

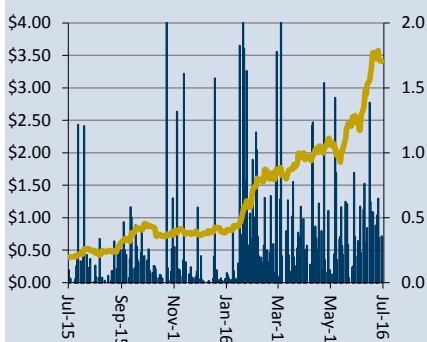
BUY

Current Price **\$3.42**
Target Price **\$3.60**

Ticker:	DCN		
Sector:	Materials		
Shares on Issue (m):	132.7		
Market Cap (\$m):	375.4		
Net Cash est (\$m):	9.6		
Enterprise Value (\$m):	365.8		
52 wk High/Low:	\$3.65	\$0.39	
12m Av Daily Vol (m):	0.31		
Key Metrics			
	15A	16F	17F
P/E (x)	-47.0	-23.4	-54.4
EV/EBITDA (x)	-44.8	-20.8	-45.7
Financials:			
Revenue (A\$m)	0.3	0.0	0.0
EBIT (A\$m)	-8.4	-17.6	-8.0
NPAT (A\$m)	-8.0	-16.0	-6.9
Net Assets (A\$m)	10.2	17.6	147.5
Op CF (A\$m)	-0.7	-2.2	-7.1
Per Share Data:			
EPS (cps)	-6.0	-12.1	-5.2
DPS (cps)	N/A	N/A	N/A
Div Yield	N/A	N/A	N/A
CFPS (cps)	-0.5	-1.7	-5.3

In A\$ unless otherwise stated

Share Price Graph



Tuesday, 19 July 2016

Dacian Gold

Jupiter Resource update

Analysts | Matthew Keane | James Wilson

Quick Read

Dacian Gold (DCN) released an updated Resource for the Jupiter Prospect, part of the Mt Morgans Gold Project. The total Resource increased by 207koz or 19% to 1.4Moz at 1.3g/t. Importantly, the Measured and Indicated Resource categories increased 69% to 1.1Moz. This represents the first of three Resource reports expected in July, with updates on the Westralia and Morgans underground deposits to follow shortly. Regional exploration is ongoing with drilling of the +8Moz Wallaby lookalike Callisto prospect to commence in the coming weeks. Argonaut maintains a BUY recommendation with a revised target price of \$3.60 (previously \$3.25).

Event & Impact | Positive

Jupiter Resource upgrade: DCN released a Resource update for the Jupiter prospect with 34Mt @ 1.3g/t for 1.4Moz contained gold (previously 24Mt @ 1.3g/t for 1.0Moz). The Measured and Indicated proportion of the Resource increased by 69% to 1.1koz. A maiden Reserve on the prospect is due for release later in the September Q. The total Mt Morgans Resource now stands at 3.2Moz @ 2.2g/t.

Callisto drilling: A special purpose drill rig is on route to drill the Callisto deposit on Lake Carey (salt lake). The initial program includes two scissor holes targeting a magnetic anomaly modelled between 250-800m below surface. This geophysical target is analogous to the syenite hosted +8Moz Wallaby deposit located ~8km northeast. If this drilling provides proof of concept (i.e. by intercepting mineralised syenite), we believe it will result in significant share price accretion. Collaring should commence next week, however due to the anticipated depth and rock hardness, target depth is unlikely to be reached before early August.

Strong newsflow to continue: DCN will continue high impact newsflow through H2 2016 with Resource updates on the Morgans and Westralia underground mines due later this month, in conjunction with first assay results the 600-hole regional reconnaissance drilling program. Environmental approvals, metallurgical test-work, mine design and water studies are ongoing for inclusion in the Feasibility Study, due late 2016.

Recommendation

Argonaut has revised its valuation of DCN from \$3.25 to \$3.60. Our revision assumes higher production in the first two years of the mine life, increasing from 240kozpa to ~255kozpa. We now model a greater contribution of higher grade underground ore from both the Morgans and Westralia mines in the early years of the project life. We have also attributed higher value to regional exploration, reflecting the high prospectively within the Mt Morgans project area.

Dacian Gold Ltd

Equities Research

Analyst: Matthew Keane

Recommendation	BUY
Current Price	\$3.42
Valuation	\$3.60

Sector	Metals & Mining
Issued Capital (m)	133.3
Market Cap (m)	\$455.9
Date	19-July-2016

Profit & Loss (A\$m) 31 December	2015A	2016F	2017E	2018E
Sales revenue	0.3	0.0	0.0	243.8
+Other income	0.0	0.0	0.0	0.0
-Operating costs	0.6	0.0	0.0	91.9
-Exploration and evaluation	7.2	14.5	4.0	4.0
-Corporate	0.2	2.5	4.0	5.0
-Other expenses	0.4	0.6	0.0	0.0
EBITDA	-8.2	-17.6	-8.0	142.9
-D&A	0.2	0.0	0.0	19.7
EBIT	-8.4	-17.6	-8.0	123.2
+ Interest Revenue	0.1	0.3	-3.1	-6.4
-Impairments	0.0	0.0	0.0	0.0
-Finance costs	0.0	-1.3	-4.2	0.0
Operating profit	-8.3	-16.0	-6.9	116.8
-Tax expense	-0.3	0.0	0.0	31.9
+Other	0.0	0.0	0.0	0.0
NPAT	-8.0	-16.0	-6.9	84.8
NPAT Adjusted	-8.0	-16.0	-6.9	84.8

Cash Flow (A\$m) 31 December	2015A	2016F	2017E	2018E
Operating Cashflow	-0.7	-2.2	-7.1	108.5
- Capitalised Items (excl. exploration)	0.1	2.5	120.0	80.3
- Exploration & Evaluation	5.5	14.5	4.0	4.0
+ Other	0.0	0.5	0.0	0.0
Free Cashflow	-6.3	-18.7	-131.0	24.2
+ Debt Drawdown (Repaid)	0.0	0.0	110.0	-20.0
+ Equity Raised	0.0	25.0	70.0	0.0
- Finance Costs	0.0	1.3	4.2	0.0
Net Change in Cash	-6.3	5.0	44.8	4.2
Cash at End Period	4.6	9.6	54.4	58.6

Balance Sheet (A\$m) 31 December	2015A	2016F	2017E	2018E
Cash and Cash Equivalents	4.6	9.6	54.4	58.6
Total assets	13.6	22.2	262.2	383.4
Current Debt	0.0	0.0	0.0	0.0
Non Current Debt	0.0	0.0	110.0	90.0
Total liabilities	3.4	4.7	114.7	94.7
Shareholders funds	10.2	17.6	147.5	288.8

Production and Assumptions	2015A	2016F	2017E	2018E
Assumptions				
Gold Price (US\$/oz)	1,178	1,167	1,350	1,338
AUD/USD FX	0.78	0.73	0.70	0.70

Mt Morgans Production	2015A	2016F	2017E	2018E
Gold Ounces (koz)	0.0	0.0	0.0	128.8
Costs				
C1 Costs (A\$/oz)	0	0	0	657
All-in Sustaining Cost (A\$/oz)	0	0	0	838

Mt Morgans Reserves & Resources (Attributable)	Mt	Au g/t	Au (koz)
Resources			
Mt Morgans	41.7	2.2	3,008
Reserves			
Mt Morgans	0.03	9.2	8

Financial Summary	2015A	2016F	2017E	2018E
Reported earnings				
Net profit (A\$m)	(8.0)	(16.0)	(6.9)	84.8
EPS (A\$cps)	(6.0)	(12.0)	(5.2)	63.6
PER (x)	(57.1)	(28.5)	(66.1)	5.4
Normalised earnings				
Net profit (A\$m)	(8.0)	(16.0)	(6.9)	84.8
EPS (A\$cps)	(6.0)	(12.0)	(5.2)	63.6
EPS growth (%)	N/A	100.5	(56.9)	N/A
PER (x)	(16.7)	(8.3)	(19.3)	1.6
Cashflow				
Operating cashflow (\$m)	(0.7)	(2.2)	(7.1)	108.5
GCFPS (A\$cps)	(0.5)	(1.7)	(5.3)	81.4
PCF (x)	(692.0)	(202.9)	(64.6)	4.2
Dividend				
Dividend (A\$cps)	N/A	N/A	N/A	N/A
Yield (%)	N/A	N/A	N/A	N/A

Financial Ratios	2015A	2016F	2017E	2018E
Balance Sheet Ratios				
Total Debt / Equity (%)	0	0	75	31
Interest cover (x)	N/A	13.5	1.9	0
Acid test ratio (x)	3.5	3.6	19.8	21.3
Profitability Ratios				
Net profit margin (%)	N/A	-	-	34.8
Return on assets (%)	-93.3	-139.4	-3.9	37.9
Return on equity (%)	-78.0	-91.2	-4.7	29.4

Valuation Summary (10% Discount Rate)	A\$m	A\$/sh
Mt Morgans	489	3.03
Unmined Resources	46	0.28
Corporate Valuation	-39	-0.24
Forward Sales	0	0.00
Exploration Upside	75	0.46
Cash est.	10	0.06
Debt est.	0	0.00
NAV	535	3.60

Directors	
Rohan Williams	Executive Chairman
Barry Patterson	Non-Executive Director
Robert Reynolds	Non-Executive Director
Ian Cochrane	Non-Executive Director

Substantial Shareholders	%
Bank of Nova Scotia	8.1%
CBA and related parties	6.1%

Maiden Resource for Jupiter

Jupiter resource increases by 207koz to 1.4Moz @ 1.3g/t...

DCN released a Resource update for the Jupiter prospect, part of the Mt Morgans Gold Project with 34Mt @ 1.3g/t for 1.4Moz contained gold, an increase of 19% or 207koz. (previously 24Mt @ 1.3g/t for 1.0Moz). The Measured and Indicated proportion of the Resource increased by 69% to 1.1koz.

...with 82% in the Measured and Indicated categories

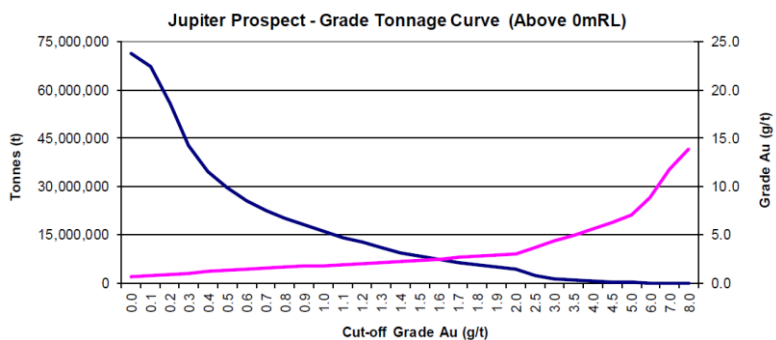
Table 1: Updated Jupiter Resource

Ore Type	Measured			Indicated			Inferred			Total		
	Tonnes (Mt)	Grade (g/t)	Cont. Gold (Moz)	Tonnes (Mt)	Grade (g/t)	Cont. Gold (Moz)	Tonnes (Mt)	Grade (g/t)	Cont. Gold (Moz)	Tonnes (Mt)	Grade (g/t)	Cont. Gold (Moz)
Oxide												
Transitional	0.04	1.2	0.0	1.0	1.4	0.04	0.1	1.9	0.01	1.1	1.4	0.05
Fresh	1.0	1.7	0.1	18.8	1.4	0.85	6.1	1.1	0.22	25.9	1.4	1.12
Stockpiles	3.5	0.5	0.1			0.00			0.00	3.5	0.5	0.06
Total	4.5	0.8	0.1	22.9	1.4	1.0	6.3	1.2	0.2	33.7	1.3	1.4

Source: DCN

Modelling of the Jupiter Resource highlights a flat grade/tonnage curve with low tonnage variation over a wide cut-off grade range. This should provide good flexibility to vary the pit shell design over a range of gold price assumptions whilst maintaining a significant mining inventory.

Figure 1: Grade/tonnage curve for Jupiter. The blue line represents tonnage on the left hand side axis and the pink line represents grade on the right hand side axis.



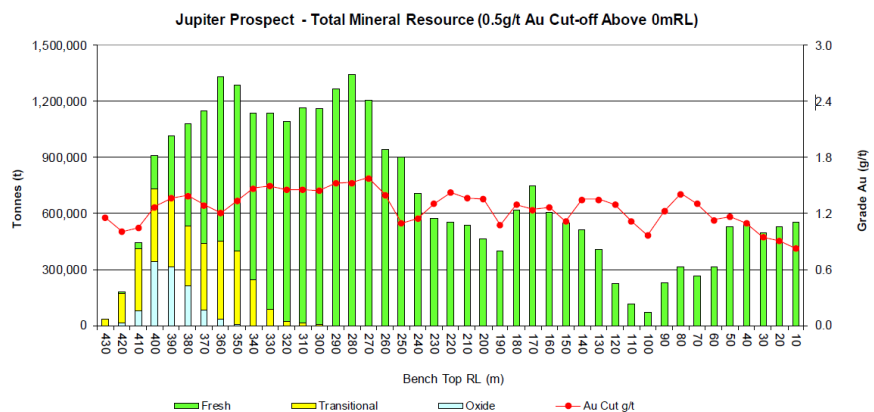
Source: DCN

The deposit has a flat grade tonnage curve...

...making it amenable to a range of grade cut-offs...

Importantly, the majority of Jupiter’s ounces are contained in the top 150m from surface. The top 150m contains >5,000 ounces per vertical metre, with an average ~51koz endowment for each 10m bench through this zone.

Figure 2: Jupiter Resource by bench from the 430RL



Source: DCN

...with the majority of ounces in the top 150m from surface

RESEARCH:

Ian Christie | Director, Industrial Research
+61 8 9224 6872 ichristie@argonaut.com

Matthew Keane | Analyst, Metals & Mining Research
+61 8 9224 6869 mkeane@argonaut.com

Helen Lau | Analyst, Metals & Mining Research
+852 3557 4804 hlau@argonaut.com

INSTITUTIONAL SALES - PERTH:

Chris Wippl | Executive Director, Head of Sales & Research
+61 8 9224 6875 cwippl@argonaut.com

John Santul | Consultant, Sales & Research
+61 8 9224 6859 jsantul@argonaut.com

Damian Rooney | Senior Institutional Dealer
+61 8 9224 6862 drooney@argonaut.com

Ben Willoughby | Institutional Dealer
+61 8 9224 6876 bwiloughby@argonaut.com

INSTITUTIONAL SALES – HONG KONG:

Travis Smithson | Managing Director - Asia
+852 9832 0852 tsmithson@argonaut.com

CORPORATE AND PRIVATE CLIENT SALES:

Glen Colgan | Executive Director, Desk Manager
+61 8 9224 6874 gcolgan@argonaut.com

Kevin Johnson | Executive Director, Corporate Stockbroking
+61 8 9224 6880 kjohnson@argonaut.com

James McGlew | Executive Director, Corporate Stockbroking
+61 8 9224 6866 jmcglew@argonaut.com

Ian Dorrington | Director, Corporate Stockbroking
+61 8 9224 6865 IDorrington@argonaut.com

Geoff Barnesby-Johnson | Senior Dealer, Corporate Stockbroking
+61 8 9224 6854 bj@argonaut.com

Rob Healy | Dealer, Private Clients
+61 8 9224 6873, rhealy@argonaut.com

Tony Locantro | Dealer, Private Clients
+61 8 9224 6851, tlocantro@argonaut.com

Cameron Prunster | Dealer, Private Clients
+61 8 9224 6853 cprunster@argonaut.com

James Massey | Dealer, Private Clients
+61 8 9224 6849 jmassey@argonaut.com

Chris Hill | Dealer, Private Clients
+61 8 9224 6830, chill@argonaut.com

Important disclosure

Argonaut acted as Joint Lead Manager to the Placement to raise \$25M in November 2015 and received fees commensurate with this service.

Argonaut currently holds or controls 115,634 DCN shares.

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