

## Algold Resources (ALG-V)

### Phase 3 Drilling Looking To Expand Strike & Depth Of Gold Mineralization At Eleonore

April 11, 2017

Michael Curran, CFA

(416) 507-3950

[mcurran@beaconsecurities.ca](mailto:mcurran@beaconsecurities.ca)

Algold Resources controls land positions to the north and southeast of the Tasiast gold mine in Mauritania. The focus of current exploration activity is the **Tijirit Project** located ~30km southeast of Tasiast.

**Recent Drill Results:** last week, Algold reported initial assay results from the 25,000m Phase 3 drill programme (20km reverse-circulation and 5km diamond drilling) started earlier this year. In 2016, gold mineralization at the **Eleonore** zone had been outlined over a 3.4km strike length, within 3 main zones (Central, North, and South), with Phase 1-2 drilling testing for mineralization typically less than 100 metres below surface.

1. **Eleonore South:** a drill intercept of **3m grading 7.7g/t** in hole T17RC013 deepens the Eleonore South zone to 150 metres below surface. Similar holes are planned on the Eleonore Central zone to test the depth extension of mineralization to 150m and 200m depth.
2. **Eleonore Central:** a drill intercept of **4.0m grading 10.2g/t gold** represents a new mineralized horizon, and a **10.0m intercept grading 3.2g/t** extends mineralization 28m down dip from a previous drill hole.

**Cashed Up For Drilling:** Algold raised gross proceeds of \$7.5 million last month (37.5MM units at \$0.20/unit) to fund the current exploration programme.

**Towards Project Development:** in late FEB, the Mauritanian Ministry of Environment and Sustainable Development provided a “conclusive acceptance and opinion” regarding the environmental feasibility of the project, an initial step to securing a mining lease.

#### Update

**Spec. BUY (unch.) \$0.85 (unch.)**

Previous Close	\$0.24
12-month Target Price	\$0.85
Potential Return	254%
Dividend Yield	0.0%
52 Week Price Range	Low High \$0.14 \$0.44

	Annual Estimates			
(C\$MM, except per unit)	FY16	FY17e	FY18e	FY19e
Revenue	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	-\$2.0	-\$2.0	-\$2.3	-\$2.5
Shares O/S (wgt avg)	103	125	235	235
EPS (operating)	-\$0.02	-\$0.01	-\$0.01	-\$0.01
CFPS	-\$0.02	-\$0.01	-\$0.01	-\$0.01

	Valuation			
P/E	neg.	neg.	neg.	neg.
P/CF	neg.	neg.	neg.	neg.
NAV	-	-	-	-
P/NAV	-	-	-	-

	Financials	
Shares Outstanding	164.8	million
Mgt/Insiders	8%	
	(C\$MM)	
Market Cap	\$39.6	
LT Debt (corporate)	\$0.0	
Working Capital	\$8.0	
Enterprise Value	\$31.6	
Fiscal Year End	December 31	

	Reserves / Resources	
2P Reserves	-	
M+I Resources	0.03	MMoz
Total Resources (M+I)	0.27	MMoz

	Quarterly Estimates			
	Q1/16	Q2/16	Q3/16	Q4/16
EPS (operating)	\$0.00	-\$0.01	\$0.00	-\$0.01
CFPS	\$0.00	-\$0.01	\$0.00	-\$0.01
	Q1/17e	Q2/17e	Q3/17e	Q4/17e
EPS (operating)	\$0.00	\$0.00	\$0.00	-\$0.01
CFPS	\$0.00	\$0.00	\$0.00	-\$0.01

#### Company at a Glance

Algold Resources is a mineral exploration company focused on a portfolio of properties in Mauritania, near Kinross Gold's Tasiast Gold Mine. **All prices in C\$ unless otherwise indicated.**

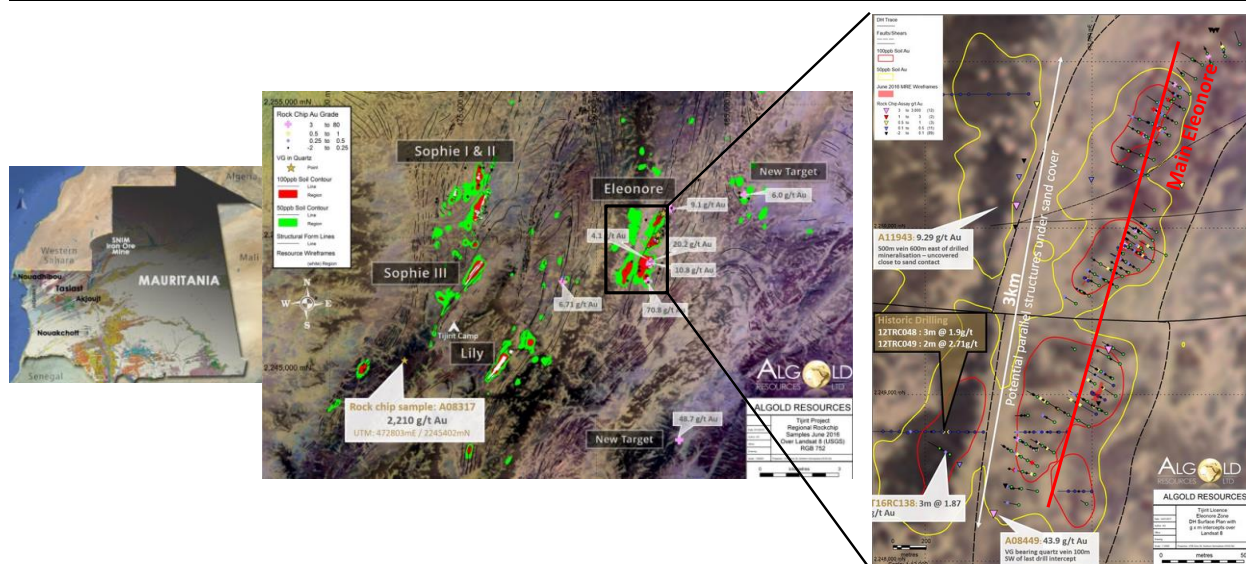
#### Stock Performance



## Investment Thesis...Prospective Ground With Multi-Million Ounce Potential

We view Algold Resources as an attractive speculative play for exploration success in Mauritania. The company controls a large land position to the north and south of Kinross Gold's Tasiast gold mine (15MMoz of total gold resources, now growing production to +400,000oz/yr). Several principals of the company were involved with building the Tasiast mine, thus have experience doing business in the country. Algold also holds gold properties in Burkina Faso, where management has ample experience (with SEMAFO).

**Fig 1 Tijirit Property Maps: Eleonore Zone Detail (far right)**



Source: Company report

## Valuation Methodology

Our preferred valuation for mining equities employs cash flow-based metrics such as P/CF and P/NAV, using life-of-mine production forecasts and our commodity price assumptions. However, for earlier-staged explorers without reported resources that could be DCF modeled with any accuracy, we employ the more basic valuation metric of **Adjusted Market Capitalization per total resource ounce (AMC/oz)**.

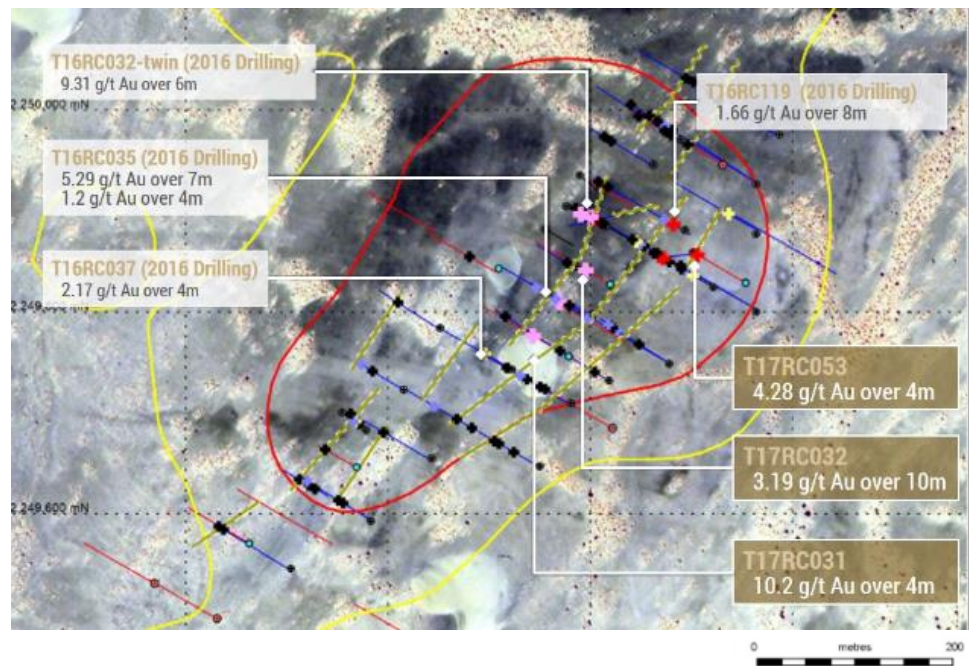
For Algold, we are targeting a 2.0MMoz resource at Tijirit (previously 1.5MMoz). In terms of a target AMC/oz multiple, we believe Algold can command premium multiples for the higher-grade nature of the gold mineralization at Eleonore. As a result, we employ a target multiple of US\$50/oz (unchanged), which represents a discount to the current peer group average (see fig 3) for the fact that our targeted resource has yet to be achieved. **Using our targeted resource and AMC/oz multiple generates a \$0.85 target price for ALG shares.**

**Fig 2 Peer Group of Explorers: AMC/oz**

Company	Sym-Exch	Share Price C\$/sh	Shares M	Market Cap US\$M	AMC US\$M	(M+I)	(M+I+I)	Gold Grade g/t	AMC/	AMC/	Area of Major Exploration	
						Measured Indicated 000oz	Total Resource 000oz		M+I oz US\$/oz	M+I+I oz US\$/oz		
Auryn Resources	AUG-V	\$3.17	77	\$187	\$152	800	2,620	5.10	190	58	Nunavut, BC, Peu	
Continental Gold	CNL-T	\$3.70	142	\$404	\$393	2,800	7,000	8.84	140	56	Colombia	
Dalradian Resources	DNA-T	\$1.36	250	\$262	\$238	2,084	4,390	10.80	114	54	N. Ireland	
Eastmain Resources	ER-T	\$0.46	175	\$62	\$56	951	1,584	4.01	59	35	Quebec	
Golden Reign Resources	GRR-V	\$0.26	184	\$36	\$35	150	938	7.44	233	37	Nicaragua	
IDM Mining	IDM-V	\$0.16	354	\$44	\$27	584	649	8.49	45	41	BC	
Integra Gold	ICG-V	\$0.80	479	\$295	\$255	1,165	2,193	6.90	219	116	Quebec	
K92 Mining	KNT-V	\$0.87	135	\$90	\$82	230	1,430	8.07	357	57	PNG	
Lundin Gold	LUG-T	\$5.96	119	\$544	\$543	7,350	9,480	8.77	74	57	Ecuador	
Pure Gold	PGM-V	\$0.56	188	\$81	\$62	928	1,225	9.61	67	51	Ontario	
									Mean	159	57	
									Median	140	56	
Algold Resources-current	ALG-V	\$0.24	130	\$24	\$19	-	270	1.71		70	Mauritania	
Algold Resources-target	ALG-V	\$0.24	130	\$24	\$19	-	2,000	4.00		10	Mauritania	

Source: Company reports, Thomson Reuters Eikon share data

**Fig 3 Drill Location Map: Eleonore Central Zone**



Source: Company report

## Appendix : Summary Financials

Algold Resources				Beacon Securities Limited				
Symbol		ALG-V		Share Price		\$0.24		
Stock Rating		Speculative Buy		Shares O/S (MM)		164.8 Float (MM) 141.6		
Price Target		\$0.85		Mkt Cap (\$MM)		40		
Michael Curran, CFA (416) 507-3950								
INCOME STATEMENT				Management		Other Directors		
		FY16	FY17e	FY18e				
Revenues	C\$MM	-	-	-	<b>Francois Auclair</b>	President/CEO/Director	John Hick	
Operating Costs	C\$MM	-	-	-	<b>Benoit La Salle</b>	Chairman	Mario Caron	
EBITDA	C\$MM	(2.0)	(2.0)	(2.3)	<b>Yves Grou</b>	Exec. Vice-Chairman	Salma Seetaroo	
DD&A	C\$MM	-	-	-	<b>Dejan Ristic</b>	CFO	Mary Batoff	
EBIT	C\$MM	(2.0)	(2.0)	(2.3)	<b>Andre Ciesielski</b>	Sr. Technical Consultant	Darin Milmeister	
Interest Expense	C\$MM	-	-	-	Options (MM)	Avg. Price	Warrants (MM)	
EBT	C\$MM	(1.4)	(1.5)	(1.8)	9.9	\$0.26	60.4	
Taxes/Recovery	C\$MM	-	-	-			\$0.22	
Net Income (reported)	C\$MM	(2.0)	(2.0)	(2.3)	Recent Financings			
Non-Recurring Items/Other	C\$MM	0.6	0.5	0.5	Date	Amount	Price	Type
Net Income (operating)	C\$MM	(1.6)	(1.5)	(1.8)	MAR-2017	\$7.5	\$0.20	priv.placement
Shares o/s (wgt avg.)	MM	102.8	125.0	235.1	JUL-2016	\$4.0	\$0.30	priv.placement
<b>EPS (operating)</b>	<b>\$/sh</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>				Warrant
P/E Multiple	x	n.m.	n.m.	n.m.				Expiry
Cash Flow (operating)	C\$MM	(1.6)	(1.5)	(1.8)				\$0.30
<b>CFPS</b>	<b>\$/sh</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>				\$0.40
P/CF Multiple	x	n.m.	n.m.	n.m.				JUL-2017
BALANCE SHEET								
Cash & Equivalents	C\$MM	2.2	5.8	7.0				
Total Current Assets	C\$MM	2.4	6.1	7.3				
PP&E & Mining Interests	C\$MM	17.1	18.6	20.4				
Other	C\$MM	0.1	0.1	0.1				
<b>Total Assets</b>	<b>C\$MM</b>	<b>19.5</b>	<b>24.7</b>	<b>27.7</b>				
Current Liabilities	C\$MM	1.4	1.4	1.4				
Long Term Debt	C\$MM	-	-	-				
Other LT Liabilities	C\$MM	0.3	0.3	0.3				
Total Liabilities	C\$MM	1.7	1.7	1.7				
S/Holder Equity	C\$MM	15.0	20.2	23.2				
<b>Total Liab. &amp; S/Holder Equity</b>	<b>C\$MM</b>	<b>19.5</b>	<b>24.7</b>	<b>27.7</b>				
Working Capital	C\$MM	1.0	4.7	5.9				



Source: Company reports, Beacon estimates



## Disclosure Requirements

Does Beacon, or its affiliates or analysts collectively, beneficially own 1% or more of any class of the issuer's equity securities?  Yes  No

Does the analyst who prepared this research report have a position, either long or short, in any of the issuer's securities?  Yes  No

Does Beacon Securities beneficially own more than 1% of equity securities of the issuer?  Yes  No

Has any director, partner, or officer of Beacon Securities, or the analyst involved in the preparation of the research report, received remuneration for any services provided to the securities issuer during the preceding 12 months?  
 Yes  No

Has Beacon Securities performed investment banking services in the past 12 months and received compensation for investment banking services for this issuer in the past 12 months?  Yes  No

Was the analyst who prepared this research report compensated from revenues generated solely by the Beacon Securities Investment Banking Department?  Yes  No

Does any director, officer, or employee of Beacon Securities serve as a director, officer, or in any advisory capacity to the issuer?  Yes  No

Are there any material conflicts of interest with Beacon Securities or the analyst who prepared the report and the issuer?  Yes  No

Is Beacon Securities a market maker in the equity of the issuer?  Yes  No

Has the analyst visited the head office of the issuer and viewed its operations in a limited context?  Yes  No

Did the issuer pay for or reimburse the analyst for the travel expenses?  Yes  No

All information contained herein has been collected and compiled by Beacon Securities Limited, an independently owned and operated member of the Investment Industry Regulatory Organization of Canada (IIROC). All facts and statistical data have been obtained or ascertained from sources, which we believe to be reliable, but are not warranted as accurate or complete.

All projections and estimates are the expressed opinion of Beacon Securities Limited, and are subject to change without notice. Beacon Securities Limited takes no responsibility for any errors or omissions contained herein, and accepts no legal responsibility from any losses resulting from investment decisions based on the content of this report.

This report is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell securities discussed herein. Based on their volatility, income structure, or eligibility for sale, the securities mentioned herein may not be suitable or available for all investors in all countries.

As at March 31, 2017	# Stocks	Distribution
Buy	66	75%
Speculative BUY	11	13%
Hold	4	5%
Sell	0	0%
Under Review	5	6%
Tender	2	2%
<b>Total</b>	<b>88</b>	<b>100%</b>

Buy	Total 12-month return expected to be >15%
Speculative Buy	Potential total 12-month return is high (>15%) but given elevated risk, investment could result in a material loss
Hold	Total 12-month return expected to be between 0% and 15%
Sell	Total 12-month return expected to be negative
Under Review	No current rating/target
Tender	Clients are advised to tender their shares to takeover bid or similar offer

## Dissemination

Beacon Securities distributes its research products simultaneously, via email, to its authorized client base. All research is then available on [www.beaconsecurities.ca](http://www.beaconsecurities.ca) via login and password.

## Analyst Certification

The Beacon Securities Analyst named on the report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of the report; or any other companies mentioned in the report that are also covered by the named analyst. In addition, no part of the research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.