

SPEC BUY

Current Price **\$0.255**

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

Shares on Issue (m): **96.1**
Market Cap (\$m): **24.0**
Cash (\$m): **15.3**
Enterprise Value (\$m): **8.7**

52 wk High/Low: **\$0.71** **\$0.15**
12m Av Daily Vol (m): **0.08**

Mineral Inventory (100% basis)

	Mt	g/t	Moz
Reserves	-	-	-
Resources	9.2	4.0	1.2

EV / Reserve **\$/oz**
EV / Resource **7**

Directors:

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

Substantial Shareholders:

Directors **11.8%**

Share Price Graph



Thursday, 19 December 2013

Dacian Gold

Who wants to be a millionaire?

Analysts | Patrick Chang | Matthew Keane

Quick Read

Dacian (DCN) has upgraded its Resource at Westralia, increasing the inventory to 610koz @ 5.9g/t (was 364koz @ 3.4g/t). The increase is primarily due to the incorporation of the Millionaires Shoot (326koz @ 7.6g/t), following exploration success earlier this year. This upgrade has exceeded Argonaut's anticipation in both quantum and grade. The total inventory at Mt Morgans Gold Project increased to 1.2Moz @ 4.0g/t. The high grades and endowment (>1koz per vertical metre) bode well for its economic potential as a future underground operation. With proven management, prospective geology, a focus on high grade ounces and ~\$15m cash, DCN is a standout exploration company based in Western Australia. Speculative Buy recommendation maintained.

Event & Impact | Positive

Who wants to be a millionaire?: The inventory at Westralia increased to 610koz @ 5.9g/t post the incorporation of the Millionaires Shoot (326koz @ 7.6g/t), defined from DCN's recent successful drilling program. The upgrade exceeded Argonaut's expectation in both quantum and grade. The Millionaires Shoot is located at the southern end of Westralia, outside the historical open pit. The high grades and endowment (1koz per vertical metre) bode well for its economic potential. The drilling program in early CY14 will also test a number of additional shoots located to the north of Millionaires, which could further enhance the vertical endowment.

Where's Wallaby?: DCN recently delivered significant high grade results from drilling at Jupiter, including 17m @ 4.8g/t, 6m @ 4.8g/t and 7m @ 8.3g/t. Jupiter is >2km long, part of DCN's 100% owned Mt Morgans project near Laverton. Given similar geology and style of mineralisation, the prize is a Wallaby look-alike (Wallaby is a near-by syenite hosted >7Moz deposit).

High grade gold in WA: DCN is a standout exploration company based in WA, offering:

- Well-funded with ~\$15m cash
- Tier 1 board and management
- Surrounded by multi-Moz gold deposits - Sunrise Dam >10Moz, Wallaby >7Moz, Duketon >6Moz, Granny Smith >2Moz, Lancefield >2Moz
- High grade Resource (1.2Moz @ 4.0g/t)
- High grade Reserve (136koz @ 6.2g/t), minimum target 500koz
- Disciplined exploration strategy ranging from low risk extensional work to high impact work (potentially Company transforming) e.g. the search for the next Wallaby

Recommendation

Spec Buy recommendation maintained.

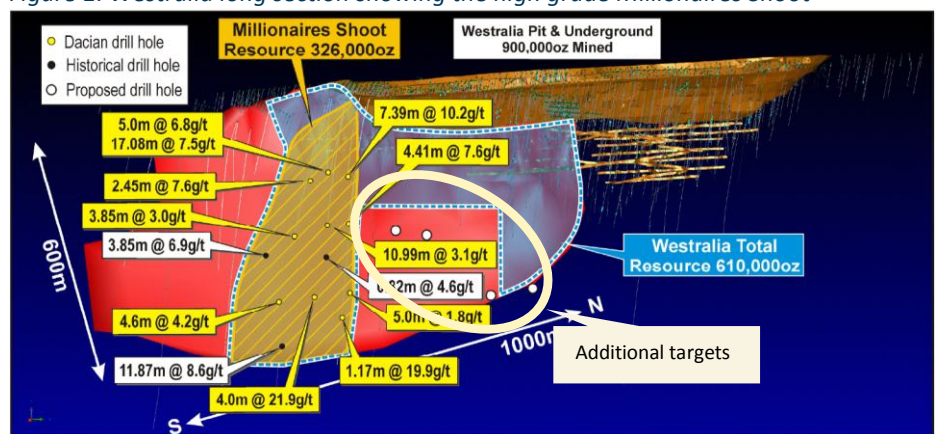
Who wants to be a millionaire?

Inventory at Westralia increased to 610koz @ 5.9g/t...

The inventory at Westralia increased to 610koz @ 5.9g/t post the incorporation of the Millionaires Shoot (326koz @ 7.6g/t), defined from DCN's recent successful drilling program. The upgrade exceeded Argonaut's expectation in both quantum and grade. The Millionaires Shoot is hosted in a banded iron formation (BIF), and is located outside the historical open pit. The high grades and endowment (1koz per vertical metre) bode well for its economic potential. The drilling program in early CY14 will also test a number of additional shoots located to the north of Millionaire, which could further enhance the vertical endowment.

...economic potential demonstrated with high grades and >1kozpvm endowment

Figure 1: Westralia long section showing the high grade Millionaires Shoot



Source: DCN

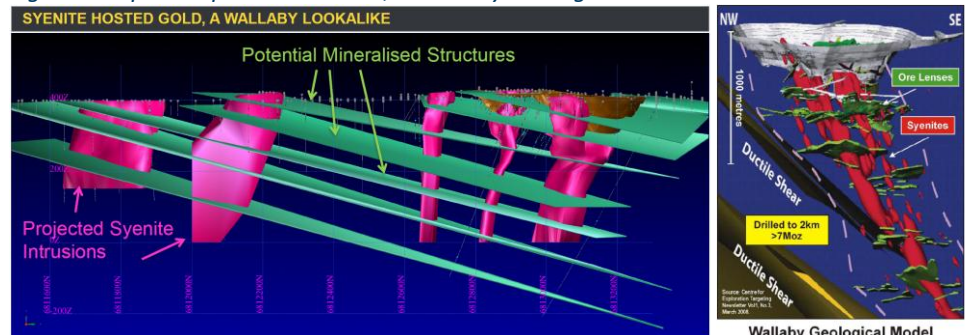
Where's Wallaby

The hunt for the next Wallaby could deliver the largest upside...

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Jupiter is >2km long, part of DCN's 100% owned Mt Morgans project near Laverton. Given similar geology and style of mineralisation, the prize is a Wallaby look-alike (Wallaby is a near-by syenite hosted, >7Moz deposit).

Figure 2: Jupiter exploration model, v Wallaby Geological model



Source: DCN

...drilling results confirming grades and exploration model

These results have so far confirmed the continuation of high grade mineralisation in multiple shallow dipping lodes within the syenite host and validated the exploration model. Drilling planned for early next year will test the continuation outside the syenites into the host basalt, which could deliver the biggest upside.

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Important Disclosure

Argonaut currently holds or controls 94,000 DCN shares.

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