

Quick Comment

Dacian Gold Ltd (DCN \$3.42) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	19 th July 2016	\$5.00/sh

Revised Resources for Jupiter

Key points

- DCN has released an upgraded Resource statement for Jupiter:
 - 33.7MT @ 1.3g/t for 1.35moz vs 26.6MT @ 1.3g/t for 1.08moz as at Sept 2015;
 - Total Measured (112koz @ 0.8g/t) & Indicated (1moz @ 1.4g/t) of 1.12moz inc. 69% from 605koz Indicated @ 1.4g/t;
 - Total M&I represents now 83% of total inventories;
- Notably, circa 60% of the resource (816koz) sits in the top 150m from surface grading 1.1-1.4g/t with grade relatively consistent;
- And 1.1moz sits in the top 270m;
- We will look to modify our mining schedule once all inventory updates are in hand, with today's release alluding to an extension to open pit mine life vs the Scoping Study;
- We await in the short term;
 - A maiden ore reserve for Jupiter due in August;
 - Upgraded resources for Westralia Underground in July;
 - Upgraded resources for Morgans Underground in July;
 - Resources for the Morgans North open pit in July;
 - Assay results from A/C-RAB and RC drilling at Jupiter Regional, Morgans North, Westralia Footwall and Europa from late July-early August;
- Drilling of exploration targets such as Callisto from this Q should also capture market attention;
- Catalyst rich over medium term, complemented by proven Management and a market with a thirst for Australian domestic gold companies, we view that DCN will continue to outperform;
- We set a \$5.00/sh Price Target reflective of imminent newsflow that should significantly enhance implied project economics and the metrics that DCN's peer group suggest are in the offing as the Mt Morgans project gets into production.

Investment Thesis

DCN continues to be our preferred emerging gold producer. The recently completed 90,000m drill program points to significant resource growth and economies of scale if a single large open pit is justified. The potential for higher production in the early years as Morgans U/G is brought forward should improve the scoping study economics. The exploration upside is substantial with newly identified prospective syenite corridors. Looking at the peer group, CF and Earnings Multiples applied our project earnings would justify DCN trading at twice the current share price. Accounting for this and reduced assumed dilution, we have recently increased our valuation to \$3.50/sh and set a higher \$5.00/sh Price Target reflective of imminent news-flow that should significantly enhance implied project economics.

Dacian Gold Ltd (DCN)

Share Price	3.42	A\$/sh	Enterprise Value	441	A\$/m
Price Target	5.00	A\$/sh	Debt	0	A\$/m
Valuation	3.47	A\$/sh	Cash est.	9.6	A\$/m
Shares on issue	132	m(dil)	Largest Shareholder		
Market Capitalisation	451	A\$m	1832 Asset Mgmt	8.1	%

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Quick Comment

Dacian Gold Ltd (DCN \$3.40) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	18 th July 2016	\$5.00/sh

Jun Q'ly Results

Key points

- The Jun Q saw the completion of the 90,000m infill programmes at the Jupiter and Westralia Underground projects which will result in:
 - Upgraded resources for Westralia Underground in July;
 - Upgraded resources for Morgans Underground in July;
 - Resources for the Morgans North open pit in July;
 - Upgraded resources for the Jupiter Project in July;
 - Assay results from A/C-RAB and RC drilling at Jupiter Regional, Morgans North, Westralia Footwall and Europa from late July-early August;
 - A maiden ore reserve for Jupiter due in August;
- We see these as key catalysts in that they should fill out and extend the production profile, enhancing project economics;
- The Feasibility Study remains on track to be completed by end of CY'16. Whilst often the transition from scoping study to FS leads to lowering of NPV as optimistic assumptions used in the scoping are truth tested, we believe the reverse could be the case for DCN;
- The scoping study revealed peak production in Yrs 3 and 4 of ~280koz as the inferred Morgan U/G inventory was required to be back ended due to ASIC requirements. The FS will look at the optimal schedule and may well result in production of +250koz in the early years;
- Further, at Westralia recent results suggest there is potential to combine multiple intersections into larger, high grade mineralised intervals, noting observation of several subparallel intervals. This augers well for the potential for larger scale mining methods as part of the Westralia underground development strategy;
- Feasibility work is ongoing with core to be analysed for detailed metallurgical testwork and geotechnical analysis for mine planning;
- Environmental impact assessments are on-going with regulatory approvals in draft awaiting submission;
- Drilling of exploration targets such as Callisto from this Q should also capture market attention;
- Catalyst rich over medium term, complemented by proven Management and a market with a thirst for Australian domestic gold companies, we view that DCN will continue to outperform;
- Financing should occur late this CY. \$9.6m cash at Jun 30 is sufficient to see the current planned works through over the remainder of the H;
- We have recently reduced our assumed dilution to fund development (on account of the current share price): Our valuation increases to \$3.47/sh;
- We set a \$5.00/sh Price Target reflective of imminent newsflow that should significantly enhance implied project economics and the metrics that DCN's peer group suggest are in the offing as the Mt Morgans project gets into production.

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Dacian Gold Ltd (DCN)

Share Price	3.40	A\$/sh	Enterprise Value	440	A\$/m
Price Target	5.00	A\$/sh	Debt	0	A\$/m
Valuation	3.47	A\$/sh	Cash est.	9.6	A\$/m
Shares on issue	132	m(dil)	Largest Shareholder		
Market Capitalisation	449	A\$m	1832 Asset Mgmt	8.1	%

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