

Australian Equity Research

19 January 2016

Tim McCormack | Analyst | Canaccord Genuity (Australia) Ltd. | tim.mccormack@canaccord.com.au | +61.407.195.774
Reg Spencer | Analyst | Canaccord Genuity (Australia) Ltd. | reg.spencer@canaccord.com.au | +61.2.9263.2701

SPECULATIVE BUY

unchanged

PRICE TARGET A\$1.25

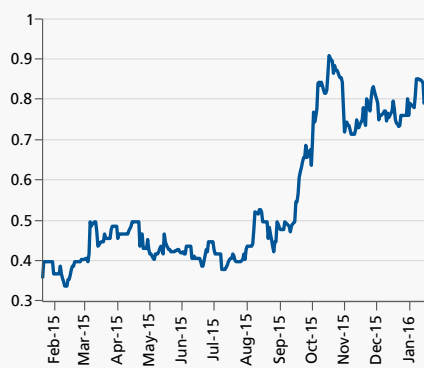
unchanged

Price (19-Jan) A\$0.80

Ticker DCN-ASX

52-Week Range (A\$):	0.24 - 0.94
Avg Daily Vol (M) :	0.2
Market Cap (A\$M):	106
Shares Out. (M) :	132.3
Enterprise Value (A\$M):	82.2
Cash (A\$M):	23.71
Long-Term Debt (A\$):	0.0
NAV /Shr (AUc):	1.25
Major Shareholders:	Brian Rodan - 17.6% Directors - 12%

FYE Jun	2016E	2017E	2018E
Gold Production (000oz)	0	0	93
All in Sustaining Cost (Gold) (US \$/oz)	-	-	819
EBITDA (A\$M)	(2.0)	(5.2)	60.2
Net Income (A\$M)	(0.9)	(4.0)	26.3
Free Cash Flow (A\$M)	(13.3)	(134.2)	(13.4)



Source: FactSet

Company Update

Set for a busy 2016

DCN has outlined its development strategy for 2016, which should see the company arrive at a final investment decision for its Mt Morgans gold project by the end of the year. With a major resource in-fill drilling program in full swing and the appointment of GR Engineering to advance Feasibility works, we expect to see plenty of positive newsflow going forward. We maintain our SPEC BUY recommendation and A\$1.25/sh price target on DCN, emphasising the potential scale and cost profile of its Mt Morgans project as highly attractive relative to its producing peer group.

Highlights

Resource drill out well underway. DCN has planned ~50,000m of diamond drilling at Westralia (underground) and 30,000m of RC drilling at Jupiter (open pit) to be completed in the 1H 2016. Six drill rigs are currently on site and working double shifts to complete the program. We expect to see resource updates for both Westralia and Jupiter in the JunQ'16, which will dovetail into reserve statements and mine optimisation outcomes. In our view, improving confidence levels at Westralia (particularly the Morgans underground) is a key aspect of the project that requires validating. We should see initial drill results from here in the near term and expect the high grade resource to play an important role in underpinning a final project funding decision in late 2016.

DFS to build on impressive Scoping Study outcomes. The 2015 Scoping Study outlined a potential production profile averaging +220koz for the first five years. The proposed 2.5Mtpa processing facility will source ore from seven separate deposits (four open pit and three underground) with AISC's forecast to be comfortably <A\$1,000/oz. While additional savings on the A\$160M capex requirement may be limited, we see good potential for the operating parameters of the project to be improved. Increasingly competitive contract mining rates and the potential exploit the high-grade Morgans underground resource earlier in the mine plan are two key areas that may improve the project economics. Following a recent A\$25M equity raise, the company should be adequately funded through to completion of a DFS in the DecQ'16.

De-risking should increase takeover appeal. The Australian mid-cap gold producers are in a strong position to pursue further M&A; however, assets that support meaningful, low-cost production profiles such as DCN's are relatively scarce. The project screens well on many metrics; in our view, as it becomes progressively de-risked, we expect the takeover appeal to grow.

Valuation

Our A\$1.25/sh price target (unchanged) is based on an NPV10% for the Mt Morgans asset, net of corporate and other adjustments and is diluted for all future assumed equity raised.

FINANCIAL SUMMARY

Dacian Gold Ltd

ASX:DCN

Analyst: Tim McCormack
Date: 19/01/2016
Year End: June

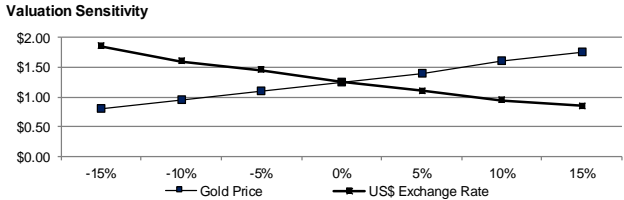
Rating:
Target Price:

SPEC BUY
\$1.25

Market Information		
Share Price	A\$	0.80
Market Capitalisation	A\$m	105.9
12 Month Hi	A\$	0.94
12 Month Lo	A\$	0.24
Average daily turnover (3 month)	m	0.224
Issued Capital	m	132.33
ITM Options	m	4.00
Fully Diluted	m	136.33

Valuation diluted for funding			
		A\$m	A\$/share
Mt Morgans	NPV @ 10%	328.1	1.23
Exploration & Projects		8.0	0.03
Corporate		(28.8)	(0.11)
Forwards (inc spot deferred)		-	-
Cash & Bullion		23.7	0.09
Debt		-	-
Unpaid Capital		-	-
TOTAL NAV		331.0	1.25
Price:NAV			0.64x
NAV at Spot US\$1.089/oz, AUDUSD \$0.69			0.95
Target Price			1.25

Assumptions	2015a	2016e	2017e	2018e
Gold Price (US\$/oz)	1,226	1,148	1,170	1,180
AUD:USD	0.835	0.725	0.716	0.703
Gold Price (A\$/oz)	1,469	1,582	1,633	1,677



Production Metrics	2015a	2016e	2017e	2018e
Mt Morgans				
Gold production (koz)	0	0	0	93.0
AISC (A\$/oz)	0	0	0	1,171

Resources & Reserves				
Mt Morgans - Resources				
	Mt	Grade	Moz	
Westralia	9.2	5.1	1.5	
Jupiter	24.0	1.3	1.0	
Jupiter - Heap Leach	9.0	0.0	0.1	
Transvaal	3.6	2.8	0.3	
Ramomie	0.4	4.0	0.1	
Craic	0.2	7.5	0.0	
King Street	0.5	2.0	0.0	
Total resources	47.1	2.00	3.1	

Mt Morgans - Reserves				
	Mt	Grade	Moz	
Craic	0.0	9.20	0.01	
Transvaal	0.7	6.10	0.13	
Total reserves	0.7	6.20	0.14	

Directors & Management	
Name	Position
Rohan Williams	Executive Chairman
Barry Patterson	Non-Executive Director
Rob Reynolds	NE Director
Dan Baldwin	Exploration Manager
James Howard	Project Manager

Substantial Shareholders		
	Shares (m)	%
Brian Rodan	16.90	17.6%
Vitesse Pty Ltd	5.10	5.3%
Barry Patterson	4.10	4.3%

Source: DCN & Canaccord Genuity estimates

Company Description
Dacian Gold Ltd (DCN:ASX) is a gold mining company developing its 100%-owned Mt Morgans gold project in Western Australia. The project has the potential to be a +180kozpa operation and on the back of a successful feasibility study we expect the production to begin in 2018.

Profit & Loss (A\$m)	2015a	2016e	2017e	2018e
Revenue	0.0	0.0	0.0	158.2
Operating Costs	0.0	0.0	0.0	-81.9
Royalties	0.0	0.0	0.0	-6.0
Corporate & O'heads	-2.0	-2.0	-5.2	-8.4
Exploration (Expensed)	0.0	0.0	0.0	-1.6
EBITDA	-2.0	-2.0	-5.2	60.2
Dep'n	0.0	0.0	0.0	-17.4
EBIT	-2.0	-2.0	-5.2	42.8
Net Interest	0.3	0.8	-0.5	-5.3
Tax	0.5	0.4	1.7	-11.3
NPAT	-1.2	-0.9	-4.0	26.3
Abnormals	0.0	0.0	0.0	0.0
NPAT (reported)	-1.2	-0.9	-4.0	26.3

Cash Flow (A\$m)	2015a	2016e	2017e	2018e
Cash Receipts	0.0	0.0	0.0	158.2
Cash paid to suppliers & emp	-2.3	-2.0	-5.2	-96.4
Tax Paid	0.0	0.0	1.4	-11.3
Net Interest	-0.1	0.8	-0.5	-5.3
Operating Cash Flow	-2.3	-1.3	-4.3	45.2
Exploration and Evaluation	-4.0	-6.0	-6.0	-6.0
Capex	0.0	0.0	-124.0	-52.6
Other	0.0	-6.0	0.0	0.0
Investing Cash Flow	-4.0	-12.0	-130.0	-58.6
Debt Drawdown (repayment)	0.0	0.0	80.0	-8.0
Share capital	0.0	25.0	80.0	0.0
Dividends	0.0	0.0	0.0	0.0
Financing Expenses	0.0	0.0	-5.0	0.0
Financing Cash Flow	0.0	25.0	155.0	-8.0
Opening Cash	10.9	4.6	16.3	37.1
Increase / (Decrease) in cash	-6.3	11.7	20.8	-21.4
FX Impact	0.0	0.0	0.0	0.0
Closing Cash	4.6	16.3	37.1	15.8

Balance Sheet (A\$m)	2015a	2016e	2017e	2018e
Cash + S/Term Deposits	4.6	16.3	37.1	15.8
Other current assets	0.1	6.2	11.6	52.5
Current Assets	4.8	22.5	48.8	68.2
Property, Plant & Equip.	0.5	0.5	124.5	159.7
Exploration & Develop.	12.1	18.2	24.4	29.1
Other Non-current Assets	0.0	0.0	0.0	0.0
Payables	0.0	0.1	0.4	12.7
Short Term debt	0.0	0.0	8.0	22.0
Long Term Debt	0.0	0.0	72.0	50.0
Other Liabilities	0.6	0.3	0.3	29.2
Net Assets	16.8	40.9	117.0	143.2
Shareholders Funds	29.2	54.2	134.2	134.2
Reserves	0.5	0.5	0.5	0.5
Retained Earnings	-12.9	-13.8	-17.8	8.5
Total Equity	16.8	40.9	117.0	143.2

Ratios & Multiples	2015a	2016e	2017e	2018e
EBITDA Margin	nm	nm	nm	38%
EV/EBITDA	nm	nm	nm	4.5x
Op. Cashflow/Share	-\$0.02	-\$0.01	-\$0.02	\$0.17
P/CF	-32.8x	-84.1x	-49.8x	4.7x
EPS	-\$0.01	-\$0.01	-\$0.01	\$0.10
EPS Growth	nm	nm	nm	-764%
PER	-62.8x	-106.3x	-53.8x	8.1x
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	0%	0%	0%	0%
ROE	-7%	-2%	-3%	18%
ROIC	-5%	-3%	-2%	17%
Debt/Equity	0%	0%	62%	35%
Net Interest Cover	-7.7x	nm	-1.0x	7.0x
Book Value/share	\$0.17	\$0.31	\$0.44	\$0.54
Price/Book Value	4.6x	2.6x	1.8x	1.5x

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Target Price / Valuation Methodology:

Dacian Gold Limited - DCN

We base our valuation on a DCF analysis (NPV10%) of the Mt Morgans gold project.

Risks to achieving Target Price / Valuation:

Dacian Gold Limited - DCN

Funding risk

As a pre-production Company with no material income, DCN is reliant on equity and debt markets to fund feasibility studies and development of the Mt Morgans project. We can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further minable reserves.

Operating risks

Once in production, the Company will be subject to risks such as plant/equipment breakdowns, metallurgical (some pyrrhotite at Westralia), seismic activity and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast gold production from original expectations.

Commodity price and currency fluctuations

The Company is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macro-economic forces including inflationary pressures, interest rates and supply and demand of commodities. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 01/19/16)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	591	63.28%	31.81%
Hold	256	27.41%	13.28%
Sell	30	3.21%	3.33%
Speculative Buy	57	6.10%	59.65%
	934*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Genuity Company-Specific Disclosures (as of date of this publication)

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Corporate Finance/Investment Banking services from Dacian Gold Limited in the next six months.

Dacian Gold Limited Rating History as of 01/17/2016



Online Disclosures

Up-to-date disclosures may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx>; or by sending a request to Canaccord Genuity Corp. Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2; or by sending a request by email to disclosures@canaccordgenuity.com. The reader may also obtain a copy of Canaccord Genuity’s policies and procedures regarding the dissemination of research by following the steps outlined above.

General Disclosures

“Canaccord Genuity” is the business name used by certain wholly owned subsidiaries of Canaccord Genuity Group Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 50%-owned by Canaccord Genuity Group Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

The authoring analysts who are responsible for the preparation of this research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the research.

Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the issuer that is the subject of this research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity’s policy on

managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity's judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

For Canadian Residents:

This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canaccord Genuity Corp. is registered and regulated by the Investment Industry Regulatory Organization of Canada (IIROC) and is a Member of the Canadian Investor Protection Fund. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

For United States Persons:

Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analysts employed outside the US, as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

For United Kingdom and European Residents:

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

For Jersey, Guernsey and Isle of Man Residents:

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.

CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Genuity Group Inc.

For Australian Residents:

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial

products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited. Canaccord Genuity Wealth Management is a division of Canaccord Genuity (Australia) Limited.

For Singapore Residents:

This research is distributed pursuant to 32C of the Financial Advisers under an arrangement between each of the Canaccord Genuity entities that publish research and Canaccord Genuity Singapore Pte. Ltd who is an exempt financial adviser under section 23(1)(d) of the Financial Advisers Act. This research is only intended for persons who fall within the definition of accredited investor, expert investor or institutional investor as defined under section 4A of the Securities and Futures Act. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity Singapore Pte. Ltd. (Contact Tel: +65 6854 6150) in respect of any matters arising from, or in connection with, the research.

For Hong Kong Residents:

This research is distributed in Hong Kong by Canaccord Genuity (Hong Kong) Limited which is licensed by the Securities and Futures Commission. This research is only intended for persons who fall within the definition of professional investor as defined in the Securities and Futures Ordinance. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity (Hong Kong) Limited. (Contact Tel: +852 3919 2561) in respect of any matters arising from, or in connection with, this research.

Additional information is available on request.

Copyright © Canaccord Genuity Corp. 2016. – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited. – Member LSE, authorized and regulated by the Financial Conduct Authority.

Copyright © Canaccord Genuity Inc. . – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited. – Participant of ASX Group, Chi-x Australia and of the NSX. Authorized and regulated by ASIC.

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, Canaccord Genuity Inc or Canaccord Genuity Group Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.