

Algold Resources (ALG-V)

Cashed Up For 2016 Exploration in Mauritania

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Algold Resources controls land positions to the north and southeast of Kinross Gold's Tasiast gold mine in Mauritania, as well as early-staged exploration properties elsewhere in Mauritania and in Burkina Faso.

Recent Financing: in early April, Algold completed a non-brokered financing raising \$3.52 million (35.2MM units at \$0.10/unit) to fund exploration activities in Mauritania. The units included one common share and one 24-month warrant (with an exercise price of \$0.15).

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. A 10,000m reverse-circulation (RC) drill programme is expected to begin shortly. The company expects to report an initial resource estimate later this quarter.

Akjoujt Property – located 30km west of the Guelb Moghrin gold/copper mine in Mauritania. Historical work has included soil sampling, trenches, and 33 drill holes. The best trench result was 28 metres grading 3.5g/t gold. Algold acquired the Akjoujt and Tijirit properties in March 2016 by issuing 8.7MM ALG shares to Gryphon Minerals (GRY-ASX, not covered, no rating).

Kneivissat-Legouessi Properties: these early-staged exploration projects are located northeast of Kinross Gold's Tasiast mine and are prospective for both Tasiast-style large tonnage, low grade gold, as well as VMS-style base metal deposits. Algold completed ground geophysical surveys on the properties in Q4/15. 2016 exploration is expected to include mapping, surface sampling and trenching, as well as RC drilling.

Update

Speculative BUY (unch) no target

Previous Close	\$0.21
12-month Target Price	n.a.
Potential Return	n.a.
Dividend Yield	0.0%
52 Week Price Range	Low \$0.07 High \$0.30

(C\$MM, except per unit)	Annual Estimates			
	FY15	FY16e	FY17e	FY18e
Revenue	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	-\$0.8	-\$1.7	-\$1.7	-\$1.7
Shares O/S (wgt avg)	54	100	125	161
EPS (operating)	-\$0.01	-\$0.02	-\$0.01	-\$0.01
CFPS	-\$0.01	-\$0.02	-\$0.01	-\$0.01

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

Financials	
Shares Outstanding	104.9 million
Mgt/Insiders	4%
	(C\$MM)
Market Cap	\$21.5
LT Debt (corporate)	\$0.0
Working Capital	\$4.0
Enterprise Value	\$17.5
Fiscal Year End	December 31

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

	Quarterly Estimates			
	Q1/15	Q2/15	Q3/15	Q4/15
EPS (operating)	-\$0.01	\$0.00	\$0.00	\$0.00
CFPS	-\$0.01	\$0.00	\$0.00	\$0.00
	Q1/16e	Q2/16e	Q3/16e	Q4/16e
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.**

Stock Performance

ALGOLD RESOURCES LIMITED



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 and south 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).


We maintain our view that any discovery in the region with grades above Tasiast (reserves are 8.2MMoz - 132MMt grading 1.9g/t gold) could be of interest to Kinross Gold. Earlier this year, Kinross Gold announced the go-ahead for the Phase 1 expansion of the Tasiast mine, increasing daily throughput from 8,000 to 12,000tpd, to achieve gold output of 400Koz/yr. The company also outlined the parameters of a Phase 2 expansion to take gold production to 777Koz/yr.

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		\$0.21				
Stock Rating		Speculative Buy		Shares O/S (MM)		104.9 Float (MM) 89.7				
Price Target		n.a.		Mkt Cap (\$MM)		22				
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INCOME STATEMENT				Management		Other Directors				
		FY15	FY16e	FY17e						
Revenues	C\$MM	-	-	-	Francois Auclair	President/CEO/Director	John Hick			
Operating Costs	C\$MM	-	-	-	Benoit La Salle	Chairman	Mario Caron			
EBITDA	C\$MM	(0.8)	(1.7)	(1.7)	Yves Grou	Exec. Vice-Chairman	Salma Seetaroo			
DD&A	C\$MM	-	-	-	Dejan Ristic	CFO	Mary Batoff			
EBIT	C\$MM	(0.8)	(1.7)	(1.7)	Andre Ciesielski	Sr. Technical Consultant	Darin Milmeister			
Interest Expense	C\$MM	-	-	-	Options (MM)		Warrants (MM)			
EBT	C\$MM	(1.0)	(1.5)	(1.5)	4.7	Avg. Price \$0.23	16.5	Avg. Price \$0.30		
Taxes/Recovery	C\$MM	-	-	-	Recent Financings					
Net Income (reported)	C\$MM	(0.8)	(1.7)	(1.7)	Date	Amount	Price	Type	Warrant	Expiry
Non-Recurring Items/Other	C\$MM	(0.1)	0.2	0.2	APR-2016	\$3.5	\$0.10	non-brokered	\$0.15	APR-2018
Net Income (operating)	C\$MM	(0.7)	(1.5)	(1.5)	JUN-2015	\$2.5	\$0.22	brokered/non-brok	\$0.30	DEC-2016
Shares o/s (wgt avg.)	MM	53.7	100.0	125.0	FEB-2015	\$0.4	\$0.20	non-brokered	\$0.25	AUG-2016
EPS (operating)	\$/sh	(\$0.01)	(\$0.02)	(\$0.01)						
P/E Multiple	x	n.m.	n.m.	n.m.						
Cash Flow (operating)	C\$MM	(0.7)	(1.5)	(1.5)						
CFPS	\$/sh	(\$0.01)	(\$0.02)	(\$0.01)						
P/CF Multiple	x	n.m.	n.m.	n.m.						
BALANCE SHEET										
Cash & Equivalents	C\$MM	1.1	0.8	2.3						
Total Current Assets	C\$MM	1.2	0.9	2.4						
PP&E & Mining Interests	C\$MM	6.9	9.6	11.5						
Other	C\$MM	0.1	0.1	0.1						
Total Assets	C\$MM	8.2	10.6	14.0						
Current Liabilities	C\$MM	0.8	0.8	0.8						
Long Term Debt	C\$MM	-	-	-						
Other LT Liabilities	C\$MM	0.2	0.2	0.2						
Total Liabilities	C\$MM	0.9	0.9	0.9						
S/Holder Equity	C\$MM	6.9	9.3	12.6						
Total Liab. & S/Holder Equity	C\$MM	8.2	10.6	13.9						
Working Capital	C\$MM	0.4	0.2	1.6						

Source: Company reports, Beacon estimates

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As at April 30, 2016	# Stocks	Distribution
Buy	48	59%
Speculative BUY	13	16%
Hold	6	7%
Sell	0	0%
Under Review	15	18%
Total	82	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

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