

Dacian Gold Ltd

(DCN \$2.30) Speculative Buy

EUROZ

Analyst	Date	Price Target
Jon Bishop	6 th November 2016	\$3.50/sh

\$26.5m Equity Issue

Investment case

DCN continues to be our preferred emerging gold producer. Mount Morgans is an excellent project with clear capacity to mature to deliver strong project economics and exploration success. Ongoing resource and exploration drilling through CY'18 during construction phase will boost mining inventories as well as mature and expand upon the exploration potential in our view. We maintain our Speculative Buy pending finalisation of debt and equity financing.

Key points

- The Company has placed \$26.5m in new equity (10.6m shares @ \$2.50/sh);
- The proceeds will be applied to exploration; long lead items and general working capital;
- We anticipate debt financing in the near term (EZL est \$125m). We would then expect that the balance of equity financing will follow;
- The current cash of ~\$30m combined with the debt financing in principle will be sufficient to enable the Company order/procure long lead items and engage contractors, ensuring that the current target for first pour in Mar 2018 is still achievable;
- The recent release of the MMGP Feasibility Study (FS) as well as an Expansion Pre-Feasibility Study (PFS) outlined:
 - FS - 8yr LOM producing 1.2moz (2g/t) @ AISC of \$1,039/oz;
 - Expansion PFS - 9yr LOM delivering 1.7moz at AISC of \$970-975/oz;
- Our valuation considers the PFS assuming:
 - 9yrs LOM
 - Average of 166kozpa @ AISC of \$1,000/oz,
 - Inc an average of 200kozpa over yrs 1-7;
 - Capex of \$230m.
- We expect capex numbers to ultimately be lower (up to \$50m in possible savings) on account of utilisation of second hand camps and refurbished surface infrastructure;
- Our revised valuation is \$3.24/sh (vs \$3.74/sh last published) due to our assumptions regarding further equity post the debt financing being announced;
- We set a higher \$3.50/sh Price Target in light of the near mine brownfields and broader green-fields exploration potential, but highlight that the share price performance may be choppy until all financing is delivered.

Dacian Gold Ltd	Year End 30 June	
Share Price	2.30	A\$/sh
Price Target	3.50	A\$/sh
Valuation	3.24	A\$/sh
	(npv 10%)	
Shares on issue	146	m, diluted *
Market Capitalisation	329	A\$m
Enterprise Value	299	A\$m
Debt	0	A\$m
Cash	30	A\$m
Largest Shareholder	Brian Rodan 5.83%	

Production F/Cast	2016f	2017f	2018f
Attrib. Prod'n (koz)	0	0	58
Cash Cost (A\$/oz)	n/a	n/a	676
Total Cost (A\$/oz)	n/a	n/a	993

Assumptions	2016f	2017f	2018f
Gold US\$/oz	1235	1270	1325
AUDUSD	1.03	0.92	0.89

Key Financials	2016f	2017f	2018f
Revenue (A\$m)	0	1	106
EBITDA (A\$m)	-3	-4	59
NPAT (A\$m)	-22	-2	28
Cashflow (A\$m)	-29	-1	-147

CFPS (Ac)	-16	-36	-56
P/CFPS (x)	na	na	na

EPS (Ac)	-22	-2	19
EPS growth (%)	na	na	na
PER (x)	na	na	13.2

EV:EBITDA (x)	na	na	7.3
EV:EBIT (x)	na	na	10.5

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	na	na	37%
Interest Cover (x)	na	na	na

Share Price Chart



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Market Statistics

		Year End 30 June			
Share Price	\$2.30	A\$/sh	Directors		
Issued Capital			R Williams	Ex Chr'n	
Fully paid Ord Shares	146.3	m	R Reynolds	NE Dir	
Opts @ var	10.2	m	B Patterson	NE Dir	
Total	147.8	m	I Cochrane	NE Dir	
Market Capitalisation		\$329	m	Shareholders	
Enterprise Value	\$299	m	1832 Asset Mgmt	8.20%	
Debt	\$-	m	Colonial	6.10%	
Cash	\$30	m			
Hedging	Nil				

Asset Valuation

	A\$m	A\$/sh
Mt Morgans (100%)	524	2.65
Hedging	-	-
Corporate	(22)	(0.11)
Exploration	100	0.51
Unpaid Capital*	9	0.05
Debt	-	-
Cash	30	0.15
Total	641	3.24

F/Cast Production (A\$m) 2016a 2017f 2018f 2019f 2020f

	2016a	2017f	2018f	2019f	2020f
Mount Morgans	0	0	58	214	207
Avg Cash Cost (A\$/oz)	n/a	n/a	676	847	872
Avg Total Cost (A\$/oz)	n/a	n/a	993	1,077	1,108
Avg All in Costs (A\$/oz)			971	1,006	1,036
Avg Spot Price (US\$)	1,235	1,270	1,325	1,350	1,350
Avg Price Rec'd (A\$)	1,700	1,693	1,755	1,765	1,742
USD:AUD	0.73	0.75	0.76	0.77	0.78

Ratio Analysis (A\$m) 2016a 2017f 2018f 2019f 2020f

CF (A\$m)	(29)	(1)	(146)	178	166
CF / Sh (Ac/sh)	(16)	(37)	(56)	69	66
CF Ratio (x)	na	na	na	3.3	3.5
Earnings (A\$m)	(30)	(3)	38	129	119
EPS (Ac/sh)	(22)	(1)	19	65	60
EPS Growth (%)	na	na	na	237%	-7%
Earnings Ratio (x)	na	na	11.9	3.5	3.8
E'prise Val. (A\$m)	505	389	514	387	267
EV : EBITDA (x)	na	na	6.5	1.6	1.7
EV : EBIT (x)	na	na	9.4	2.1	2.3
Net Debt / ND+Eq (%)	na	na	30%	na	na
Interest Cover (x)	na	na	na	49.0	na
EBIT Margin (%)	na	na	40%	38%	35%
ROE (%)	-166%	-2%	19%	40%	27%
ROA (%)	-119%	-2%	15%	40%	33%
Div. (Ac/sh)	-	-	-	-	-
Div. payout ratio (x)	-	-	-	-	-
Div. Yield (%)	0%	0%	0%	0%	0%
Div. Franking (%)	0%	0%	0%	0%	0%

Profit and Loss (A\$m) 2016a 2017f 2018f 2019f 2020f

Gold Revenue	0	0	102	378	361
Hedging Revenue	(0)	-	-	-	-
Interest Revenue	0	1	5	5	9
Other Revenue	-	-	-	-	-
TOTAL REVENUE	0	1	107	383	371
Operating Costs	0	0	39	181	181
Dep/Amort	0	0	18	49	49
W/O & Provisions	19	-	-	-	-
Corp O/H	3	4	4	4	4
EBITDA	(3)	(4)	59	192	176
EBIT	(22)	(4)	41	143	128
Interest Expense	-	-	5	8	5
NPBT	(22)	(3)	41	141	131
Tax	-	(1)	12	42	39
Minorities	-	-	-	-	-
NET PROFIT	(22)	(2)	29	98	92
Net Abnormal Gain/(Loss)	-	-	-	-	-
NET PROFIT After Abn'l	(22)	(2)	29	98	92

Cash Flow (A\$m) 2016a 2017f 2018f 2019f 2020f

Net Profit	(22)	(2)	29	98	92
+ Working Capital Adj.	-	-	-	-	-
+ Dep/Amort	0	0	18	49	49
+ Provisions	-	-	-	-	-
+ Tax Expense	-	(1)	12	42	39
- Tax Paid	-	(1)	10	34	32
- Deferred Revenue	(1)	-	-	-	-
Operating Cashflow	(21)	(2)	50	156	149
-Capex + Development	-	70	160	20	20
-Exploration	17	10	10	10	10
-Assets Purchased	-	-	-	-	-
+Asset Sales	-	-	-	-	-
+ Other	-	-	-	-	-
Investing Cashflow	(18)	(80)	(170)	(30)	(30)
+Equity Issues	24	127	-	-	-
+Loan D'down/Receivable	-	50	75	-	-
-Other	0.05	1.5	0	0	0
-Loan Repayment	-	-	-	20	60
-Dividends	-	-	-	-	-
Financing Cashflow	24	178	75	(20)	(60)
Period Sur (Def)	5	96	(45)	106	59
Cash Balance	10	105	60	166	225

Balance Sheet (A\$m) 2016a 2017f 2018f 2019f 2020f

Assets					
Cash	10	105	60	166	225
Current Receivables	0	0	0	0	0
Other Current Assets	-	-	-	-	-
Non-Current Assets	9	79	221	191	163
Total Assets	19	184	281	358	387
Liabilities					
Borrowings	-	50	125	105	45
Current Accounts Payable	3	3	3	3	3
Other Liabilities	2	2	2	2	2
Total Liabilities	5	55	130	110	50
Net Assets	13	129	150	247	337

Reserves and Resources

	Reserves mt	Reserves g/t	koz	Resources mt	Resources g/t	koz
Westralia		4.5	558	8.6	5.8	1,621
Jupiter		1.4	643	33.7	1.3	1,355
Other				3.0	3.5	340
Total (koz)			1201	45	2.3	3,315

EV per oz 100

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