

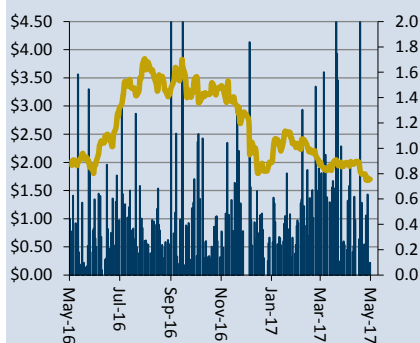
BUY

Current Price **\$1.70**
Target Price **\$3.00**

Ticker:	DCN		
Sector:	Materials		
Shares on Issue (m):	201.4		
Market Cap (\$m):	342.4		
Net Cash est (\$m):	-25.0		
Enterprise Value (\$m):	367.4		
52 wk High/Low:	\$3.88	\$1.67	
12m Av Daily Vol (m):		0.46	
Key Metrics			
	16A	17F	18F
P/E (x)	-15.7	-22.2	4.1
EV/EBITDA (x)	-16.9	-19.3	2.5
Financials:			
Revenue (A\$m)	0.3	0.0	243.8
EBIT (A\$m)	-22.0	-19.0	125.4
NPAT (A\$m)	-21.8	-15.4	82.8
Net Assets (A\$m)	13.3	207.5	229.5
Op CF (A\$m)	-1.3	-5.4	110.1
Per Share Data:			
EPS (cps)	-10.8	-7.7	41.1
DPS (cps)	N/A	N/A	N/A
Div Yield	N/A	N/A	N/A
CFPS (cps)	-0.6	-2.7	54.7

In A\$ unless otherwise stated

Share Price Graph



Monday, 1 May 2017

Dacian Gold

Cameron Well results show potential

Analysts | James Wilson | Matthew Keane

Quick Read

Dacian Gold (DCN) has announced positive drill results from its first pass program at Cameron Well. Initial results show a broad blanket of shallow mineralisation across the ~2,500m² diameter Syenite Complex. Best results from the first 319 holes of the planned 589-hole program included 14m @ 1.1g/t (from 44m), 8m @ 3.3g/t (from surface) and 2m @ 4.9g/t (from 38m with visible gold present). Over 44% of holes intersected mineralisation >0.1g/t and 80 of the holes ended with anomalous gold mineralisation at end of hole. All holes were designed to test the oxide profile above bedrock with deeper RC/Diamond core testing scheduled to be carried out once the initial aircore program is completed in May. Importantly, a larger proportion of the program over the Syenite is still yet to infill the new zones of anomalism. BUY maintained.

Event & Impact | Positive

Cameron Well – positive first pass: First round drilling at Cameron Well has outlined numerous zones of mineralisation within the interpreted Syenite Complex. Results are widespread over the ~1,000m of strike within a magnetic feature with best results of 15m @ 1.0g/t Au, 6m @ 3.3g/t Au and 4m @ 3.4g/t Au further validating the historical results in the area and expanding the footprint of known near surface mineralisation.

270 infill holes still to be drilled: The first round of drilling outlined significant mineralisation over a large portion of the Syenite Complex. Importantly, the results are all within the oxide profile with limited bedrock testing due to the nature of the Aircore/RAB drilling method. We note a significant number of holes are yet to be drilled, in and around the current intercepts which should give a much clearer picture of the oxide geochemistry once the remaining 270 drill holes are completed in May.

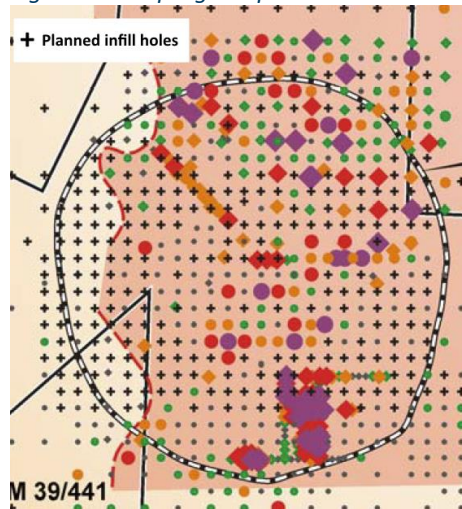
Geologically the main game will be at depth at Cameron Well: Wallaby Style/Jupiter mineralisation occurs as sub-horizontal shear zones cutting across the syenite at depths up to 1,200m below surface, so follow-up RC and Diamond Core will be closely watched. In our view, the combination of a broad blanket of near surface gold anomalism with many holes ending in mineralisation across a large 1km wide magnetic structure bodes well for continued success in future deeper drill programs.

Cheap for a mining company with 200kozpa production within 10 months: Our peer comparison analysis shows DCN trading on an EV/Production of \$1,825/oz versus a sector producer average of ~A\$4000/oz (using a pro-forma production rate of ~200kozpa). With outflows of \$42m during the June Q, we see numerous catalysts as construction ramps up aiming for first production in the March Q CY 2018.

Recommendation

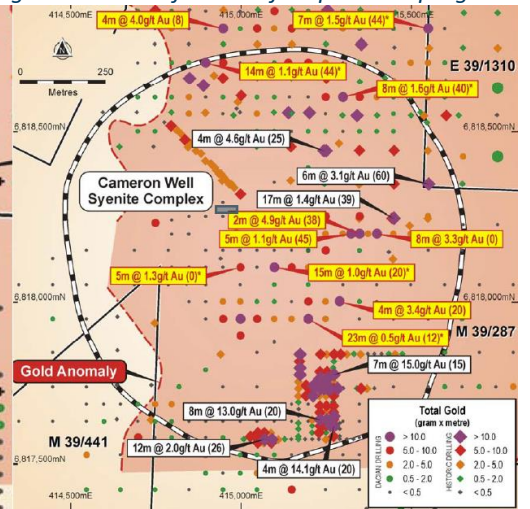
We maintain our BUY recommendation and target price of \$3.00ps.

Figure 1: Drill program pattern



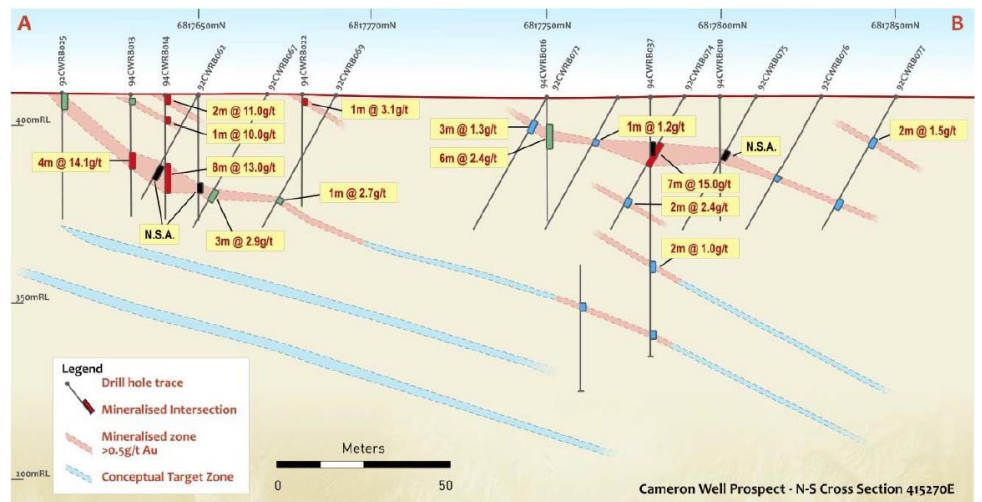
Source: DCN

Figure 2: Results from the first pass drill program



Deeper drilling at Cameron Well will be the key: The important take-away from the initial drilling at Cameron Well is that the structure is mineralised across its diameter at surface. Geologically DCN will target “Wallaby Style” mineralisation of sub-horizontal shear zone lodes at depth which will be tested with the follow-up RC and Diamond core programs in the 2HCY17 once the initial air-core program is complete.

Figure 3: Interpretation of Cameron Well mineralisation (DCN Presentation: Sept 2016)



Source: DCN

Recommendation

The Cameron Well drill program is in its early days, but we remain positive since the structure is broadly mineralised over 1,000m of strike within the Cameron Well Syenite Complex. We await results from the remainder of the infill aircore drilling and the initial program of deeper RC/Diamond core holes. Maintain BUY, TP \$3.00ps.

Dacian Gold Ltd**Equities Research**

Analyst: James Wilson

Recommendation BUY
Current Price \$1.70
Valuation \$3.00

Sector Metals & Mining
Issued Capital (m) 201.4
Market Cap (m) \$342.4
Date 01-May-2017

Profit & Loss (A\$m) 31 December	2016A	2017E	2018E	2019E
Sales revenue	0.3	0.0	243.8	438.9
+Other income	0.0	0.0	0.0	0.0
-Operating costs	0.0	0.0	86.1	166.5
-Exploration and evaluation	19.2	15.0	8.0	6.0
-Corporate	2.9	4.0	5.0	6.0
-Other expenses	0.0	0.0	0.0	0.0
EBITDA	-21.8	-19.0	144.8	260.4
-D&A	0.2	0.0	19.3	41.7
EBIT	-22.0	-19.0	125.4	218.7
+ Interest Revenue	0.3	-1.4	-9.8	-5.0
-Impairments	0.0	0.0	0.0	1.0
-Finance costs	0.0	-5.0	0.0	0.0
Operating profit	-21.8	-15.4	115.7	212.6
-Tax expense	-0.2	0.0	32.9	64.6
+Other	0.0	0.0	0.0	0.0
NPAT	-21.8	-15.4	82.8	148.0
NPAT Adjusted	-21.8	-15.4	82.8	147.0

Cash Flow (A\$m) 31 December	2016A	2017E	2018E	2019E
Operating Cashflow	-1.3	-5.4	110.1	196.8
- Capitalised Items (excl. exploration)	0.5	120.0	80.3	34.0
- Exploration & Evaluation	17.4	15.0	8.0	6.0
+ Other	0.0	0.0	0.0	0.0
Free Cashflow	-19.2	-140.4	21.7	156.8
+ Debt Drawdown (Repaid)	0.0	50.0	100.0	-40.0
+ Equity Raised	26.0	136.5	0.0	0.6
- Finance Costs	0.0	5.0	0.0	0.0
Net Change in Cash	6.8	41.2	121.7	117.4
Cash at End Period	9.6	50.8	172.5	289.8

Balance Sheet (A\$m) 31 December	2016A	2017E	2018E	2019E
Cash and Cash Equivalents	9.6	50.8	172.5	289.9
Total assets	18.7	262.2	384.2	368.7
Current Debt	0.0	0.0	0.0	0.0
Non Current Debt	0.0	50.0	150.0	110.0
Total liabilities	5.4	54.7	154.7	114.7
Shareholders funds	13.3	207.5	229.5	254.0

Production and Assumptions	2016A	2017E	2018E	2019E
Assumptions				
Gold Price (US\$/oz)	1,167	1,300	1,338	1,300
AUD/USD FX	0.73	0.73	0.70	0.72

Mt Morgans Production	2016A	2017E	2018E	2019E
Gold Ounces (koz)	0.0	0.0	128.8	242.9
Costs				
C1 Costs (A\$/oz)	0	0	920	860
All-in Sustaining Cost (A\$/oz)	0	0	1055	985

Mt Morgans Reserves & Resources (Attributable)	Mt	Au g/t	Au (Moz)
Resources			
Mt Morgans	44.7	2.3	3.3
Reserves			
Mt Morgans	18.6	2.0	1.2

Financial Summary	2016A	2017E	2018E	2019E
Reported earnings				
Net profit (A\$m)	(21.8)	(15.4)	82.8	148.0
EPS (A\$cps)	(10.8)	(7.7)	41.1	73.5
PER (x)	(15.7)	(22.2)	4.1	2.3
Normalised earnings				
Net profit (A\$m)	(21.8)	(15.4)	82.8	147.0
EPS (A\$cps)	(10.8)	(7.7)	41.1	73.0
EPS growth (%)	172.9	(29.2)	(636.5)	77.7
PER (x)	(9.2)	(13.1)	2.4	1.4
Cashflow				
Operating cashflow (\$m)	(1.3)	(5.4)	110.1	196.8
GCFPS (A\$cps)	(0.6)	(2.7)	54.7	97.7
PCF (x)	(272.6)	(63.4)	3.1	1.7
Dividend				
Dividend (A\$cps)	N/A	N/A	N/A	N/A
Yield (%)	N/A	N/A	N/A	N/A

Financial Ratios	2016A	2017E	2018E	2019E
Balance Sheet Ratios				
Total Debt / Equity (%)	0	24	65	43
Interest cover (x)	-705.9	3.8	0	0
Acid test ratio (x)	3.6	18.5	62.5	104.9
Profitability Ratios				
Net profit margin (%)	N/A	-	33.9	33.5
Return on assets (%)	-243.3	-9.0	59.2	277.2
Return on equity (%)	-164.4	-7.4	36.1	57.9

Valuation Summary (10% Discount Rate)	A\$m	A\$/sh
Mt Morgans	517	2.57
Unmined Resources	60	0.30
Corporate Valuation	-39	-0.19
Forward Sales	0	0.00
Exploration Upside	90	0.45
Cash est.	125	0.62
Debt est.	-150	-0.75
NAV	543	3.00

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

Substantial Shareholders	%
CBA and related parties	11.1%
Australian Super Pty Ltd	5.6%
Bank of Nova Scotia	5.4%

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Argonaut acted as Co-Lead Manager to the Placement that raised \$110M in February 2017 and received fees commensurate with this service.

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