



## Dacian Gold SPECULATIVE BUY

Current Price: **\$0.59**

Ticker: **DCN**  
Sector: **Materials**

Shares on Issue (m): **96.1**  
Market Cap (\$m): **56.7**  
Cash (\$m): **20.0**  
Debt (\$m): **0.0**  
Enterprise Value (\$m): **36.7**

52 wk High/Low: **\$0.50** **\$0.62**  
12m Av Daily Vol (m): **0.35**

### Directors:

Rohan Williams Non-Executive Chairman  
Paul Payne Managing Director  
Barry Patterson Non-Executive Director  
Robert Reynolds Non-Executive Director

### Substantial Shareholders:

Vitesse Pty Ltd 14.7%  
HSBC Custody Nominees 6.2%

### Share Price Graph

#### Use of funds (\$m):

	Year 1	Year 2
--	--------	--------

#### Extensional Targets

RC drilling program	1.0	1.5
Diamond drilling program	1.6	2.4
Evaluation studies	0.2	0.3

#### New Targets

Geology/geophysics	0.3	0.0
Soil geochemistry	0.6	0.4
RAB and RC programs	1.6	1.6

#### Other

Rents, Admin, Overheads	1.1	1.1
<b>Total</b>	<b>6.3</b>	<b>7.3</b>

Analysts:  
Adam Miethke  
Troy Irvin  
Patrick Chang  
Matthew Keane

## 24 January 2013

## Big start

### Drilling results:

Dacian Gold (DCN:ASX) has released results from its maiden drill program at the Mt Morgans Project located in in the Laverton district of Western Australia. The program consisted of 4,000m RC drilling at Morgans North and Ramornie, including the assay result of one previously un-sampled drillhole from Craic. This campaign aimed at testing mineralisation continuity around known deposits.

Key intervals of note include:

- 8.0m @ 8.9g/t from 138m at Morgans North
- 4.0m @ 3.6g/t from 92m at Ramornie
- 5.3m @ 8.7g/t from 35.7m at Craic

Regional exploration identified a number of follow-up targets. Auger sampling at Cooper Pools returned grades up to 6g/t, whilst a geophysical survey completed at Cameron Well is targeting syenite-hosted mineralisation similar to the nearby +7Moz Wallaby deposit.

DCN acquired the Mt Morgans in January 2012, giving the Company a starting endowment of 842koz. The Company's focus is on aggressively exploring and building on this Resource base to support a future mining operation.

### Impact:

**Positive**

This result forms part of DCN's strategy to add lower-risk extensional ounces at the high grade Mt Morgans gold project. As orebody knowledge is acquired, these learnings will be applied to new targets in order to unlock the full value of the project.

### View:

**Positive**

Argonaut considers these results to be positive, as they validate the extension of known mineralisation at three deposits and highlight a number of new drilling targets. The \$6.3m exploration budget planned for 2013 will support strong ongoing news flow.

Results from Morgans North demonstrate the potential for new zones of mineralisation to the north and south of the existing pit. These zones were not adequately tested through previous drilling and provide excellent potential support a maiden Resource at Morgans North. The high grade intercept from Craic confirms the potential to extend mineralisation down-plunge and is considered a priority target.

Based on current Resource metrics, DCN is under-valued in the peer group with an EV/Resource Oz valuation of \$46 against the average at \$61. DCN remains a key pick based on its blue chip mining board, asset quality and 'blue sky' exploration potential.

### Recommendation:

**Spec Buy**

SPECULATIVE BUY recommendation. Argonaut derives an implied valuation between \$0.85 and \$1.00 based on a peer average EV/Resource adjusted for DCN's high grade.



### Positive maiden results

#### Maiden drill program has yielded positive results

Dacian Gold (DCN:ASX) has released results from its maiden drill program at the Mt Morgans Project located in in the Laverton district of Western Australia. The program consisted of 4,000m RC drilling at Morgans North and Ramornie, including the assay result from one previously un-sampled drillhole at Craic.

#### Validates DCN's strategy to add lower-risk extensional oz's

This result forms part of DCN's strategy is to add lower-risk extensional ounces at the high grade Mt Morgans gold project. Argonaut considers the result to be positive as it and validates the extension of known mineralisation at three deposits.

The program also highlighted a number of new drilling targets which will be a focus of ongoing exploration. DCN has a \$6.3m exploration budget planned for 2013.

Key intervals of note include:

#### Key intervals include...

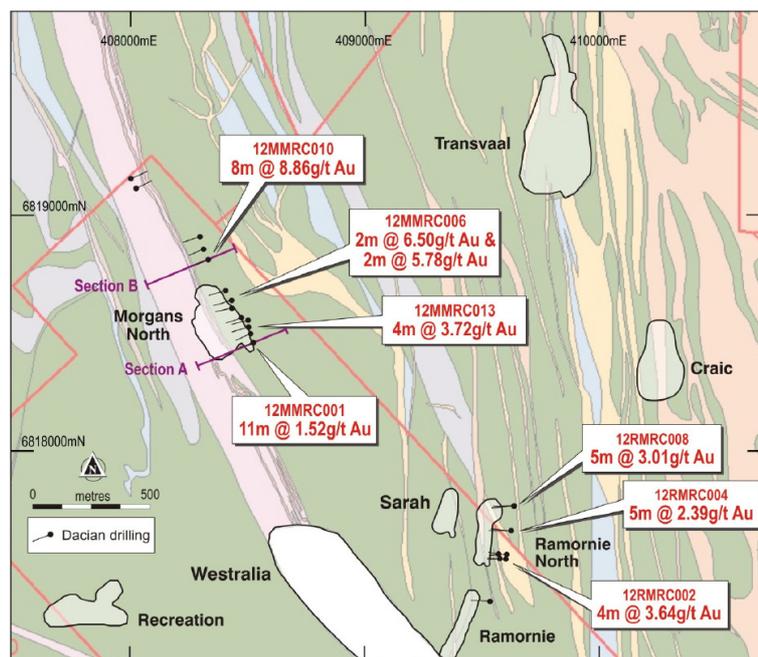
- 8.0m @ 8.9g/t from 138m at Morgans North
- 11m @ 1.5g/t from 139m at Morgans North
- 4.0m @ 3.6g/t from 92m at Ramornie
- 5.0m @ 3.0g/t from 89m at Ramornie
- 5.3m @ 8.7g/t from 35.7m at Craic

#### ...which also confirms the potential for new zones of mineralisation

As orebody knowledge is acquired, these learnings will be applied to new targets in order to unlock the full value of the Mt Morgans project.

#### Located within the Mt Morgans hub of existing Resources

Figure 1. Location of 2012 drilling, highlighting significant results



Source: DCN

#### Morgans North

Morgans North represents a banded iron formation (BIF) style deposit which also hosts the Westralia deposit (+1Moz) ~1km to the southeast. Eleven drill holes were completed which tested the mineralised extents directly below the historical pit and also along-strike.

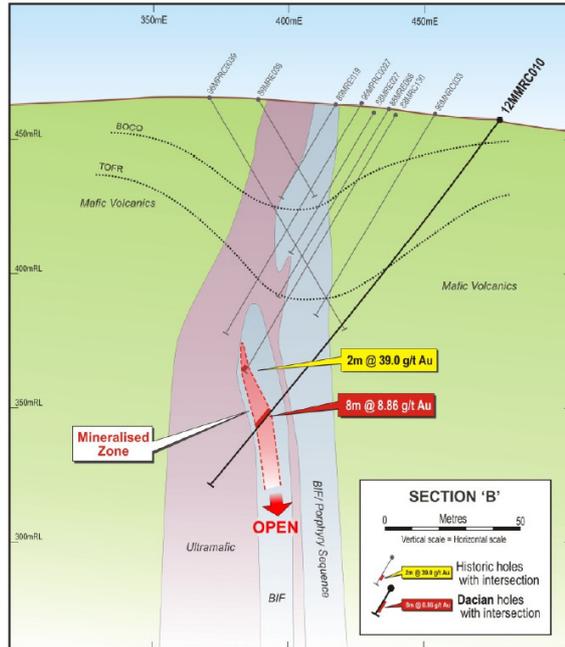
#### The Phoenix Shoot and Southern Extension are stand-out targets

Results demonstrate the potential for new zones of mineralisation to both the north and south of the existing pit. Morgans North is not currently included in the Resource inventory and these results demonstrate future upside for Resource conversion. The Phoenix Shoot and Southern Extension have been confirmed as key targets as historical exploration was limited to only shallow depths (<30m).



Figure 2. Morgans North Phoenix Shoot and drill hole intercept

The Phoenix Shoot is hosted within BIF lithology and remains open



Source: DCN

### Ramornie

Targets at Ramornie remain open and will be tested through ongoing exploration

Ramornie is located within the Transvaal – Ramornie shear corridor which hosts four historical open pit mines. Mineralisation is structurally hosted and a number of exploration targets remain including along-strike and depth extensions of existing Resources. The results from nine drillholes confirm the narrow, high grade nature of this shear zone with average grades exceeding 3g/t. DCN are currently completing further drilling at Ramornie.

### Craic

Craic also represents a shear hosted deposit and high grade gold mineralisation remains open to the north and below the developed underground mine. This represents an excellent opportunity to define a direct extension to the already defined high grade Mineral Resource and the assay result of 5.3m @ 8.66g/t from 35m validates this as a priority target.

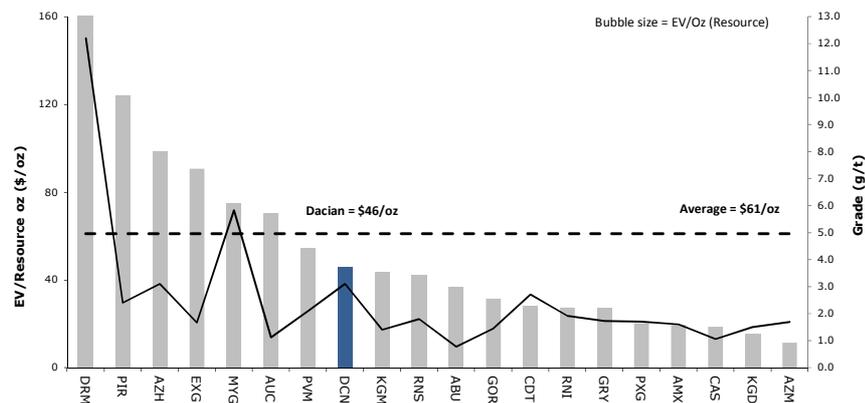
### Value proposition

DCN remain under-valued among their peer group...

Based on current Resource metrics, DCN is under-valued in the peer group with an EV/Resource Oz valuation of \$46 against the average at \$61. Upcoming catalysts include further auger and RC drilling results, further field reconnaissance results from regional exploration targets and the maiden Resource upgrade (March 2013E).

Figure 3. Peer group metrics – EV/Resource

...with 33% upside against their peer average



Source: Argonaut

**Contact Details****Research:****Ian Christie**

Director, Industrial Research  
+61 8 9224 6872

**Troy Irvin**

Director, Metals & Mining Research  
+61 8 9224 6871

**Adam Miethke**

Director, Metals & Mining Research  
+61 8 9224 6806

**Dave Wall**

Director, Energy Research  
+61 8 9224 6864

**Patrick Chang**

Resource Analyst  
+61 8 9224 6835

**Matthew Keane**

Resource Analyst  
+61 8 9224 6835

**Emily Reilly**

Industrials Analyst  
+61 8 9224 6809

**Chris Jiang**

Resource Analyst  
+852 3557 4804

**Institutional Sales - Perth:****Chris Wippl**

Head of Sales & Research  
+61 8 9224 6875

**John Santul**

Consultant, Sales & Research  
+61 8 9224 6859

**Damian Rooney**

Senior Institutional Dealer  
+61 8 9224 6862

**Ben Willoughby**

Institutional Dealer  
+61 8 9224 6876

**Bryan Johnson**

Institutional Dealer  
+61 8 9224 6834

**Alex Wallis**

Institutional Dealer  
+61 8 9224 6805

**Institutional Sales - Hong Kong:****Travis Smithson**

Managing Director - Asia  
+852 9832 0852

**Angus McGeoch**

Institutional Research Sales  
+852 6623 8935

**Corporate and Private Client Sales:****Glen Colgan**

Executive Director, Desk Manager  
+61 8 9224 6874

**Kevin Johnson**

Executive Director, Corporate Stockbroking  
+61 8 9224 6880

**James McGlew**

Executive Director, Corporate Stockbroking  
+61 8 9224 6866

**Simon Lyons**

Director, Private Clients  
+61 8 9224 6881

**Geoff Barnesby-Johnson**

Senior Dealer, Corporate Stockbroking  
+61 8 9224 6854

**Andrew Venn**

Senior Dealer, Corporate Stockbroking  
+61 8 9224 6865

**Cameron Fraser**

Dealer, Private Clients  
+61 8 9224 6851

**Rob Healy**

Dealer, Private Clients  
+61 8 9224 6873

**Ben Rattigan**

Dealer, Private Clients  
+61 8 9224 6824

**Luke Levis**

Dealer, Private Clients  
+61 8 9224 6852

**Important Disclosure**

Argonaut acted as Lead Manager to the \$20M Initial Public Offer in November 2012 and received fees commensurate with this service. Argonaut currently holds or controls 94,000 DCN shares.

The analyst(s) own DCN shares.

**Information Disclosure**

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

**General Disclosure and Disclaimer**

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") or by Argonaut Securities (Asia) Limited ("ASAL") for the use of the clients of ASPL, ASAL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited. ASAL has a licence (AXO 052) to Deal and Advise in Securities and Advise on Corporate Finance in Hong Kong with its activities regulated by the Securities and Futures Ordinance ("SFO") administered by the Securities and Futures Commission ("SFC") of Hong Kong.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL and ASAL have made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, ASAL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL and ASAL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's and / or ASAL's overall revenues.

**Hong Kong Distribution Disclosure**

This material is being distributed in Hong Kong by Argonaut Securities (Asia) Limited which is licensed (AXO 052) and regulated by the Hong Kong Securities and Futures Commission. Further information on any of the securities mentioned in this material may be obtained on request, and for this purpose, persons in the Hong Kong office should be contacted at Argonaut Securities (Asia) Limited of Unit 701, 7/F, Henley Building, 5 Queen's Road Central, Hong Kong, telephone (852) 3557 48000.

© 2013. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited and / or Argonaut Securities (Asia) Limited. Argonaut Securities Pty Limited and Argonaut Securities (Asia) Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.