grey's capital raisings, maintaining its position as De Grey's largest shareholder with approximately 10.7% of the ordinary shares of De Grey (prior to the exercise of options).

Significant results include the discovery of new high-grade zones of mineralisation at Mallina with assays such as 10m @ 3.1g/t Au from 53m (DEG ASX announcement, 11 November 2019) and the discovery of high-grade mineralisation at Hemi and Antwerp with drilling results such as 43m @ 3.7g/t from 36m and 6m @ 10.7g/t from 4m respectively (DEG ASX announcement, 17 December 2019).

Investment in NTM Gold Limited (DGO 10.91%)

At 31 December 2019, DGO held 64,434,200 quoted shares in NTM Gold Limited (NTM) with a market value of $5,154,736 based on the closing share price on the ASX (30 June 2019 60,000,000 shares $2,000,000 market value). During the period, DGO invested $0.4 million and committed to contribute a further $0.4million in NTM Gold through participation in capital raisings, maintaining its position as NTM's largest shareholder with approximately 12% of the ordinary shares of NTM (prior to the exercise of options).

Significant recent results at Hub including 10m @ 6.0g/t from 85m (NTM ASX announcement, 15 January 2020), 6m @ 12.9g/t from 63m (NTM ASX announcement, 23 October 2019), and 7m @ 7.8g/t from 55m (NTM ASX announcement, 30 August 2019) continue to show the potential of the under-explored Mertondale Shear Zone.

The investments in NTM and De Grey continue to meet, and exceed, DGO's brownfield gold discovery investment criteria of low finding cost (<$20 per ounce), potential for scale (>3 million ounces), strategic location and upside optionality (long term resources growth potential well beyond 3 million ounces)

Brownfield Exploration

Black Flag, Eastern Goldfields, W.A (DGO 100%)

Black Flag is located 20km northwest of Kalgoorlie in Western Australia's Eastern Goldfields.

DGO drilled 2009 metres of RC and diamond core to test extensions of the mineralised structural corridor extending from Horizon Minerals Limited's (HZR) Teal Well mine site, through First Au Limited's (FAU) Gimlet gold resource project and into DGO's Black Flag tenements.

The drilling has outlined an extensive sheared alteration zone undercover with pervasive silica±chlorite±carbonate±sericite alteration and gold mineralisation associated with disseminated sulphide, pyritic stringers and quartz veining within the sequence of intermediate volcanics of the Black Flag group. Significant results received during the quarter include:

- 12m @ 3.2g/t from 116m (BFRD0005)
- 8m @ 2.2g/t Au from 60m (BFRC0014)

The combination of these mineralised intersections, the extensive alteration identified, the area's structural complexity and proximity to both the Zuleika Shear Zone and the Abattoir Fault provides increasing evidence that Black Flag hosts a significant mineralised system.

Refer DGO's announcements on 22 October 2019, 8 November 2019, and 30 January 2020.

Lake Randall, Eastern Goldfields, W.A (DGO 70-100%)

DGO Holds 230km^2 of untested, prospective terrain under shallow lake and transported sediment cover 50km east of Kambalda and 7km south of Silverlake Resources' Mt Belches Mining Centre. The Lake Randall target was generated as a result of a comprehensive review for sediment hosted gold mineralisation in the Eastern Goldfields of Western Australia by Dr. Douglas Haynes who has been involved in a number of important mineral discoveries in Australia and Africa.
DGO completed the interpretation of a ground gravity survey to define drill targets. Fourteen targets were defined with potential to host granite-associated Granny Smith style, and banded iron formation-associated Mt Belches-style, gold mineralisation beneath the lake sediments. DGO is currently preparing applications to obtain government and heritage approvals to conduct an aircore drilling program to test these targets.

Refer DGO's ASX announcement on 28 January 2020.

Greenfield Exploration

Pernatty Lagoon, Stuart Shelf, SA (DGO 100%)

The Stuart Shelf contains BHP's world class Olympic Dam copper-gold-uranium mine, and a number of other copper-gold deposits including Oz Minerals' Prominent Hill and Carapateena.

DGO's stratiform sediment-hosted copper/gold discovery strategy, conducted in conjunction with research at the Centre for Ore Deposits and Earth Sciences (CODES) at the University of Tasmania, is based on models from the Zambian Copper Belt (ZCB). The targeting program has delineated a ZCB style target at Pernatty Lagoon in transition zone sediments between the outcropping Woocalla Dolomite and the deeper-basin Tapley Hill shales. Additionally, geophysical studies have identified partially coincident gravity and magnetic responses that are typical of IOCG deposits and prospects elsewhere on the Stuart Shelf underlying the younger rocks.

DGO expanded its land holding on the Stuart Shelf though being awarded a competitive exploration licence application (ELA 2019/137) and an additional application (ELA 2019/147), submitted an application for the South Australian government's Accelerated Discovery Initiative, and progressed land access approvals for a drilling program.

Refer DGO's ASX announcement on 19 November 2019.

Bryah, Murchison, WA (DGO 70-100%)

Bryah is located 60km north of Meekatharra, adjacent to Judge's Find, an area of known gold nugget occurrences where surface mining for gold has occurred for some time although the source of this alluvial gold is unknown. The area is prospective for sediment-hosted gold which is thought to be controlled by thrust-fault bounded, anticlinal structures at the contact of the Juderina Sandstone and Johnson Cairn Formation black shales.

DGO completed the interpretation of a 170 line kilometre combined helicopter time domain electromagnetic (XciteTM HTDEM) and magnetic survey. The results of the survey were received in October and showed nine EM anomalies along an anticlinal structure bounded by thrust faults adjacent to Judge's Find. These are compelling drill targets and DGO now has the required approvals to conduct a reverse circulation drilling program scheduled for March.

Refer DGO's ASX announcement on 21 October 2019.

Yerrida, Murchison, WA (DGO 100%)

Yerrida is located in the Yerrida Basin, south of the DeGrussa copper-gold mine. DGO's detailed data review and analysis has confirmed that the Yerrida Basin is prospective for both DeGrussa style copper-gold mineralisation and stratiform sediment-hosted copper deposits analogous to the world-class Zambian Copper Belt.

DGO completed a 560 line kilometre combined helicopter time domain electromagnetic (XciteTM HTDEM) and magnetic survey. The results of the survey were received in October and identified seven EM anomalies in stratigraphic positions equivalent to the formations which host the DeGrussa and Monty copper/gold deposits. A further EM anomaly lies adjacent and parallel to a copper and gold geochemical anomaly identified by previous explorers. This target has geological characteristics analogous to Zambian Copper Belt deposits.

Refer DGO's ASX announcement on 21 October 2019.

Mallina, Pilbara, WA (DGO 100%)

DGO's Mallina tenements adjoin De Grey Mining's Mallina Gold Project and share a similar geological and structural setting to De Grey's tenements which host substantial structurally controlled gold resources.

DGO holds over 30km's of strike length of a major ENE-trending structure that parallels the Mallina Shear Zone (MSZ). A NE trending splay is associated with a 20km strike length gold anomaly that defines the Scotties Well target.

DGO continued to progress approvals for a widely spaced aircore drilling program to evaluate a series of large (2 x 1km) elevated gold-in-soil anomalies which broadly correspond with the interpreted position of the ENE shear. These gold anomalies together with the historic gold anomaly and gold nugget locality that defines the Scotties Well target, present a large 16 kilometre long target of elevated gold over a structurally complex area.

Tom Price, Pilbara, WA (DGO 80-100%)

DGO's land position covers a large, 70 km long regional anticlinal structure, with the Pyradie Formation outcropping in the central zone of the structure and interpreted to lie below younger units on the limbs. Previous exploration of the structure identified anomalous gold mineralization up to 2.8 g/t gold in rock chip samples of siliceous chert units assigned to the Pyradie Formation (IGO ASX announcement 28 July 2003).

During the quarter DGO progressed land access approvals for future work programs.

Yarmana West, Eastern Goldfields, W.A (DGO 100%)

Interpretation of geophysical datasets has identified greenstones to the west of the Yamarna Belt. This represents the under-explored Deleta Greenstone Belt covered by younger sediments. During the quarter DGO progressed the grant of these applications.

Events subsequent to reporting date

In February 2020, the Company had a placement for 7,915,926 shares at $1.35 raising $10,686,500. On 28 February 2020, 7,121,111 of these shares were issued with 794,815 shares required to go to a General Meeting at a date to be determined.

On 3 January 2020, the shareholders of NTM Gold Limited (NTM) approved DGO's participation in a placement for 8,290,000 shares at $0.05 each totalling $414,500 increasing the holding in NTM to 12.14%. As at 11 March 2020, the Group now holds 72,724,200 quoted shares in NTM with a market value of $4,581,625 based on the closing share price ($0.063) on 10 March 2020 on the ASX.

On 21 February 2020, the DeGrey Mining Limited (DEG) shareholders approved DGO's participation in a placement of 11,111,111 shares at $0.045 to DGO totalling $500,000, increasing the holding in DEG to 10.67%. As at 11 March 2020, the Group now holds 111,957,046 quoted shares in DEG with a market value of $26,309,906 based on the closing share price ($0.235) on 10 March 2020 on the ASX.

On 12 March 2020, DGO announced its intention to increase its holdings in DEG to 16.4% by exercising all of the DEG options held for 22.5 million DEG shares and acquiring a further 41 million DEG shares from existing DEG shareholders in exchange for 6.5m DGO shares and 3.3 million options with an exercise price of $2.50 and expiry date of 30 June 2022 (subject to shareholder approval).

Auditor’s independence declaration

The auditor’s independence declaration is included on page 8 of the Half-Year Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3)(a) of the *Corporations Act 2001*.

On behalf of the Directors,

Eduard Eshuys
Executive Chairman
Melbourne, 13 March 2020

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF DGO GOLD LIMITED

As lead auditor for the review of DGO Gold Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of DGO Gold Limited and the entity it controlled during the period.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 13 March 2020

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 Dec 2019 $	31 Dec 2018 $
Revenue			
Interest income		8,090	3,071
Dividend income		-	13,564
Other Income		119138	
Net gains/(losses) on financial assets at fair value through profit or loss		3,743,458	(1,568,525)
Administration expenses		(187,864)	(261,096)
Consultants and contractor expenses		(80,844)	(123,515)
Depreciation expenses	1(b)	(78,402)	(1,968)
Employee benefits expenses		(103,089)	(33,038)
Finance cost	4, 8	(110,437)	-
Share based payments expenses	10	(305,011)	(248,808)
Exploration and evaluation expenditure		(250,582)	(64,715)
Fair value losses on assets classified as held for sale		-	(13,830)
Share in net loss of investment in associate	7	(244,211)	-
Profit/(Loss) before income tax		2,510,246	(2,298,860)
Income tax expense		-	-
Net profit/(loss) for the half-year		2,510,246	(2,298,860)
Other comprehensive income, net of tax		-	-
Total comprehensive profit/(loss) for the half-year		2,510,246	(2,298,860)
Profit/(Loss) per share			
Basic and diluted earnings/(loss) per share (cents per share)	11	7.37	(9.93)

Notes to the consolidated financial statements are included on pages 13 to 23.

Consolidated statement of financial position as at 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 June 2019 $
Current assets			
Cash and cash equivalents		**2,816,977**	4,803,007
Trade and other receivables		**253,915**	333,340
Total current assets		**3,070,892**	5,136,347
Non-current assets			
Financial assets at fair value through profit or loss	6	**3,538,047**	4,623,348
Investment in associates	7	**8,969,076**	-
Property, plant and equipment		**129,569**	57,662
Rights of use assets	1(b)	**226,862**	-
Exploration and evaluation assets	5	**2,804,452**	1,335,012
Total non-current assets		**15,668,006**	6,016,022
Total assets		**18,738,898**	11,152,369
Current liabilities			
Trade and other payables		**262,437**	255,219
Lease Liabilities	1(b)	**117,149**	-
Loans payable	8	**2,598,912**	
Provisions		**19,760**	20,056
Total current liabilities		**2,998,258**	275,275
Non-current liabilities			
Lease Liabilities	1(b)	**142,892**	-
Total non-current liabilities		**142,892**	-
Total non-current liabilities			
Total liabilities		**3,141,150**	275,275
Net assets		**15,597,748**	10,877,094
Equity			
Issued capital	9	**37,772,277**	35,866,880
Reserves		**1,051,010**	745,999
Accumulated losses		**(23,225,539)**	(25,735,785)
Total equity		**15,597,748**	10,877,094

Notes to the consolidated financial statements are included on pages 13 to 23.

Consolidated statement of changes in equity
for the half-year ended 31 December 2019

Consolidated	Issued capital $	Accumulated losses $	Share-based payments reserve $	Share Revaluation Reserve $	Total $
Balance at 1 July 2018 as originally presented	23,749,024	(20,668,790)	300,652	10,638	3,391,524
Change in accounting policy	-	10,638	-	(10,638)	-
Restated total equity at the beginning of the financial year	23,749,024	(20,658,152)	300,652	-	3,391,524
Loss for the half-year	-	(2,298,860)	-	-	(2,298,860)
Other comprehensive income	-	-	-	-	
Total comprehensive income for the half-year	-	(2,298,860)	-	-	(2,298,860)
Transactions with owners in their capacity as owners:					
Share based payments expense (Note 10)	-	-	248,808	-	248,808
Issue of shares	7,532,399	-	-	-	7,532,399
Share issue costs	(45,608)	-	-	-	(45,608)
	7,486,791	-	248,808	-	7,735,599
Balance at 31 December 2018	**31,235,815**	**(22,957,012)**	**549,460**	**-**	**8,828,263**
Balance at 1 July 2019	35,866,880	(25,735,785)	745,999	-	10,877,094
Profit for the half-year	-	2,510,246	-	-	2,510,246
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the half-year	-	2,510,246	-	-	2,510,246
Transactions with owners in their capacity as owners:					
Share based payments expense (Note 10)	-		305,011	-	305,011
Issue of shares (Note 9)	2,000,000	-	-	-	2,000,000
Share issue costs (Note 9)	(94,603)	-	-	-	(94,603)
	1,905,397	-	305,011	-	2,210,408
Balance at 31 December 2019	**37,772,277**	**(23,225,539)**	**1,015,010**	**-**	**15,597,748**

Notes to the consolidated financial statements are included on pages 13 to 23.

Consolidated statement of cash flows for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 Dec 2019 $	Consolidated Half-year ended 31 Dec 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(344,190)	(327,827)
Interest received		17,255	3,071
Other income		63,636	-
Payments for exploration and evaluation activities		(29,326)	(64,715)
Net cash used in operating activities		(292,625)	(392,542)
Cash flows from investing activities			
Dividends received		-	13,564
Payments for property plant and equipment		(148,567)	(9,237)
Payments for exploration and evaluation assets	5	(1,570,838)	(1,224,584)
Payments for financial assets at fair value through profit or loss	6	(4,335,391)	(5,250,000)
Net cash used in investing activities		(6,054,796)	(6,467,186)
Cash flows from financing activities			
Proceeds from issue of equity securities	9	2,000,000	7,216,943
Payments for share issue costs		(106,223)	(36,678)
Principal paid on lease liabilities		(20,861)	-
Interest paid on lease liabilities		(11,525)	-
Proceeds from loans payable	8	2,500,000	-
Net cash generated from financing activities		4,361,391	7,180,265
Net decrease in cash and cash equivalents		(1,986,030)	320,537
Cash and cash equivalents at the beginning of the period		4,803,007	1,625,441
Cash and cash equivalents at the end of the period		2,816,977	1,945,978

Notes to the consolidated financial statements are included on pages 13 to 23.

Notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies

(a) Basis of preparation of half-year report

This general purpose interim financial report for the half year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by DGO Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation applied in this interim financial report are consistent with those applied in the previous financial year and the corresponding interim reporting period except for the adoption of new and amended standards as set out below.

(b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting AASB 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

AASB 16 *Leases*

The Group adopted AASB 16 using the modified retrospective approach, without restatement of comparative figures where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, using the entity's incremental borrowing rate. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(i) Practical expedients applied

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

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if AASB 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The Group has 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 Interpretation 4 *Determining whether an Arrangement contains a Lease.*

(ii) Adjustments recognised on adoption of AASB 16

As a lessee, the Group previously classified leases as operating or finance 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 most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of AASB 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space which had previously been classified as operating leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 10%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The recognised right-of-use assets relate to office leases amounting to $226,862 as at 31 December 2019 (1 July 2019: $280,902).

1. Significant accounting policies (continued)

(b) New and amended standards adopted by the Group (continued)

The following table presents the impact of adopting AASB 16 on the statement of financial position:

	31 Dec 2019 $	1 July 2019 $
Right-of-Use asset	226,862	280,902
Lease Liability		
- Current Liability	117,149	-
- Non-current liability	142,892	-
	260,041	280,902

The following table presents the impact of adopting AASB 16 on the profit or loss:

	Half-year ended 31 December 2019 $
Decrease in occupancy costs (included in administration expense)	32,386
Increase in depreciation expenses	(54,040)
Increase in finance cost	(11,525)
Increase (decrease) in profit for the period	**(33,179)**

Short-term and low-value leases included in profit or loss for the period were $1,946.

Basic and diluted earnings per share decreased by 10 cents per share for the six months to 31 December 2019 as a result of the adoption of AASB 16.

(iii) Accounting policy for leases from 1 July 2019

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small item of equipment.

1. Significant accounting policies (continued)

(c) Going concern

The Group generated a net profit of $2,510,246 for the half-year ended 31 December 2019. As at 31 December 2019, the Group has cash reserves of $2,816,977 and its statement of financial position showed a net current asset surplus of $72,634.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Group to raise additional capital in the future;
- the successful exploration and subsequent exploitation of the Group's tenements
- the ability of the Group to obtain a research and development income tax refund for its activities during the 2020 financial year; and
- the ability of the Group to sell its investments in shares traded on the ASX to fund its continued operations.

These conditions give rise to material uncertainty which may cast doubt over the Group's ability to continue as a going concern, however the directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- It is expected that the Group will be able to fund its future activities through further issuances of equity securities;
- On 24 February 2020, the Company announced a placement for 7,915,926 shares at $1.35 raising $10,686,500. On 28 February 2020 7,121,111 of these shares were issued with 794,815 shares required to go to a General Meeting at a date to be determined This shows continued confidence and investment by the Company's shareholders and will provide sufficient funds to meet current requirements;
- The directors believe there is sufficient cash available for the Group to continue operating over the next 12 months from the date of signing of these financial statements;
- Subsequent to the date of these financials, a R&D refund of $298,000, has been applied for and received; and
- The directors believe that they would be able to sell its investments in shares and options, if required to fund the Company's continued operation over the next 12 months.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

(d) Investment in associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2. Segment information

The Group operates predominantly in the evaluation and exploration of mineral deposits in sediment hosted gold deposits in Australia to invest in listed brownfield explorers and exploration tenements. All significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole. The Group does not have any products/services that derives revenue.

3. Critical accounting judgments

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

<u>Impairment of assets and exploration and evaluation expenditure</u>
The Group determines whether non-current assets should be assessed for impairment based on identified impairment triggers. At each reporting date, the management assesses the impairment triggers based on their knowledge and judgement.

<u>Assessment of significant influence</u>

Although the Group holds less than 20% of voting rights over De Grey Mining Limited and NTM Gold Limited, the Group concluded that it has the power to participate in the financial and operating policy decisions of these investments and it was therefore determined that the Group has significant influence under accounting standards. Additional information is disclosed in note 7.

<u>Determining the lease term</u>

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4. Results for the period

The Group recorded a net profit after tax of $2,510,246 for the half-year ended 31 December 2019 (31 December 2018: net loss after tax of $2,298,860). The financial position and performance of the Group was particularly affected by the following transactions during the six months to 31 December 2019:

- Non-cash share based payments expense of $305,011 relating to performance rights issued to directors, employees and consultants during the half year.
- Net gain of $3,743,459 on investments classified as financial assets at fair value through profit or loss
- Share of net loss of associates $244,211 as a result of adopting AASB128.
- Finance costs amounting to $110,437 which comprise of $98,912 accrued interest on loans payable and $11,525 interest on lease liabilities as a result of adopting AASB 16.

5. Exploration and evaluation assets

<u>Gross carrying amount balance:</u>	**31 Dec 2019 $**	**30 June 2019 $**
Balance at the beginning of the period	**2,416,846**	1,944,597
Exploration expenditure incurred during the financial period (i)	**1,570,838**	1,990,406
Impairments	**(101,398)**	(1,518,157)
Balance at end of the financial year	**3,886,286**	2,416,846
<u>Grant from research and development tax offset applied to exploration and evaluation expenditure</u>		
Balance at beginning of financial year	**(1,081,834)**	(302,160)
Research and development tax offset	**-**	(779,674)
Balance at end of financial year	**(1,081,834)**	(1,081,834)
Net book value at end of period (i)	**2,804,452**	1,335,012

5. Exploration and evaluation assets (continued)

(i) The above amounts represent capitalised costs of exploration areas of interest carried forward as an asset. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value. Details of the current holdings in tenements are contained in the unaudited additional information section of this report.

6. Financial assets at fair value through profit or loss

	31 Dec 2019	30 June 2019
Quoted shares - DeGrey Mining Ltd (i)	**-**	1,925,000
Quoted shares - NTM Gold Ltd (ii)	**-**	2,000,000
Quoted shares – Jindalee Resources Ltd (iii)	**31,500**	40,000
Total equity securities	**31,500**	3,965,000
Unlisted options - DeGrey Mining Ltd (i)	**-**	-
Unlisted options - NTM Gold Ltd (ii)	**3,486,160**	633,232
Unlisted options – Jindalee Resources Ltd (iii)	**20,387**	25,116
Total derivative financial assets	**3,506,547**	658,348
Total financial assets held at fair value through profit or loss (FVPL)	**3,538,047**	4,623,348

(i) Investment in DeGrey Mining Ltd (ASX: DEG)

At 31 December 2019, DGO held 100,845,935 quoted shares in De Grey Mining Limited (DEG) with a market value of $5,143,143 based on the closing share price on the ASX (30 June 2019 25,000,000 shares $1,925,000 market value). On 23 July 2019 Eduard Eshuys and Jeffrey Bruce Parncutt AO, directors of DGO were appointed to the board of DEG from which time the Group considers the investment to be an associate and is reported at Note 7.

On 10 July 2018, the Company acquired 25,000,000 quoted shares in DeGrey Mining Limited for a cash consideration of $5,000,000. The shares include the following options for every two shares held:

- Series A options with an exercise price of $0.25 and expiry date of 30 November 2019 (expired); and
- Series B options with an exercise price of $0.30 and expiry date of 30 May 2021.

On 13 December 2019, the Company acquired 10,000,000 unlisted options with an exercise price of $0.10 and expiry date of 14 December 2021 in exchange for services provided.

(ii) Investment in NTM Gold Ltd (ASX: NTM)

At 31 December 2019, DGO held 64,434,200 quoted shares in NTM Gold Limited (NTM) with a market value of $5,154,736 based on the closing share price on the ASX (30 June 2019 60,000,000 shares $2,000,000 market value). On 14 August 2019, after participation in an NTM placement, DGO held greater than 10% of all NTM shares, entitling DGO to appoint and if required replace a director on it's board. Eduard Eshuys, a director of DGO sits on the board of NTM and having reached a 10% holding, the Group considers the investment to be an associate and is reported at Note 7.

On 20 November 2018, the Company acquired 12,500,000 quoted shares (Tranche 1) in NTM Gold Ltd for a cash consideration of $500,000. The Tranche 1 shares included the following options:

- 12,500,000 options with an exercise price of $0.05 and expiry date of 31 March 2020; and
- 12,500,000 options with an exercise price of $0.10 and expiry date of 31 March 2022.

On 31 March 2019, the Company invested a further $1,500,000 for 37,500,000 shares (Tranche 2) with:

- 47,500,000 options with an exercise price of $0.05 and expiry date of 31 March 2020; and
- 47,500,000 options with an exercise price of $0.10 and expiry date of 31 March 2022.

(iii) Investment in Jindalee Resources Ltd (ASX:JRL)

On 11 January 2019, the Company acquired 100,000 quoted shares in Jindalee Resources Limited for consideration of $28,000. The shares include the following two options for every share held: 200,000 options with an exercise price of $0.50 and expiry date of 30 June 2022.

Accounting policy – the difference between the transaction price and the fair value (day one profit or loss)

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument unless there is observable information from an active market to the contrary. Where unobservable information is used, the difference between the transaction price and the fair value (day one profit or loss) is recognised in profit or loss over the life of the instrument when the inputs become observable.

On day one, there was a difference between the transaction price and the fair value of the unlisted options as measured using certain unobservable information.

6. Financial assets at fair value through profit or loss (continued)

The table below details the unrecognised amount as at 31 December 2019:

	Fair Value at 31 Dec 2019	Un-recognised amount	Fair value recognized at 31 Dec 2019
Unlisted options – De Grey Mining Ltd (i)	91,417	(91,417)	-
Unlisted options – NTM Gold Ltd (ii)	3,648,566	(162,406)	3,486,160
Unlisted options – Jindalee Resources Limited	26,345	(5,958)	20,387
Total derivative financial assets	3,766,328	(259,781)	3,506,547

The table below details the unrecognised amount as at 30 June 2019:

	Fair Value at 30 June 2019	Un-recognised amount	Fair value recognized at 30 June 2019
Unlisted options – De Grey Mining Ltd (i)	65,074	(65,074)	-
Unlisted options – NTM Gold Ltd (ii)	895,710	(262,478)	633,232
Unlisted options – Jindalee Resources Limited	32,277	(7,161)	25,116
Total derivative financial assets	993,061	(334,713)	658,348

Classification
Equity securities have been designated at fair value through profit or loss and subsequently measured at each reporting date based on the quoted share price. The unlisted options which do not meet the criteria for amortised cost or FVOCI are measured at FVPL. During the half year ending 31 December 2019, a net gain on equity securities and unlisted options amounting to $3,743,458 (2018 net loss: $1,568,525) has been recognised in profit or loss.

7. Investment in associates

Set out below are the associates of the group as at 31 December 2019 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Principal place of business/ country of incorporation	Proportion of ownership held as at	
		31 Dec 2019	30 June 2019
De Grey Mining Limited (i)	Australia	9.71%	5.86%
NTM Gold Limited (ii)	Australia	10.91%	12.14%

Assessment of Significant Influence

The group has assessed that it obtained significant influence over two companies during the half year ended 31 December 2019:

(i) *De Grey Mining Limited*

De Grey Mining Limited ("De Grey") is an Australian based Exploration company that is listed on the Australian Securities Exchange ("ASX"). At 30 June 2019 the Group held 5.86% of De Grey. During the six months ended 31 December 2019 the Group acquired a further 3.85% through participation in a placement completed by De Grey. This brought the DGO's total holding to 9.71% as at 31 December 2019. The Group also holds options that are exercisable at any point and give it the right to subscribe for additional share capital that would bring its holding to 11.62%.

Under the placement agreement DGO has a right (but not an obligation) to nominate two directors to the Board of De Grey. Consequently at the date of completion of the placement it was determined that DGO had the power to participate in the financial and operating policy decisions of De Grey. It was therefore determined that DGO has significant influence under accounting standards from that date. Upon completion of the placement DGO's representatives Edward Eshuys and Bruce Parncutt AO were appointed to the board of De Grey and remain as directors at the date of this report.

(ii) *NTM Gold Limited*

NTM Gold Limited ("NTM") is an Australian based Exploration company that is listed on the Australian Securities Exchange ("ASX"). At 30 June 2019 the Group held 9.77% of NTM. During the six months ended 31 December 2019 the Group acquired a further 1.14%. This brought the DGO's total holding to 10.91% as at 31 December 2019. The Group also holds options that are exercisable at any point and give it the right to subscribe for additional share capital that would bring its holding to 25.95%.

Under the subscription agreement DGO has a right (but not an obligation) to nominate one director to the Board of NTM when it's holding exceeds 10%. DGO's holding increased above 10% on 14 August 2019 and, accordingly, the Group determined that it has the power to participate in the financial and operating policy decisions of NTM from that date. It was therefore determined that DGO has significant influence under accounting standards from that date. DGO's representative Edward Eshuys remains a director of NTM as at the date of this report.

7. Investment in associates (continued)

The principal activity of De Grey Mining Limited (DEG) and NTM Gold Limited (NTM) was exploration and development activities of mining tenements. These are strategic investments as it advances the Group's strategy of building a portfolio in the West Australian gold exploration sector.

a) Summarised financial information

The tables below provide summarised financial information for those associates that are material to the group. The group did not have any immaterial associates.

As at 31 December 2019	**DEG $**	**NTM $**
Current assets	8,135,120	4,759,706
Non-current assets	40,335,248	10,879,426
Current liabilities	1,888,227	558 862
Non-current liabilities	362,030	-
Equity	46,220,111	15,080,270
Group's share in equity (DEG 9.71%; NTM 10.91%)	4,487,973	1,645,257
Goodwill	745,537	2,090,309
Group's carrying amount of the investments	5,233,510	3,735,566

	31 Dec 2019 $	**30 June 2019 $**
Total carrying amount of investment in associates	8,969,076	-

For the half-year ending 31 December 2019	**DEG $**	**NTM $**
Revenues	103,539	-
Interest income	30,610	2,370
Expenses	(2,027,024)	(567,908)
Profit before tax	(1,892,875)	(565,538)
Income tax expense	-	-
Profit for the half-year	(1,892,875)	(565,538)
Other comprehensive income	-	-
Total comprehensive income for the half-year	(1,892,875)	(565,538)
Group's share of profit/(loss) for the half-year	(183,633)	(60,578)

	31 Dec 2019 $	**30 June 2019 $**
Total Group's share of profit/(loss) for the half-year	(244,211)	-

Commitments and contingent liabilities in respect of associates

The group had no contingent liabilities or capital commitments relating to its associates as at 31 December 2019.

8. Loans Payable

	31 Dec 2019 $	**30 June 2019 $**
Loans from shareholders	2,500,000	-
Accrued Interest	98,912	-
	2,598,912	-

In August 2019, the Group entered into new loan facilities with five shareholders to fund the Group's commitments to De Grey's capital raining. The total available amount under the facilities is $2,500,000 which was fully drawn down as at 31 December 2019. The facilities are repayable from the proceeds of the issue of a new equity capital at anytime prior to 31 July 2020.
The loans are fixed rate at 10% per annum, carried at amortised cost

9. Issued capital

	Period ended 31/12/19 $	**Year ended 30/06/19 $**
Fully paid ordinary shares	37,772,278	35,866,880
Fully paid ordinary shares		
Balance at beginning of financial year	35,866,880	23,749,024
Issue of shares under entitlements offer	-	4,909,192
Issue of shares under private placements	-	2,500,000
Issue of shares under private placements	-	122,406
Issue of shares under entitlements offer	-	2,602,259
Issue of shares under private placements	-	2,175,000
Issue of shares under option conversion	-	15,178
Issue of shares under private placements (i)	2,000,000	-
Share issue costs	(94,602)	(206,179)
Balance at end of financial year	37,772,278	35,866,880

9. Issued capital (continued)

Number of shares on issue	Period Ended 31/12/19 No.	Year Ended 30/06/19 No.
Balance as at beginning of the year	32,529,695	15,099,415
Issue of shares under entitlements offer	-	6,545,587
Issue of shares under private placements	-	3,333,334
Issue of shares under private placements	-	163,208
Issue of shares under entitlements offer	-	4,003,476
Issue of shares under private placements	-	3,346,155
Issue of shares under option conversion	-	38,520
Issue of shares under private placements (i)	2,666,667	-
Balance as at the end of the year	35,196,362	32,529,695

Number of $0.40 options (now $0.3936) on issue	Period Ended 31/12/19 No.	Year Ended 30/06/19 No.
Balance as at beginning of the year	842,175	880,695
Issue of options under private placements	-	-
Exercise of options (vi)	-	(38,520)
Balance as at the end of the year	842,175	842,175

Number of $1 options on issue	Period Ended 31/12/19 No.	Year Ended 30/06/18 No.
Balance as at beginning of the year	10,042,129	-
Issue of options under entitlements offer	-	6,545,587
Issue of options under private placements	-	3,333,334
Issue of options under private placements	-	163,208
Exercise of options	-	-
Balance as at the end of the year	10,042,129	10,042,129

Share Issues during the half-year

On 16 September 2019, the Company issued 2,666,667 fully paid ordinary shares at an issue price of $0.75 with total proceeds of $2,000,000 before issue costs of $94,602.

Share options on issue as at 31 December 2019

A total of 880,695 options exercisable at $0.40 (now $0.3936) on or before 30 June 2020 (DGOAI) are on issue. A total of 10,042,129 options exercisable at $1.00 on or before 31 December 2021 are on issue.

Capital Management

Management controls the capital of the Group in order to fund its operations and continue as a going concern. The Group does not have any externally imposed capital requirements.

10. Share-based payments

On 21 November 2019, the Group issued 250,000 performance rights to an employee as approved at the Company's annual general meeting on 21 November 2019. The performance rights are exercisable at $nil consideration on or before 30 November 2022. The performance rights will vest if the following conditions are met:

- on or before 30 November 2022 the 90 day volume weighted average price of Shares on the ASX exceeds $2.00 (subject to certain adjustments) per Share (**Market Condition), or**
- on or before 30 November 2022 a takeover bid is made for the Shares at a price or value which exceeds $2.00 (subject to certain adjustments) and the bidder confirms that the takeover bid is unconditional (**Takeover Condition**); or
- on or before 30 November 2022 a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company at a price or value which exceeds $2.00 (subject to certain conditions) per Share and Shareholders approve the scheme resolution by the requisite majority; and
- the employee continues to be employed by the Company.

The fair value of these performance rights at grant date was $130,965. The fair value at grant date is estimated using a Monte Carlo Simulation, taking into account the terms and conditions upon which the performance rights were granted. The contractual life of each performance right granted is two years and ten months. There is no cash settlement of the performance rights.

10. Share-based payments (continued)

The fair value of performance rights granted during the period ended 31 December 2019 was estimated on the date of grant using the following assumptions:

- Dividend yield: 0%
- Expected volatility: 86,663%
- Risk-free interest rate: 0.72%
- Expected life of share options: 2 years
- Weighted average share price: $0.639

For the half-year ended 31 December 2019, the Group has recognised $305,011 of shared-based payment expense in the Consolidated statement of profit or loss and other comprehensive income (2018: $248,808).

11. Earnings/(Loss) per share

	Half-year 31 Dec 2019 cents per Share	Half-year 31 Dec 2018 cents per share
Basic and diluted net earnings/(loss) per share	**7.37**	(9.93)

The net earnings/(loss) and weighted average number of ordinary shares used in the calculation of the basic loss per share and diluted loss per share are as follows:-

	Half-year 31 Dec 2019 $	Half-year 31 Dec 2018 $
Net profit/(loss) used in calculating basic and diluted earnings per share	**3,871,008**	(2,298,860)

	Half-year 31 Dec 2019 Number	Half-year 31 Dec 2018 Number
Weighted average number of fully paid ordinary shares used for the purposes of calculating basic and diluted earnings/(loss) per share	**34,072,038**	23,142,292

12. Dividends

There were no dividends paid or proposed during the current or previous financial period.

13. Contingent liabilities

There has been no change to contingent assets and contingent liabilities during the half year period.

14. Fair value measurement

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

14. Fair value measurement (continued)

31 December 2019	Level 1 $	Level 2 $	Level 3 $	Total
Financial assets at FVPL				
- Quoted Shares	31,500	-	-	31,500
- Unlisted options	-	3,506,548	-	3,506,548
	31,500	3,506,548	-	3,538,048

30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total
Financial assets at FVPL				
- Quoted Shares	3,965,000	-	-	3,965,000
- Unlisted options	-	658,348	-	658,348
	3,965,000	658,348	-	4,623,348

There were no transfers between levels during the financial half-year.

Valuation techniques used to determine fair values (Level 2)

The unlisted options were valued using an option-pricing model. The key inputs used in the valuations were, dividend yield, expected volatility, risk-free interest rate, expected life of share options and exercise price. .

15. Events subsequent to reporting date

On 24 February 2020, the Company announced a placement for 7,915,926 shares at $1.35 raising $10,686,500. On 28 February 2020, 7,121,111 of these shares were issued with 794,815 shares required to go to a General Meeting at a date to be determined.

On 3 January 2020, the shareholders of NTM Gold Limited (NTM) approved DGO's participation in a placement for 8,290,000 shares at $0.05 each totalling $414,500 increasing the holding in NTM to 12.14%. As at 11 March 2020, the Group now holds 72,724,200 quoted shares in NTM with a market value of $4,581,625 based on the closing share price ($0.063) on 10 March 2020 on the ASX.

On 21 February 2020, the DeGrey Mining Limited shareholders approved DGO's participation in a placement of 11,111,111 shares at $0.045 to DGO totalling $500,000, increasing the holding in DEG to 10.67%. As at 11 March 2020, the Group now holds 111,957,046 quoted shares in DEG with a market value of $26,309,906 based on the closing share price ($0.235) on 10 March 2020 on the ASX.

On 12 March 2020, DGO announced its intention to increase holdings in DEG to 16.4% by exercising all of the DEG options held for 22.5 million DEG shares and acquiring a further 41 million DEG shares from existing DEG shareholders in exchange for 6.5m DGO shares and 3.3 million options with an exercise price of $2.50 and expiry date of 30 June 2022 (subject to shareholder approval).

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Directors' declaration

In the opinion of the directors:

a) the accompanying financial statements and notes comply with the *Corporations Act 2001*, including:

   (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position at as 31 December 2019 and of its performance for the half year ended on that date; and

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

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

Eduard Eshuys
Executive Chairman

Melbourne, 13 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DGO Gold Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of DGO Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 (c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

T Mann

T R Mann
Director

Brisbane, 13 March 2020

Unaudited additional information - as at 13 March 2020
Resources

DGO's tenements cover a total of 10,457km^2 (granted, under application or joint venture/option) across Western Australia and South Australia covering some of the high priority targets identified by the CODES research.

See *Table 1* for a full listing of tenements.

Table 1: DGO Tenement Holdings as at 13 March 2020

Project	Location	Tenement Number	Area - kms	Economic Entity's Interest at 13 March 2020 - %
Lake Randall	WA	E15/1573[1]	52.8	30
		E25/584[3]	179.0	100
Black Flag	WA	E24/197,	306.7	100
		P24/4986-4992		
Mallina	WA	E47/3327-3329	242.8	100
		E47/4315, 4316[2]	38.4	100
Tom Price	WA	E47/3898, 3900[2]	986.5	100
		E47/3629, 3651, 3716[4]	322.6	0
Bryah	WA	E51/1590[5]	66.6	51
		E51/1729	61.6	100
Yerrida	WA	E51/1730, 1748-1753	2,098.1	100
		E51/1833, 1897,		
		E51/1920, 1921		
		E51/1952[2]	135.1	100
		E51/1725, 1726[6]	268.2	0
Yamarna West	WA	E38/3343, 3344[2]	727.9	100
Pernatty Lagoon	SA	EL 6145, 6302, 6030, 6436	1,130.0	100
		EL 6473, EL 6474	535.0	100
Myall North	SA	EL 6303	308.0	100
			7,183.3	

[1] Farm-in and Joint Venture with Romardo Gold WA Pty Ltd – DGO earning up to 70%
[2] Tenement application – on grant 100% DGO
[3] Tenements granted 2020
[4] Farm-in and Joint Venture with Forge Resources Swan Pty Ltd – DGO earning 100% gold rights only
[5] Farm-in and Joint Venture with TasEx Geological Services Pty Ltd – DGO earning 90%
[6] Option to Purchase with Middelen Pty Ltd – DGO 100% on exercise of Option

Competent person statement

*Exploration or technical information in this release has been prepared by **Mr. David Hamlyn**, who is a part time employee of DGO Gold Limited and a Member of the Australian Institute of Mining and Metallurgy. Mr. Hamlyn has sufficient experience which is relevant to the style of mineralisation 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" (the JORC Code). Mr. Hamlyn consents to the report being issued in the form and context in which it appears.*