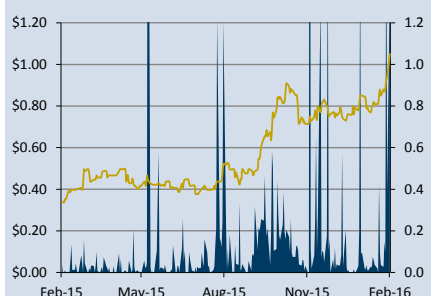


SPEC BUY

Current Price **\$1.05**
Target Price **\$1.25**

Ticker:	DCN		
Sector:	Materials		
Shares on Issue (m)*:	132.4		
Market Cap (\$m):	139.0		
Cash Estimate*:	24.4		
Enterprise Value (\$m):	114.6		
*post raising			
52 wk High/Low:	\$1.06	\$0.34	
12m Av Daily Vol (m):	0.14		
Mineral Inventory (100% basis, CIL only)			
	Mt	g/t	Moz
Reserves	-	-	-
Resources	41.7	2.2	3.0
			\$/oz
EV / Reserve	-		
EV / Resource	38		
Directors:			
Rohan Williams	Executive Chairman		
Barry Patterson	Non-Executive Director		
Robert Reynolds	Non-Executive Director		
Substantial Shareholders:			
Redland Plains	10.7%		
Directors	11.8%		

Share Price Graph



Monday, 8 February 2016

Dacian Gold

Jupiter exploration results

Analysts | Patrick Chang, CFA | Matthew Keane

Quick Read

Dacian Gold (DCN) released additional drilling results from its ongoing program at Mt Morgans. The headline results (see below) were amongst the best seen to date and demonstrate the under-explored nature of the Jupiter deposits. These results are likely to contribute positively in the upcoming Resource update, expected June Q CY16. DCN remains one of Argonaut's preferred emerging gold producers given AUD denominated costs, exploration upside and proven management. Given scalable inventory, proximity to infrastructure and high margins, DCN will also attract corporate attention. The Company is catalyst rich and well-funded with A\$24m cash and nine rigs drilling. SPEC BUY maintained with A\$1.25 target price (was A\$1.10).

Event & Impact | Positive

Further results from Jupiter: The current drilling program aims to improve the Resource confidence and test potential extensions to mineralisation. Better results include (downhole widths):

- 67m @ 5.0g/t from 145m (true width ~35m, partly underneath the proposed Jupiter pit)
- 3m @ 106.9g/t from 72m (in-fill within the proposed Heffernans pit)
- 50m @ 1.5g/t from 98m (between the Heffernans and Doublejay Resources)

Resource upside: The higher grade hits within the existing pit designs will likely improve the block models in proximity and the extensional results will likely add further incremental ounces. These results will contribute to a Resource update on Jupiter, due June Q CY16. Delineation of sufficient mineralisation between the proposed pits could support a single larger pit measuring ~1.8km in strike, potentially enhancing the project's scale and mine life.

Corporate appeal: Argonaut's recent analysis demonstrates Goldfields (GFI:SJ) could make an accretive acquisition for DCN, paying up to A\$1.60. GFI owns the Granny Smith processing facility and the high grade Wallaby underground mine. Given the proximity of the operations to DCN's Mt Morgans Project (~15km from Jupiter), the spare capacity at Granny Smith (~2Mtpa) and GFI's desire to secure future ore sources, a potential business combination with DCN could be value accretive for GFI. Given the buoyant sentiment towards Australian domiciled gold producers, DCN's corporate appeal has also arguably increased.

Recommendation

SPEC BUY maintained. Argonaut increases its target price to A\$1.25 (was A\$1.10) incorporating an additional A\$20m on exploration upside and a ~6% reduction in ultimate capital structure following recent share price improvement.

Jupiter results

DCN released additional results...

DCN delivered additional results from its ongoing drilling program at Jupiter. The program aims to 1) improve the Resource confidence, 2) firm up Resource boundaries and 3) test potential extensions to mineralisation.

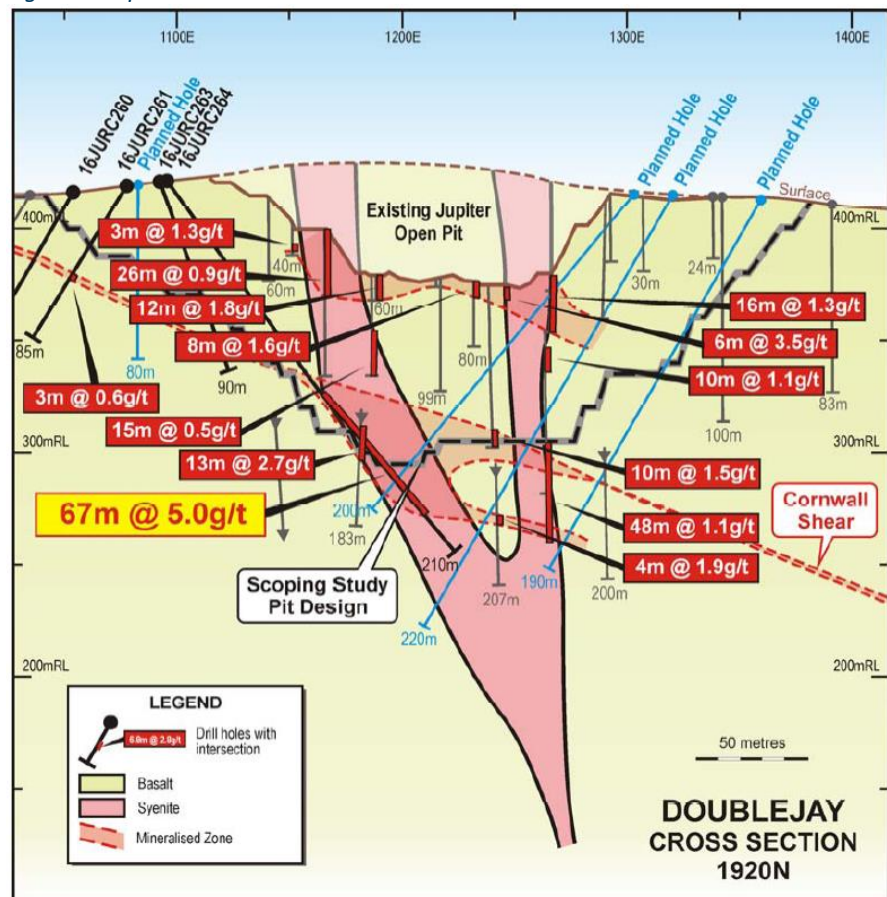
Better results include (downhole widths):

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Importantly, these results highlight that, despite historical production, the Jupiter deposits remain under-explored and further discoveries and extensions are possible.

...highlighting potential to improve the existing Resource...

Figure 1: Jupiter cross section



Source: DCN

...and additional upside outside the existing pit designs

Incremental resource upside likely

Given these results, there is potential for incremental increases

The higher grade hits within the existing pit designs will likely improve the block models in proximity and the extensional results will likely add further ounces. These results will contribute to a Resource update on Jupiter, due June Q CY16. Delineation of sufficient mineralisation between the proposed pits could support a single larger pit measuring ~1.8km in strike, potentially enhancing the project's scale and mine life.

The Feasibility Study is progressing rapidly...

...with nine rigs drilling...

...GR Engineering appointed to progress the study

The regional upside is expected to be tested in CY16

FS full speed ahead, catalyst rich

Feasibility Study

The Mt Morgans Project is rapidly progressing towards the delivery of a DFS, due end of CY16. Nine drill rigs (seven on double shift, two on single shift) are drilling to support the ongoing feasibility work. Project development could commence in early CY17.

Following a recent A\$25m capital raising, DCN has appointed GR Engineering (GNG) to advance its Feasibility Study, and Grant Dyker (ex-Avoca, Doray, Sirius) as its CFO.

Upcoming catalyst

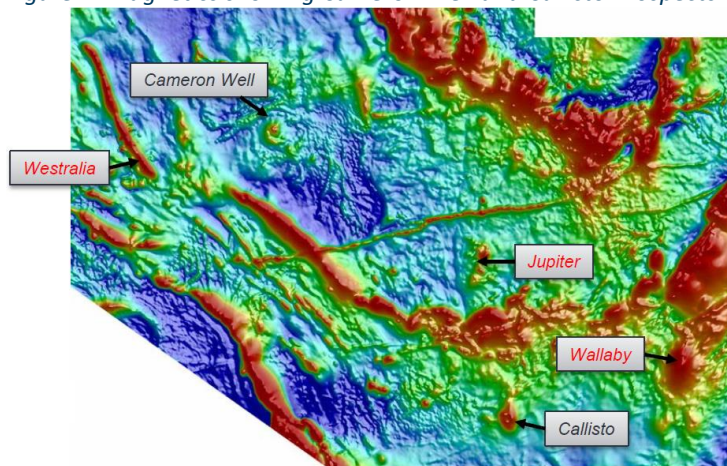
The stock is well-funded with A\$24m cash at 31st December. Newsflow expected includes:

- Drilling results from Jupiter (March Q)
- Drilling results from Westralia (March Q, June Q)
- Resource update at Jupiter (June Q)
- Resource update at Westralia (June Q)
- Completion of key metallurgical test programs (June Q)
- Ongoing study including geotechnical, hydrology, scheduling and designs (ongoing)

Regional upside

In addition, Argonaut anticipates the Company to systematically test its regional targets in CY16. DCN has a number of circular, magnetic anomalies that remain inadequately tested across its tenement packages. Such features could represent mineralised syenite intrusions, as observed in the nearby multi-million ounce Wallaby deposit. These targets include Cameron Well, which is a known syenite intrusion and Callisto (to the south of Jupiter, drilling expected H1 CY16).

Figure 2: Magnetics showing Cameron Well and Callisto Prospects



Source: DCN

In addition, the Company will be testing additional BIF targets including Maxwells and Rainbow Bore.

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Important Disclosure

Argonaut currently holds or controls 115,634 DCN shares. Argonaut acted as Joint Lead Manager to the Placement to raise \$25M in November 2015 and received fees commensurate with this service.

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