

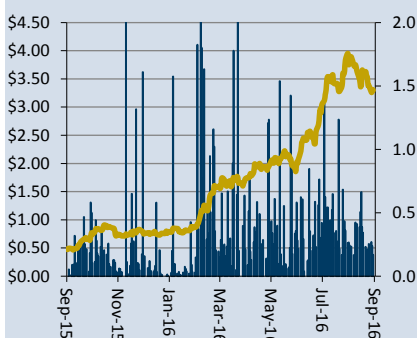
BUY

Current Price **\$3.38**
Target Price **\$4.00**

Ticker:	DCN		
Sector:	Materials		
Shares on Issue (m):	133.6		
Market Cap (\$m):	451.6		
Net Cash est (\$m):	6.5		
Enterprise Value (\$m):	445.1		
52 wk High/Low:	\$4.00	\$0.47	
12m Av Daily Vol (m):	0.33		
Key Metrics			
	15A	16F	17F
P/E (x)	-56.5	-28.2	-72.8
EV/EBITDA (x)	-54.5	-25.3	-55.6
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	-6.2
Net Assets (A\$m)	10.2	17.6	147.5
Op CF (A\$m)	-0.7	-2.2	-7.0
Per Share Data:			
EPS (cps)	-6.0	-12.0	-4.6
DPS (cps)	N/A	N/A	N/A
Div Yield	N/A	N/A	N/A
CFPS (cps)	-0.5	-1.7	-5.2

In A\$ unless otherwise stated

Share Price Graph



Thursday, 1 September 2016

Dacian Gold

Vectoring in on Cameron Well

Analysts | Matthew Keane | James Wilson

Quick Read

Dacian Gold (DCN) released results from recent reconnaissance drilling at the Cameron Well prospect, part of the Mt Morgans Gold Project (MMGP). The program has extended the anomalous gold area from 2km x 1km to 2.5km x 2km, and it remains open to the north and northeast. This growing anomaly highlights the strong prospectivity for satellite deposits in the Mt Morgans region. Exploration drilling is also ongoing at regional targets near the Jupiter deposit and Callisto prospect. Argonaut understands the first of two holes at Callisto has been completed and the second hole is underway. DCN is due to release the Definitive Feasibility Study (DFS) on the MMGP in the December Q 2016.

Event & Impact | Positive

Big anomaly at Cameron Well: The gold in regolith anomaly at the Cameron Well prospect has grown from 2km x 1km to 2.5km x 2km as a result of a recent 133 hole RAB drill program. This anomaly remains open to the north and northeast. Better intercepts include 2 x 4m @ 1.5g/t from 52m and 44m and 4m @ 1.3g/t from 64m. Historical drilling returned intercepts such as 7m @ 15g/t and highlighted the presence of low angle structures within a syenite host rock, the same mineralisation controls as the 1.4Moz Jupiter deposit. DCN will follow up this program with wide spaced drilling to test the northern extents of the anomaly and infill drilling to vector in on targets for RC and/or diamond holes. Cameron Well is 6km east of Westralia and 10km northwest of Jupiter.

Callisto drilling ongoing: Argonaut understands the first of two scissor holes into the Callisto prospect has been completed and the second is underway. These holes are testing a "donut shaped" magnetic anomaly, analogous to the nearby 8.5Moz Wallaby deposit. While Argonaut attributes \$75m to the exploration potential of the greater MMGP, Callisto comprises a relatively small proportion of this sum due to the highly speculative nature of the target. We believe the risk return from a positive drill result far outweighs that of a negative outcome. Besides the presence of gold mineralisation, the Company will be looking for evidence of a Syenite intrusion with cross cutting structures/fluid paths.

DFS on track: The MMGP DFS is on track for completion in the December Q. Key tasks include metallurgical studies and mine scheduling. Argonaut has previously highlighted the opportunity for DCN to bring forward higher grade ore from the Beresford and Allanson underground mines to boost early production to 240k-255koz pa, compared to the Scoping Study estimate of 200-207kozpa. This will greatly improve the project NPV and expedite capital payback.

Recommendation

Argonaut maintains a BUY recommendation with a \$4.00 target price. We believe the recent pull back in the gold sector, which has seen DCN retreat from highs of \$3.99, provides an opportunity to accumulate this quality developer. We believe the stock will be well received by the North American market when management head north for the Precious Metals Summit in Beaver Creek later this month.

Dacian Gold Ltd
Equities Research
Analyst: Matthew Keane

Recommendation BUY
Current Price \$3.38
Valuation \$4.00

Sector Metals & Mining
Issued Capital (m) 133.6
Market Cap (m) \$451.6
Date 01-September-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	86.1
-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	148.8
-D&A	0.2	0.0	0.0	19.3
EBIT	-8.4	-17.6	-8.0	129.4
+ Interest Revenue	0.1	0.3	-3.0	-6.2
-Impairments	0.0	0.0	0.0	0.0
-Finance costs	0.0	-1.3	-4.8	0.0
Operating profit	-8.3	-16.0	-6.2	123.2
-Tax expense	-0.3	0.0	0.0	33.8
+Other	0.0	0.0	0.0	0.0
NPAT	-8.0	-16.0	-6.2	89.4
NPAT Adjusted	-8.0	-16.0	-6.2	89.4

Cash Flow (A\$m) 31 December	2015A	2016F	2017E	2018E
Operating Cashflow	-0.7	-2.2	-7.0	112.7
- 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	-130.9	28.4
+ Debt Drawdown (Repaid)	0.0	0.0	110.0	-20.0
+ Equity Raised	0.0	25.0	80.2	0.0
- Finance Costs	0.0	1.3	4.8	0.0
Net Change in Cash	-6.3	5.0	54.5	8.4
Cash at End Period	4.6	9.6	64.1	72.5

Balance Sheet (A\$m) 31 December	2015A	2016F	2017E	2018E
Cash and Cash Equivalents	4.6	9.6	64.1	72.5
Total assets	13.6	22.2	262.2	384.2
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	289.5

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	611
All-in Sustaining Cost (A\$/oz)	0	0	0	792

Mt Morgans Reserves & Resources (Attributable)	Mt	Au g/t	Au (koz)
Resources			
Mt Morgans	44.7	2.3	3,300
Reserves			
Mt Morgans	0.03	9.2	8

Financial Summary	2015A	2016F	2017E	2018E
Reported earnings				
Net profit (A\$m)	(8.0)	(16.0)	(6.2)	89.4
EPS (A\$cps)	(6.0)	(12.0)	(4.6)	66.9
PER (x)	(56.5)	(28.2)	(72.8)	5.1
Normalised earnings				
Net profit (A\$m)	(8.0)	(16.0)	(6.2)	89.4
EPS (A\$cps)	(6.0)	(12.0)	(4.6)	66.9
EPS growth (%)	N/A	100.5	(61.3)	N/A
PER (x)	(16.7)	(8.3)	(21.5)	1.5
Cashflow				
Operating cashflow (\$m)	(0.7)	(2.2)	(7.0)	112.7
GCFPS (A\$cps)	(0.5)	(1.7)	(5.2)	84.4
PCF (x)	(685.5)	(200.9)	(64.9)	4.0
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	1.7	0
Acid test ratio (x)	3.5	3.6	23.3	26.3
Profitability Ratios				
Net profit margin (%)	N/A	-	-	36.7
Return on assets (%)	-93.3	-139.4	-4.0	41.5
Return on equity (%)	-78.0	-91.2	-4.2	30.9

Valuation Summary (10% Discount Rate)	A\$m	A\$/sh
Mt Morgans	536	3.42
Unmined Resources	47	0.30
Corporate Valuation	-39	-0.25
Forward Sales	0	0.00
Exploration Upside	75	0.48
Cash est.	7	0.04
Debt est.	0	0.00
NAV	578	4.00

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%

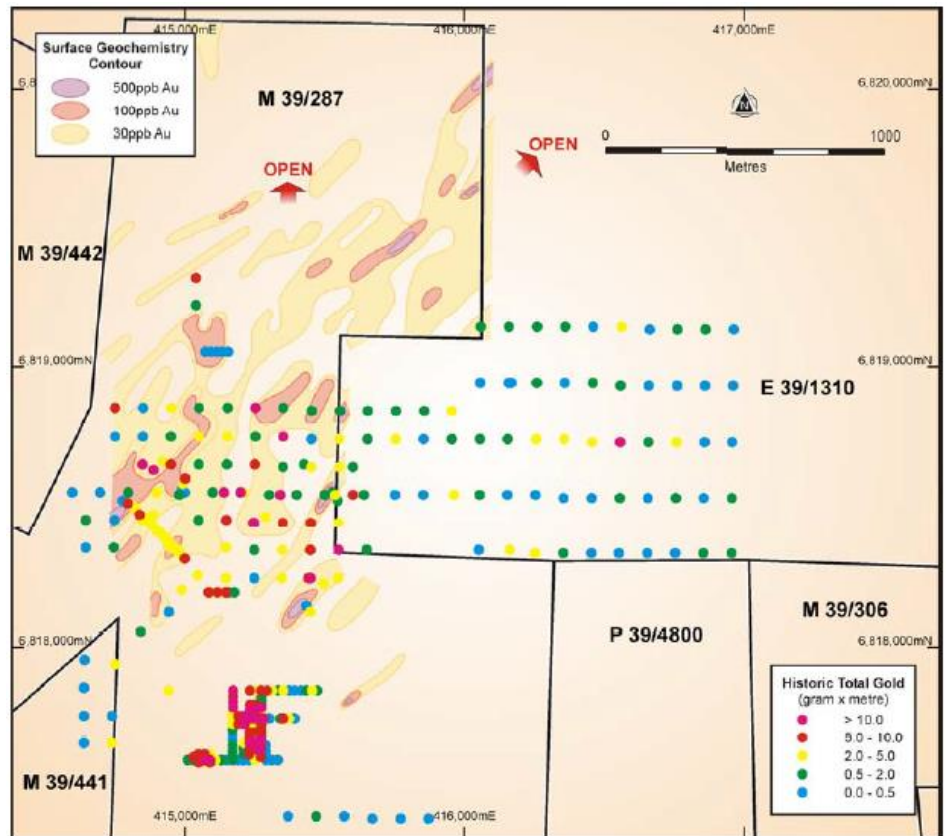
Big anomaly at Cameron Well

Cameron Well gold in regolith anomaly now covers 2.5km x 2km...

The gold in regolith anomaly at the Cameron Well prospect has grown from 2km x 1km to 2.5km x 2km as a result of the recent 133 hole air-core drill program. The program covered the area with a 100m x 50m grid and mineralisation remains open to the north and northeast. Follow up work will test extensions to the north with a 100m x 100m program and a closer spaced 50m x 50m program to vector in on higher grade domains. Once identified, the higher grade trends will be targeted with a RC/diamond drill program.

...with intercepts of 4m @ 1.5g/t Au and 12m @ 0.6g/t Au...

Figure 1: LAG geochemical gold anomaly at Cameron Well

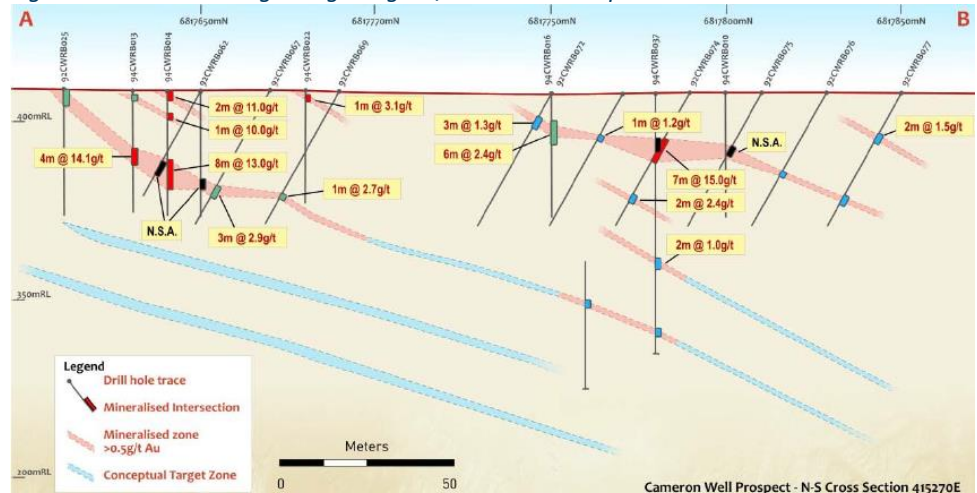


...and anomalism remains open to the north and northeast

Source: DCN

Historical drilling noted the presence of syenite and low angle faults...

Figure 2: Historic drilling and geological/structural interpretation at Cameron Well



...which are the main controls on mineralisation at Jupiter

Source: DCN

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

James Wilson | Analyst, Metals & Mining Research
+61 8 9224 6835 jwilson@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 bwilloughby@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 holds or controls 10,000 DCN shares.

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

General Disclosure and Disclaimer

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") or by Argonaut Securities (Asia) Limited ("ASAL") for the use of the clients of ASPL, ASAL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited. ASAL has a licence (AXO 052) to Deal and Advise in Securities and Advise on Corporate Finance in Hong Kong with its activities regulated by the Securities and Futures Ordinance ("SFO") administered by the Securities and Futures Commission ("SFC") of Hong Kong.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL and ASAL have made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, ASAL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL and ASAL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's and / or ASAL's overall revenues.

Hong Kong Distribution Disclosure

This material is being distributed in Hong Kong by Argonaut Securities (Asia) Limited which is licensed (AXO 052) and regulated by the Hong Kong Securities and Futures Commission. Further information on any of the securities mentioned in this material may be obtained on request, and for this purpose, persons in the Hong Kong office should be contacted at Argonaut Securities (Asia) Limited of Unit 701, 7/F, Henley Building, 5 Queen's Road Central, Hong Kong, telephone (852) 3557 48000.

Copyright

© 2016. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited and / or Argonaut Securities (Asia) Limited. Argonaut Securities Pty Limited and Argonaut Securities (Asia) Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.