

Algold Resources (ALG-V)

Expanding Exploration Presence in Mauritania

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Algold Resources controls a large land position to the northeast of Kinross Gold's Tasiast gold mine in Mauritania, as well as early-staged exploration property in Burkina Faso. This morning, Algold announced that it has secured a 90-day option to acquire the Mauritanian exploration licenses (Tijirit and Akjoujt) from Gryphon Minerals (GRY-ASX, no rating, not covered).

Tijirit Project – located some 30km southeast of the Tasiast gold mine. Historical work includes just under 40,000 metres of drilling. Better intercepts include: 16m grading 2.5g/t gold, 14m grading 4g/t, 16m grading 2.8g/t, and 6m grading 17.6g/t.

Akjoujt Property – located 30km west of First Quantum's Guelb Moghrin gold/copper mine. Historical work has included soil sampling, trenches, and 33 drill holes. The best trench result was 28 metres grading 3.5g/t gold.

Shield Option – Algold also has an option to acquire Gryphon's 60% interest in the **Saboussiri** copper project in southern Mauritania. Historical work includes 15 drill holes. Better intercepts include: 22m grading 2.1% Cu, 12.7m grading 2.9% Cu, and 35m grading 1.44% Cu. A third party holds a ROFR of the sale by Gryphon.

Transaction Terms: Algold will pay 1.67MM ALG shares on acceptance of the transaction by the TSX Venture Exchange, and a further 8.5MM ALG shares on exercise of the option (within the next 90 days). There is also a future C\$1.5MM payment (cash or ALG shares) triggered 15 months after closing of the transaction or with the reporting of a +500Koz NI43-101-compliant gold-equivalent resource. A further C\$1.5MM payment (cash or ALG shares) would trigger with the reporting of a +1.0MMoz gold-equivalent resource.

Update				
Speculative BUY (unch) no target				
Previous Close				\$0.12
12-month Target Price				n.a.
Potential Return				n.a.
Dividend Yield				0.0%
52 Week Price Range				\$.09-\$.35
Annual Estimates				
(C\$MM, except per unit)	FY14	FY15e	FY16e	FY17e
Revenue	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	-\$1.9	-\$1.1	-\$1.9	-\$2.4
Shares O/S (wgt avg)	39	53	65	79
EPS (operating)	-\$0.02	-\$0.02	-\$0.02	-\$0.03
CFPS	-\$0.02	-\$0.02	-\$0.02	-\$0.03
Valuation				
P/E	neg.	neg.	neg.	neg.
P/CF	neg.	neg.	neg.	neg.
NAV		-		
P/NAV		-		
Financials				
Shares Outstanding		58.8	million	
Mgt/Insiders		8%		
		(C\$MM)		
Market Cap		\$7.1		
LT Debt (corporate)		\$0.0		
Working Capital		\$1.0		
Enterprise Value		\$6.1		
Fiscal Year End		December 31		
Reserves / Resources				
2P Reserves		-		
M+I Resources		-		
Total Resources (M+I)		-	MMoz	
Quarterly Estimates				
	Q1/14	Q2/14	Q3/14	Q4/14
EPS (operating)	-\$0.01	\$0.00	-\$0.01	-\$0.01
CFPS	-\$0.01	\$0.00	-\$0.01	-\$0.01
	Q1/15	Q2/15	Q3/15e	Q4/15e
EPS (operating)	-\$0.01	\$0.00	\$0.00	-\$0.01
CFPS	-\$0.01	\$0.00	\$0.00	-\$0.01
Company at a Glance				

Algold Resources is a mineral exploration company engaged in the acquisition and development of African mineral properties. **All prices in C\$ unless otherwise indicated.**



Investment Thesis...Prospective Ground With Motivated Buyer On Successful Exploration

We view Algold Resources as an attractive speculative play for exploration success in Mauritania. The company controls a large land position to the north of Kinross Gold's Tasiast gold mine (15MMoz of total gold resources, 250Koz/yr production). 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 also has ample experience (with SEMAFO).

Today's transaction would bring additional ground along the favourable geological trend which hosts the Tasiast gold mine. Work to date has shown gold mineralization occurs on both the Tijirit and Akjoujt properties. We maintain our view that any discovery in the region with grades above Tasiast (reserves are 175MMt grading 1.71g/t gold) could ultimately be of interest to Kinross Gold. We view the transaction as positive, but note that Algold will likely require additional funds to adequately support exploration activity in 2016.

Fig 1 Mauritanian Portfolio: General Location Map (left) and Detailed (right)



Source: Company report

Appendix : Summary Financials

Algold Resources				Beacon Securities Limited			
		Symbol ALG-V	Share Price \$0.12				
		Stock Rating Speculative Buy	Shares O/S (MM) 58.8	Float (MM) 54.3			
		Price Target n.a.	Mkt Cap (\$MM) 7				
				Michael Curran, CFA (416) 507-3950			
INCOME STATEMENT				Management		Other Directors	
		FY14	FY15e	FY16e			
Revenues	C\$MM	-	-	-	Francois Auclair	President/CEO/Director	John Hick
Operating Costs	C\$MM	-	-	-	Benoit La Salle	Chairman	Mario Caron
EBITDA	C\$MM	(2.0)	(1.1)	(1.9)	Yves Grou	Exec. Vice-Chairman	Salma Seetaroo
DD&A	C\$MM	-	-	-	Dejan Ristic	CFO	Mary Batoff
EBIT	C\$MM	(2.0)	(1.1)	(1.9)	Andre Ciesielski	Sr. Technical Consultant	Darin Milmeister
Interest Expense	C\$MM	(0.0)	-	-	Options (MM)	Avg. Price	Warrants (MM)
EBT	C\$MM	(0.9)	(1.0)	(1.5)	4.1	\$0.24	16.5
Taxes/Recovery	C\$MM	-	-	-			\$0.30
Net Income (reported)	C\$MM	(1.9)	(1.1)	(1.9)	Recent Financings		
Non-Recurring Items/Other	C\$MM	1.0	0.1	0.4	Date	Amount	Price
Net Income (operating)	C\$MM	(0.9)	(1.0)	(1.5)	JUN-2015	\$2.5	\$0.22
Shares o/s (wgt avg.)	MM	38.9	53.0	65.0	FEB-2015	\$0.4	\$0.20
EPS (operating)	\$/sh	(\$0.02)	(\$0.02)	(\$0.02)	NOV-2014	\$1.1	\$0.25
P/E Multiple	x	n.m.	n.m.	n.m.			Type
Cash Flow (operating)	C\$MM	(1.0)	(1.0)	(1.5)			Warrant
CFPS	\$/sh	(\$0.02)	(\$0.02)	(\$0.02)			Expiry
P/CF Multiple	x	n.m.	n.m.	n.m.			
BALANCE SHEET							
Cash & Equivalents	C\$MM	1.5	1.5	1.2			
Total Current Assets	C\$MM	1.6	1.5	1.3			
PP&E & Mining Interests	C\$MM	5.0	5.4	7.8			
Other	C\$MM	0.1	0.1	0.1			
Total Assets	C\$MM	6.7	7.0	9.2			
Current Liabilities	C\$MM	1.5	1.3	1.2			
Long Term Debt	C\$MM	-	-	-			
Other LT Liabilities	C\$MM	0.1	0.1	0.1			
Total Liabilities	C\$MM	1.6	1.4	1.3			
S/Holder Equity	C\$MM	4.8	5.4	7.6			
Total Liab. & S/Holder Equity	C\$MM	6.7	7.1	9.2			
Working Capital	C\$MM	0.1	0.3	0.1			



Source: Company reports, Beacon estimates

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As at September 30, 2015	# Stocks	Distribution
Buy	54	72%
Speculative BUY	13	17%
Hold	3	4%
Sell	0	0%
Under Review	5	7%
Total	75	100%

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	Currently undergoing a change of analyst coverage

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