

Algold Resources (ALG-V)

Starter Gold Resource For Tijirit Project in Mauritania

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Algold Resources controls land positions to the north and southeast of Kinross Gold's (K-TO, not covered, no rating) Tasiast gold mine in Mauritania, as well as early-staged exploration properties elsewhere in Mauritania and in Burkina Faso.

Tijirit Project – located some 30km southeast of the Tasiast gold mine, Algold acquired the property earlier this year from Gryphon Minerals (GRY-ASX, not covered, no rating). From the 40,000 metres of historical drilling, Algold yesterday reported a maiden resource estimate of **270Koz of gold** (M+I+I) within the three zones delineated to date (see fig1). Although the smallest of the zones, **Eleonore's** higher grade (+3g/t) is expected to garner the bulk of ALG's 10,000m reverse-circulation (RC) drill programme which began last month. Highlights from historic drilling at Eleonore include **6m grading 17.6g/t** and **4m grading 4.2g/t**. Recent surface sampling by Algold in the Eleonore area has identified prospective vein mineralization over 3km of strike length, including quartz veining with visible gold that has not previously been tested by drilling.

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).

Update				
Speculative BUY (unch) no target				
Previous Close				\$0.35
12-month Target Price				n.a.
Potential Return				n.a.
Dividend Yield				0.0%
52 Week Price Range			Low	High
			\$0.07	\$0.40
Annual Estimates				
(C\$MM, except per unit)	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		\$36.2		
LT Debt (corporate)		\$0.0		
Working Capital		\$4.0		
Enterprise Value		\$32.2		
Fiscal Year End		December 31		
Reserves / Resources				
2P Reserves		-		
M+I Resources		-		
Total Resources (M+I+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
	Q1/16	Q2/16e	Q3/16e	Q4/16e
EPS (operating)	\$0.00	-\$0.01	\$0.00	-\$0.01
CFPS	\$0.00	-\$0.01	\$0.00	-\$0.01

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

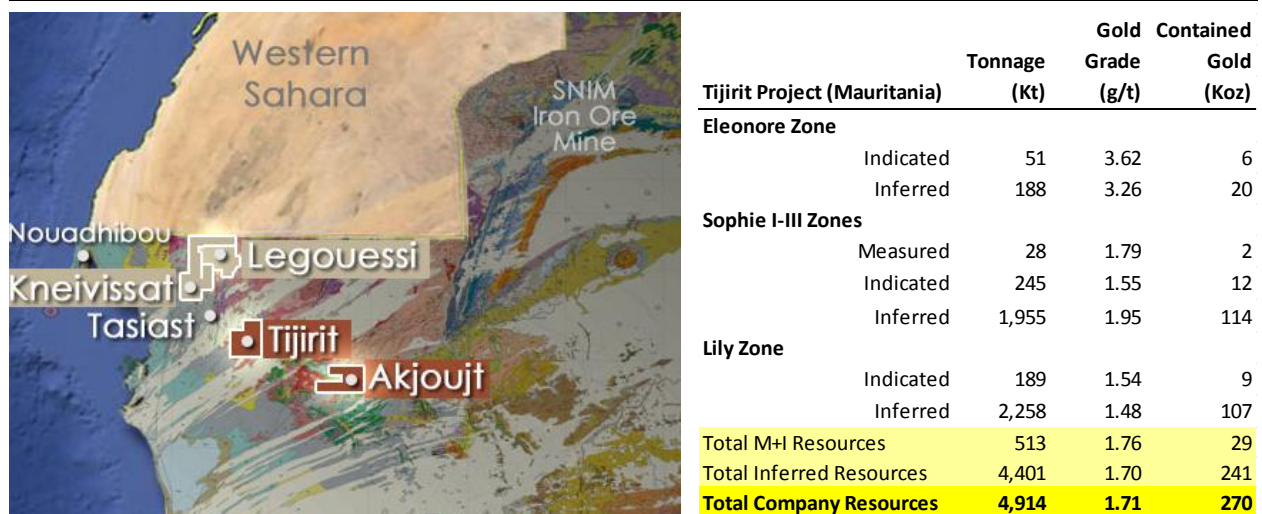


Investment Thesis...Prospective Ground With Motivated Buyer On Successful Exploration

We view Algold Resources as an attractive speculative play for exploration success in Mauritania. The company controls a large land position to the north and south of Kinross Gold's Tasiast gold mine (15MMoz of total gold resources, currently 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).

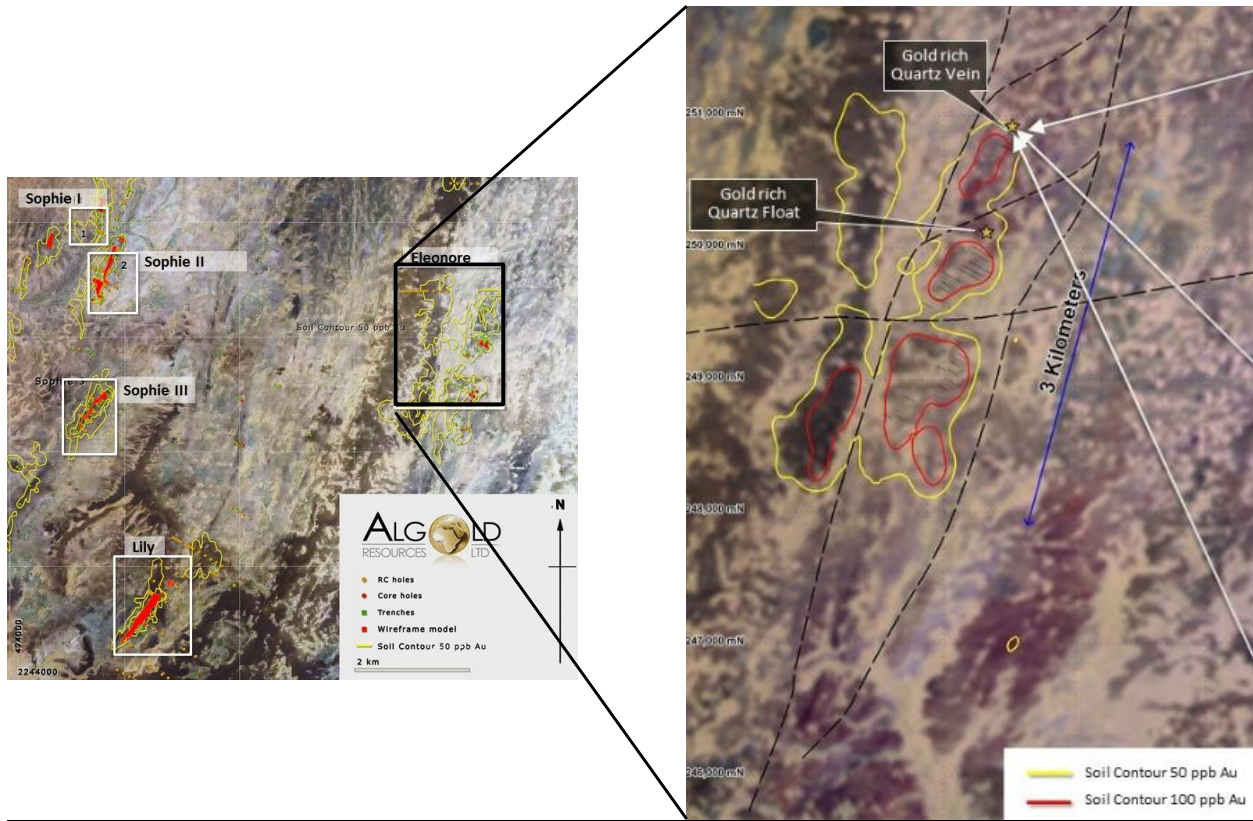
We maintain our view that any discovery in the region with grades above Tasiast (reserves are 8.2MMoz - 132MMt grading 1.9g/t gold) could be of interest to Kinross Gold. Earlier this year, Kinross Gold announced the go-ahead for the Phase 1 expansion of the Tasiast mine, increasing daily throughput from 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 Properties: General Location Map (left) and Tijirit Resource (right)




Source: Company report

Fig 2 Tijirit Property Map: Resource Zones (left) and Eleonore Zone Detail (right)



Source: Company report

Appendix : Summary Financials

Algold Resources				Beacon Securities Limited						
Symbol		ALG-V		Share Price		\$0.35				
Stock Rating		Speculative Buy		Shares O/S (MM)		104.9 Float (MM) 89.7				
Price Target		n.a.		Mkt Cap (\$MM)		36				
Michael Curran, CFA (416) 507-3950										
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)	Avg. Price	Warrants (MM)			
EBT	C\$MM	(1.0)	(1.5)	(1.5)	4.7	\$0.23	16.5			
Taxes/Recovery	C\$MM	-	-	-			\$0.30			
Net Income (reported)	C\$MM	(0.8)	(1.7)	(1.7)	Recent Financings					
Non-Recurring Items/Other	C\$MM	(0.1)	0.2	0.2	Date	Amount	Price	Type	Warrant	Expiry
Net Income (operating)	C\$MM	(0.7)	(1.5)	(1.5)	APR-2016	\$3.5	\$0.10	non-brokered	\$0.15	APR-2018
Shares o/s (wgt avg.)	MM	53.7	100.0	125.0	JUN-2015	\$2.5	\$0.22	brokered/non-brok	\$0.30	DEC-2016
EPS (operating)	\$/sh	(\$0.01)	(\$0.02)	(\$0.01)	FEB-2015	\$0.4	\$0.20	non-brokered	\$0.25	AUG-2016
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 May 31, 2016	# Stocks	Distribution
Buy	49	58%
Speculative BUY	14	17%
Hold	8	10%
Sell	0	0%
Under Review	13	15%
Total	84	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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