

SPEC BUY

Current Price **\$0.32**

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

Shares on Issue (m): **96.1**
Market Cap (\$m): **33.2**
Cash (\$m): **10.9**
Enterprise Value (\$m): **22.2**

52 wk High/Low: **\$0.48** **\$0.22**
12m Av Daily Vol (m): **0.03**

Mineral Inventory (100% basis)

	Mt	g/t	Moz
Reserves	0.7	6.2	0.14
Resources	9.2	4.0	1.18

	\$/oz
EV / Reserve	163
EV / Resource	19

Directors:

Rohan Williams	Executive Chairman
Barry Patterson	Non-Executive Director
Robert Reynolds	Non-Executive Director

Substantial Shareholders:

Redland Plains	14.7%
Directors	11.8%

Share Price Graph



Wednesday, 15 October 2014

Dacian Gold

Proof is in the pudding

Analysts | Patrick Chang | Matthew Keane

Quick Read

Dacian Gold (DCN) reported drilling results from its Westralia and Jupiter prospects at the 100% owned Mt Morgans Project in Western Australia. The wide-spaced drilling at Westralia has proven up a large system with mineralisation defined over a 3km strike length, proving the Company's geological concept and exploration model. The drilling at Jupiter has confirmed the presence and continuity of the Cornwall Shear Zone (CSZ), demonstrating its potential to support open pit operations. The Company is well cashed up to advance its exploration programs with ~\$11m (at 30th June). Speculative Buy Recommendation maintained.

Event & Impact | Positive

Large system at Westralia: Wide-spaced drilling has intersected mineralisation across a 3km strike at Westralia. The program was designed to test a repeat of the Westralia structure underneath a "barren flexure". However, the results demonstrated continuous mineralisation and the "barren flexure" does not exist, further enhancing prospectivity.

Better results include (downhole widths):

- 2.0m @ 18.0g/t from 363m
- 2.0m @ 8.6g/t from 500m
- 1.8m @ 7.9g/t from 793m
- 4.2m @ 6.8g/t from 619m

Given the wide-spaced nature of this program, in-fill drilling is anticipated to follow up and target higher grade / thicker parts of the mineralisation (e.g. another Millionaire's Shoot). This is likely to follow a geophysics program (downhole TEM) which is targeting large accumulations of sulphide, which typically corresponds to higher grades.

Jupiter drilling demonstrates open pit potential: The drilling at Jupiter confirmed the presence and continuity of the Cornwall Shear Zone (CSZ). The grade, continuity and shallow dipping nature of the mineralisation suggest the potential for an open pit operation. Better results from the recent program include (downhole width):

- 16m @ 2.0g/t from 136m
- 6m @ 3.9g/t from 157m
- 3m @ 9.5g/t from 39m
- 8m @ 1.8g/t from 17m

Recommendation

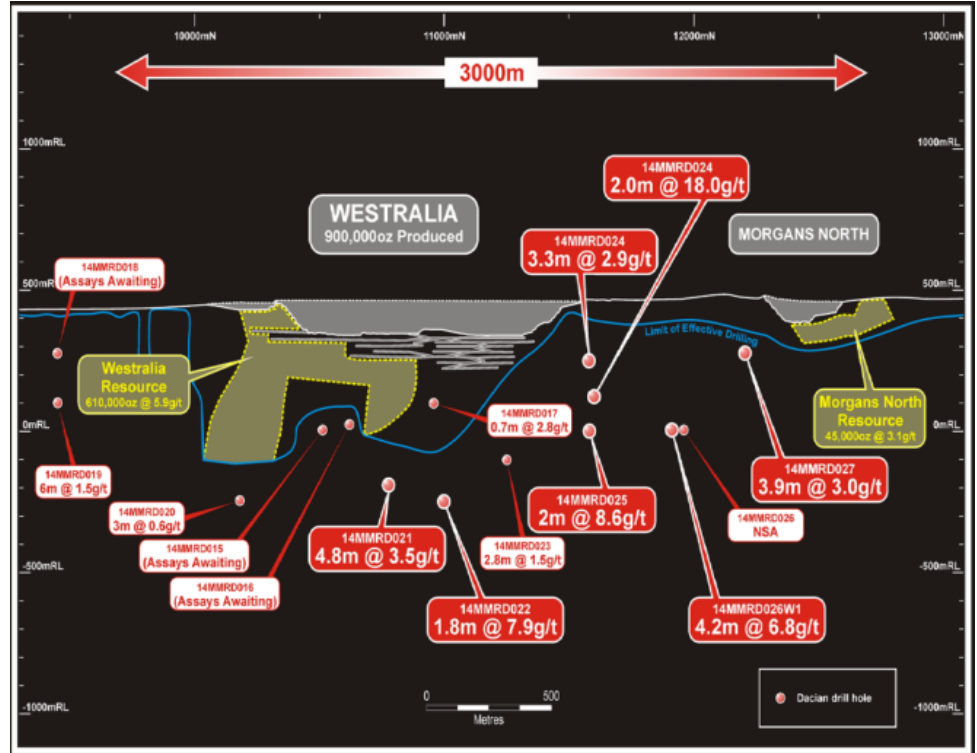
Speculative Buy recommendation maintained.

Westralia - A much larger system

Wide-spaced drilling has intersected high grade mineralisation...

A wide-spaced drilling program has intersected mineralisation across a 3km strike at Westralia. The program was designed to test a repeat of the Westralia structure underneath a “barren flexure”. However, the results demonstrated continuous mineralisation and the “barren flexure” does not exist, further enhancing prospectivity.

Figure 1: Westralian Long Section



Source: DCN

....across a 3km strike at Jupiter...

...previously recognised barren zone disproved through drilling...

...in-fill drilling anticipated following up and targeting high grade zones...

Better results include (downhole widths):

- 2.0m @ 18.0g/t from 363m
- 2.0m @ 8.6g/t from 500m
- 1.8m @ 7.9g/t from 793m
- 4.2m @ 6.8g/t from 619m

Drilling has also intersected a separate mineralised structure (Ramornie), returning an intersection of 13.9m @ 3.7g/t from 347m

Given the wide-spaced nature of this program, in-fill drilling is anticipated to follow up and target higher grade / thicker parts of the mineralisation (e.g. another Millionaire’s Shoot).

...following a downhole EM program

Prior to this program, the Company will first undertake a downhole EM survey to target accumulations of sulphides. Given the quantum of sulphides appear to have good correlation with gold grades at Westralia, this program would enable the Company to target potentially higher grade mineralisation across the whole 3km strike.

Pink is the new black

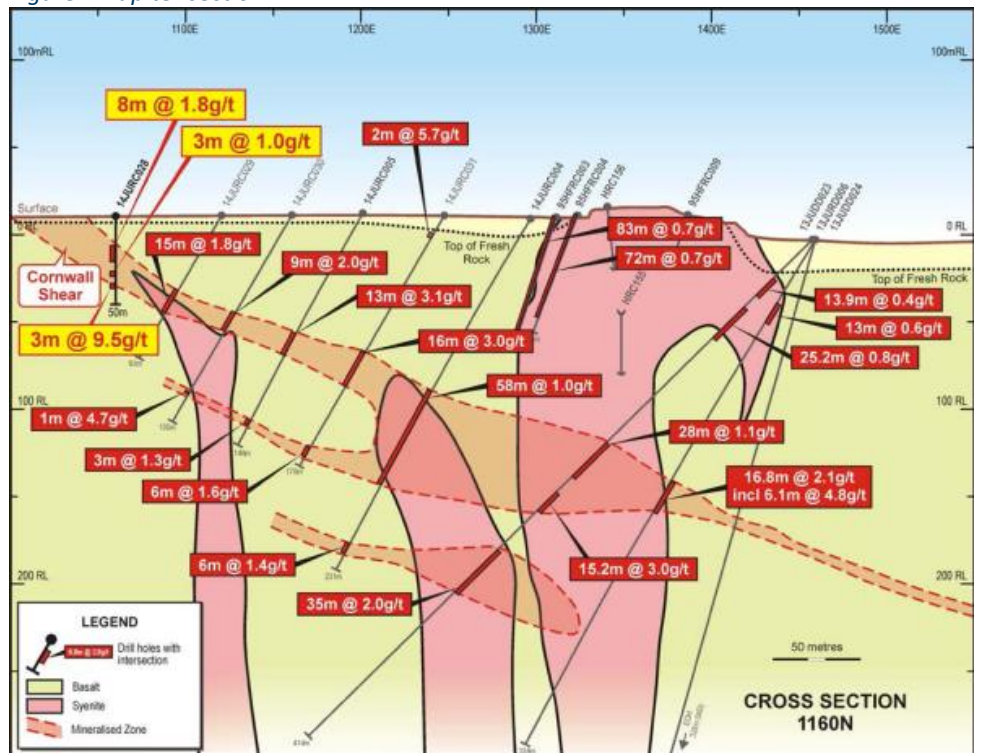
Drilling at Jupiter has confirmed the continuity of the CSZ...

The drilling at Jupiter confirmed the presence and continuity of the CSZ. The grade, continuity and shallow dipping nature of the mineralisation suggest the potential for an open pit operation. Better results from the recent program include (downhole width):

- 16m @ 2.0g/t from 136m
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- 8m @ 1.8g/t from 17m

...supporting the potential for an open pit operation...

Figure 2: Jupiter section



Source: DCN

...and syenite bodies

The key to delineating a sizable Resource is the identification of the intersection of flat dipping structures / large bodies of syenites. Recent results confirm enhanced widths at such intersections.

An extensional / in-fill program planned for December Q to test several targets

The syenites within the Jupiter corridor have limited surface expressions; however, they could represent a fraction of a much larger syenite body at depth. Going forward, DCN's drilling campaign will evaluate both structures and establish the quantum of syenite intrusives.

An extensional / in-fill program is anticipated to commence in the December Q, testing the intersection of the CZS and several known and potential syenites.

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Important Disclosure

Argonaut currently holds or controls 94,000 DCN shares.

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