

## SPEC BUY

Current Price **\$0.40**

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

Shares on Issue (m): **96.1**  
Market Cap (\$m): **38.4**  
Cash (\$m, 31st March): **6.5**  
Enterprise Value (\$m): **31.9**

52 wk High/Low: **\$0.51** **\$0.25**  
12m Av Daily Vol (m): **0.04**

### Mineral Inventory (100% basis, CIL only)

	Mt	g/t	Moz
Reserves	0.7	6.2	0.14
Resources	33.9	2.2	2.37

EV / Reserve **\$/oz** **235**  
EV / Resource **14**

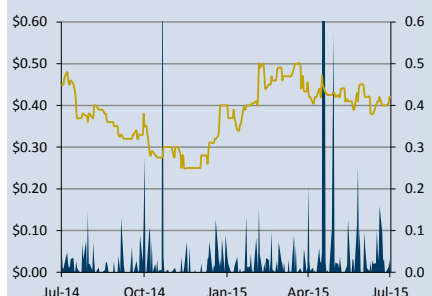
### Directors:

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, 29 July 2015

## Dacian Gold

## Jupiter Ascending

Analysts | Patrick Chang, CFA | Matthew Keane

### Quick Read

Dacian Gold (DCN) updated its Resource (excluding heap leach material) at Jupiter to 1.0Moz @ 1.3g/t (was 698koz @ 1.5g/t), incorporating a re-interpretation of the Doublejay Resource and additional drilling results from Heffernans (see below). Total project inventory (excluding heap leach material) increases to 2.4Moz @ 2.2g/t (see breakdown in Table 1, Page 2). The Mt Morgans project is moving rapidly towards the 3Moz mark, with a Resource update expected at the Westralia deposit. The project has the potential to become a >150koz producer, developed as a standalone or toll-treating operation. Given the sizable inventory and proximity to infrastructure, the asset is also likely to attract corporate attention with further development. DCN is one of Argonaut's preferred gold development stocks given exposure to AUD denominated costs, exploration upside and proven management. Speculative Buy maintained.

### Event & Impact | Positive

**>1Moz:** The Jupiter Resource (CIL only) has exceeded the 1Moz mark, incorporating a re-interpretation of the Doublejay Resource and additional drilling results from Heffernans.

Key contributors include:

- Doublejay (immediately underneath the historic Jupiter open pit) – increased from 73koz @ 2.8g/t (1.5g/t cut-off) to 348koz @ 1.2g/t (0.5g/t cut-off) following a re-interpretation
- Heffernans – increased from 625koz @ 1.4g/t to 656koz @ 1.4g/t incorporating additional drilling data

In addition, Heap Leach Resource (0.3-0.5g/t grade range) increased to 112koz @ 0.4g/t (was 84koz @ 0.4g/t).

**Further upside:** Significant exploration upside exists at Jupiter, with the testing of multiple targets expected during H2 CY15. These targets include the Ganymede Syenite (to the south of Heffernans), where a 12 hole RC program is scheduled to commence this week. In addition, the Company will be testing the intersection of the Cornwall Shear Zone and a large, high intensity magnetic anomaly immediately to the south-east of the historic Jupiter pit.

**Encouraging early metallurgy results:** Initial metallurgical results from ~300kg of samples (representing three rock types) averaged 51% gravity recoveries. A high upfront gravity component lowers leaching requirements and thereby reducing both capex (associated with tanks and the leaching circuit) and opex (less reagent and consumable usage). CIL results are expected in the coming months.

### Recommendation

SPECULATIVE BUY recommendation maintained.

## Jupiter Ascending

The Jupiter Resource has exceeded the 1Moz mark...

### >1Moz

The Jupiter Resource has exceeded the 1Moz mark, incorporating a re-interpretation of the Doublejay Resource and additional drilling results from Heffernans. The Resource was independently estimated by RungePincocKMinarco.

Key contributors include:

- Doublejay (immediately underneath the historic Jupiter open pit) – increased from 73koz @ 2.8g/t (1.5g/t cut-off) to 348koz @ 1.2g/t (0.5g/t cut-off) following a re-interpretation
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...incorporating a re-interpretation of the Doublejay Resource...

In addition, Heap Leach Resource (0.3-0.5g/t grade range) increased to 112koz @ 0.4g/t (was 84koz @ 0.4g/t).

The deposits average an endowment of >4koz per vertical metre from surface to 200m, reinforcing the project's economic potential. Heffernans is expected to contribute bulk of the open pit feed, given the shallow nature (modest stripping ratio).

Table 1: Mt Morgans total inventory

Updated Mt Morgans Resource (Measured, Indicated and Inferred)			
	Mt	grade (g/t)	koz
Westralia	4.6	5.8	853
Jupiter / Heffernans	24.1	1.3	1004
King Street	0.5	2.0	33
Craic	0.2	7.5	46
Transvaal	3.7	2.8	327
Ramornie	0.4	4.0	57
Morgans North	0.5	3.1	45
<b>Sub Total</b>	<b>33.9</b>	<b>2.2</b>	<b>2365</b>
Jupiter Heap Leach	9.0	0.4	112
<b>Project Total</b>	<b>42.9</b>	<b>1.8</b>	<b>2476</b>

Source: DCN

...and additional drilling data from Heffernans

Significant upside exists at Jupiter...

### Exploration upside

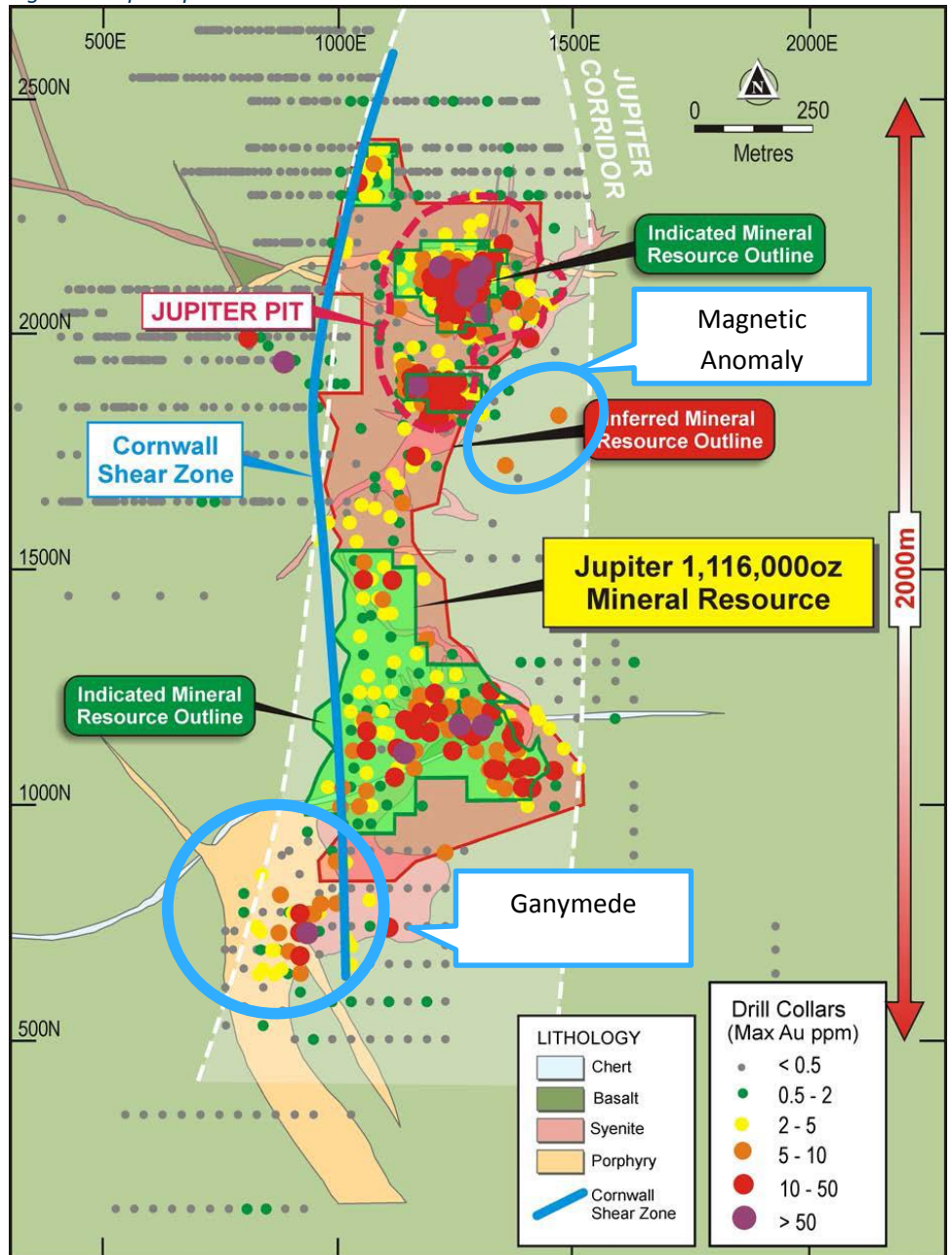
The current inventory is expected to expand further with additional drilling. Significant exploration upside exist at Jupiter, with the testing of multiple targets expected during H2 CY15.

...with multiple targets scheduled to be tested in the next 6 months...

These targets include:

- The Ganymede Syenite (to the South of Heffernans), where a 12 hole RC program is scheduled to commence this week
- The intersection of the Cornwall Shear Zone (CSZ) and a large, high intensity magnetic anomaly immediately to the south-east of the historic Jupiter pit
- The intersection of the CSZ and dykes between Doublejay and Heffernans
- The intersection of the CSZ and syenite at Doublejay
- The potential up-dip extension of the mineralisation from the historic Jupiter pit

Figure 1: Jupiter plan view



Source: DCN, modified by Argonaut

...including the Ganymede Syenite (see Figure 1)...

...a high intensity magnetic anomaly...

...and the intersection of the CSZ and dykes between Doublejay and Heffernans

Initial metallurgical results are indicating ~50% gravity recovery...

### Encouraging early gravity results

Initial metallurgical results from ~300kg of samples (representing three rock types) averaged 51% gravity recoveries. A high upfront gravity component lowers leaching requirements and thereby reducing both capex (associated with tanks and the leaching circuit) and opex (less reagent and consumable usage).

CIL results are expected in the coming months. Given production in the region from other Syenite hosts, Argonaut anticipates a conventional process route (gravity, CIL) and high overall recoveries.

**...and ~58% overall recovery from heap leach**

**Heap leach results**

An average recovery of 58.1% was achieved from initial heap leach tested work (800kg, 26 composite samples). The viability of treating lower grade material using heap leach is subject to further metallurgical results and a feasibility study. However, if viable, an additional heap leach operation will improve project economics by reducing the overall stripping ratio. Historically, ~3.5Mt of material was treated using dump leach at Mt Morgans. The low grade mineralisation being considered for heap leach treatment is almost exclusively hosted in the Heffernans syenite.

**Mt Morgans benefit from well-established infrastructure...**

**Infrastructure advantage**

**Stand-alone and toll-milling optionality**

The project, being located proximal to the mining town of Laverton, benefits from substantial infrastructure including roads, water and mining services companies.

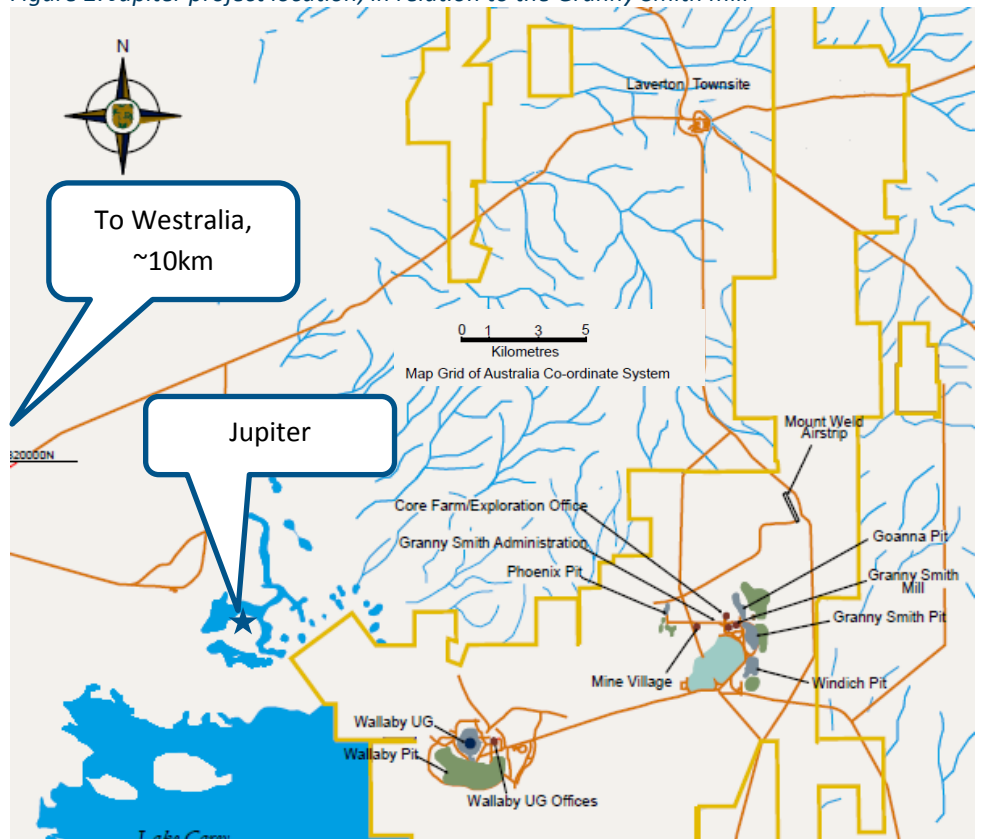
These should assist with reducing capex requirements associated with project infrastructure establishment when the asset is under construction.

**...including roads, water and mining services companies...**

In addition, the nearby Granny Smith processing facility (see Figure 2 below), could provide a low-capex toll-treatment option. The mill is processing high grade material from the Wallaby Mine, and was running at ~41% (in CY14) of its nameplate capacity of 3.6Mtpa.

**...which would reduce capex requirement**

*Figure 2: Jupiter project location, in relation to the Granny Smith mill*



**The nearby Granny Smith processing facility...**

**...could provide a toll-treatment option**

Source: Goldfield, modified by Argonaut

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**Important Disclosure**

DCN – Argonaut currently holds or controls 94,000 DCN shares.

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